

APPENDIX 4E FULL YEAR REPORT Year ended 30 June 2023

Name of entity: Silver Lake Resources Limited
Current reporting period: 12 months ended 30 June 2023
Previous corresponding reporting period: 12 months ended 30 June 2022

		FY2023 A\$'000	FY2022 A\$'000
Revenues from ordinary activities	up 13%	719,628	634,566
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	down 7%	248,399	267,560
Profit after tax	down 60%	30,836	77,681
Cash and bullion	up 6%	332,777	313,815
Net tangible assets per share	up 7%	\$1.06	\$0.99

¹ Refer to Page 6 of Annual Financial Report for reconciliation between profit after tax and EBITDA

Financial Results

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

Title	Reference
Review of results	Page 5
Independent Audit Report	Page 29
Statement of Profit or Loss & OCI	Page 34
Earnings per security	Page 34
Balance Sheet	Page 35
Statement of Changes in Equity	Page 36
Statement of Cash Flows	Page 37
Segment Reporting	Page 71

Dividend information

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

Control gained or lost over entities during the period

There were no changes in control over entities in the year ended 30 June 2023.

Joint Operations

At 30 June 2023 the Group held no interest in any associate or joint venture entity.

Silver Lake Resources Limited

(ABN 38 108 779 782)

Annual Financial Report For the Year Ended 30 June 2023

Corporate Directory

Directors

David Quinlivan
Luke Tonkin
Kelvin Flynn
Rebecca Prain

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

Company Secretary

David Berg

Principal Office

Suite 4, Level 3, South Shore Centre
85 South Perth Esplanade
South Perth WA 6151
Tel: +61 8 6313 3800
Fax: +61 8 6313 3888
Email: contact@slrltd.com

Registered Office

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

Share Register

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone +61 3 9415 4000

Auditors

KPMG
235 St George's Terrace
Perth WA 6000

Internet Address

www.silverlakeresources.com.au

ABN 38 108 779 782

ASX Code: SLR

For personal use only

	Page
Directors' Report	3
Directors' Declaration	27
Auditor's Independence Declaration	28
Independent Audit Report	29
Consolidated Statement of Profit or Loss and Other Comprehensive Income	34
Consolidated Balance Sheet	35
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Consolidated Financial Statements	38

Directors' Report

The Directors submit their report, together with the consolidated financial statements of the Group comprising Silver Lake Resources Limited (the Company or Silver Lake) and its subsidiaries for the year ended 30 June 2023.

DIRECTORS

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

David Quinlivan

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

Non-executive Chairman

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

Mr Quinlivan is a Mining Engineer with significant mining and executive leadership experience having 11 years of service at WMC Resources Ltd, followed by a number of high-profile mining development positions. Since 1989, Mr Quinlivan has served as Principal of Borden Mining Services, a mining consulting services firm, where he has worked on multiple mining projects in various capacities. He has previously served as Chief Executive Officer of Sons of Gwalia Ltd (post appointment of administrators), as Chief Operating Officer of Mount Gibson Iron Ltd and President and Chief Executive Officer of Alacer Gold Corporation. Mr Quinlivan is currently non-executive Chairman of Dalaroo Metals and served as a Non-Executive Director of Ora Banda Mining Limited until 28 September 2022.

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

Luke Tonkin

BEng, Min Eng, MAusImm

Managing Director

Appointed 14 October 2013

Mr Tonkin is a Mining Engineering graduate of the Western Australian School of Mines and his extensive operations and management career spans over 35 years within the minerals and mining industry. He is a past Chairman of the Western Australian School of Mines Advisory Board. Mr Tonkin has held senior management roles at WMC Resources Ltd, Sons of Gwalia Ltd and was Managing Director of Mount Gibson Iron Ltd for 7 years and Chief Executive Officer and Managing Director of Reed Resources Ltd.

Mr Tonkin joined the Company in October 2013 as Director of Operations and was appointed as Managing Director on 20 November 2014. Mr Tonkin has held no other directorships in public listed companies in the last three years.

Kelvin Flynn

B.Com, CA

Non-executive Director

Appointed 24 February 2016

Mr Flynn is a qualified Chartered Accountant with over 30 years' experience in investment banking and corporate advisory roles including private equity and special situations investments in the mining and resources sector. He has held various leadership positions in Australia and Asia, having previously held the position of Executive Director/Vice President with Goldman Sachs and Managing Director of Alvarez & Marsal in Asia. He has worked in complex financial workouts, turnaround advisory and interim management. Mr Flynn was previously a director of privately held Global Advanced Metals Pty Ltd. Mr Flynn is a Non-Executive Director of Mineral Resources Limited and is Managing Director of the specialist alternative funds manager Harvis, which focuses on investments and financing in the real estate and real assets sectors.

Mr Flynn has held no other directorships in public listed companies in the last three years.

Directors' Report

Rebecca Prain

BSc (Geology)

Non-executive Director

Appointed 17 August 2021

Ms Prain has 30 years' experience in the mining industry as a geologist and mining services provider. She has held a variety of technical and management roles throughout her career and is currently the Managing Director of Cube Consulting, a specialist resource estimation and mining engineering services group that provides geological and mining engineering expertise and systems. Ms Prain's experience includes technical and advisory roles to multiple Australian, North American and Southeast Asian mining companies, with a particular focus on the implementation and use of specialist resource estimation and mining software.

Ms Prain has held no other Directorships in public listed companies in the last three years.

COMPANY SECRETARY

David Berg

LLB BComm (General Management)

Appointed 4 September 2014

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

COMMITTEE MEMBERSHIP

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

Audit Committee	Term	Nomination & Remuneration Committee (NRC)	Term
Kelvin Flynn (Chair)	Full Year	Kelvin Flynn	Full Year
Rebecca Prain	Full Year	Rebecca Prain (Chair)	Full Year
David Quinlivan	Full Year	David Quinlivan	Full Year

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit Committee		Nomination & Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
David Quinlivan	11	11	2	2	2	2
Luke Tonkin	11	11				
Kelvin Flynn	11	11	2	2	2	2
Rebecca Prain	11	11	2	2	2	2

Directors' Report

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital at the date of this report is as follows:

Name of Director	Fully Paid Ordinary Shares	Unlisted Performance Rights
David Quinlivan	-	-
Luke Tonkin	764,186	1,346,374
Kelvin Flynn	-	-
Rebecca Prain	-	-

PRINCIPAL ACTIVITIES

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

OPERATING OVERVIEW

Silver Lake is a multi-asset gold company operating in the Eastern Goldfields and Midwest regions of Western Australia and in Northern Ontario, Canada.

The Group's three operations, Deflector, Mount Monger and Sugar Zone, offer significant potential for organic growth from their portfolios of highly endowed and prospective tenement holdings.

The Group achieved production of 261,604 ounces gold and 1,483 tonnes copper for the year, driven by record performance from Deflector, strong operational performance at Mount Monger and inclusion of Sugar Zone for a full financial year. The production result was underpinned by record production results from the Deflector Region and development of a new underground mine at Mount Monger, Tank South, consistent with Silver Lake's proven invest and yield strategy.

Group Financial Overview

The Group recorded a net profit after tax for the year of \$30.8 million (FY22: \$77.7 million) and an EBITDA (before significant items) of \$248.4 million (FY22: \$267.6 million). This resulted in an EBITDA margin for the year of 35% (FY22: 42%). The Board considers that EBITDA, a non-IFRS measure, is an important metric in assessing the underlying operating performance of the Group. A reconciliation between the statutory profit after tax and the Group's EBITDA is tabled on page 6.

Revenue for the year totalled \$719.6 million from the sale of 260,372 ounces of gold and 1,325 tonnes copper at an average realised gold sale price of A\$2,694/oz and A\$12,812/t of copper, compared with revenue of \$634.6 million from 251,735 ounces of gold and 907 tonnes copper in FY22. The increase in revenue was driven by record sales at Deflector, strong operational performance from Mount Monger, a full year of contribution from Sugar Zone and improved commodity prices over the past year.

Cost of sales increased to \$639.0 million in the year (FY22: \$518.5 million) reflecting a \$22.2 million increase in depreciation and amortisation charge, increased operating costs associated with the inclusion of Sugar Zone for a full year and increases in input costs due to impact of supply chains and general inflationary pressures driving operating costs higher. The Group All-in Sustaining Cost (AISC) for the year increased to A\$1,941/oz (FY22: A\$1,756/oz).

A non-cash tax expense of \$28.5 million has been recorded in FY23 (FY22: \$37.7 million). The current year taxable expense will be offset against available tax losses and hence no tax is payable.

For personal use only

Directors' Report

The reconciliation between the statutory profit after tax and the Group's EBITDA (excluding significant items) is outlined in the table below:

Reconciliation of Statutory Profit after Tax to EBITDA (excluding significant items) - unaudited	30 June 2023 \$'000	30 June 2022 \$'000
Statutory profit after tax:	30,836	77,681
<i>Adjustments for:</i>		
Depreciation and amortisation	190,089	167,880
Income tax expense	28,489	37,654
Net finance (income)/costs (includes change in value of listed investments)	(6,876)	8,075
Business development adjustments (FY22 includes gain on bargain purchase)	1,229	(27,924)
Exploration expensed	5,044	3,187
Other	(412)	1,007
EBITDA (excluding significant items)¹	248,399	267,560

Cash and bullion at 30 June 2023 was \$332.8 million (30 June 2022: \$313.8 million). In addition, the Group had \$11.5 million of gold in circuit and concentrate on hand measured at cost and listed investments of \$12.8 million at year end. Key cash flow movements for FY23 included:

- Net cash inflow from operating activities of \$241.4 million
- Acquisition of plant and equipment of \$34.4 million
- \$130.3 million on mine development and \$24.8 million on exploration
- \$27.6 million on repayment of finance leases primarily attributed to right of use assets
- Cash outflow associated with the share buy-back of \$3.0 million, and
- Interest inflows of \$6.4 million.

During the year the Company reduced its stockpile ore inventory balance by 0.5 million tonnes, supplementing underground ROM ore with stockpile feed at Mount Monger. At 30 June 2023, the Group held 2.9 million ore tonnes containing 130,000 ounces of gold valued at a cost of \$107.7 million on the Company's balance sheet (FY22: \$104.5 million).

The value of property, plant and equipment decreased by \$12.0 million in FY23 to a balance of \$235.7 million. The movement included capital additions of \$46.6 million, which included the new mining fleet at Sugar Zone and right-of-use assets recognised as leases under *AASB16 Leases* of \$12.7 million. Depreciation recognised during the year amounted to \$71.6 million.

Deferred tax assets increased by \$12.7 million to \$77.8 million at 30 June 2023, with the increase due to the recognition of temporary differences between accounting and tax treatment of assets and liabilities and partially offset by the utilisation of tax losses. At 30 June 2023 the Company has \$240,326,000 (FY22: \$303,846,000) of tax losses remaining for offset against future taxable profits in Australia and \$209,434,000 (FY22: \$130,255,000) of Canadian tax losses that are available for offset against future taxable profits in Canada.

As at 30 June 2023, Silver Lake's forward gold hedging program totalled 110,000 ounces, to be delivered over the next 30 months at an average forward price of A\$3,007/oz.

¹ Non-IFRS measure

Directors' Report

Overview of the Mount Monger Operation

The Mount Monger Operation is located approximately 50km southeast of Kalgoorlie and is a highly endowed gold camp with an established track record of gold production. Through exploration and development Mount Monger has transitioned to larger, longer life Mining Centres which have delivered multiple high-grade ore sources and increased production transparency. The three independent and self-sufficient Mining Centres at Mount Monger are the Daisy Complex, Mount Belches and Aldiss Mining Centres. These Mining Centres feed the 1.3Mtpa Randalls mill.

Mount Monger Mining

Ore mined during the year totalled 497,688 tonnes at a grade of 4.3 g/t Au for 69,431 contained ounces (FY22: 1,701,915 tonnes at a grade of 2.4 g/t Au for 131,328 contained ounces), all sourced from the Daisy Complex and Tank South underground mines.

The Daisy Complex produced 268,955 tonnes at 4.8 g/t for 41,503 contained ounces, with production primarily sourced from Haoma West and Easter Hollows, which accounted for 80% of tonnes mined for the year. In FY24, ore from the Daisy Complex will be predominantly sourced from the Haoma West, Lower Prospect and the Easter Hollows lodes.

The Mount Belches underground mines Maxwells and Cock-eyed Bob ("CEB"), produced 18,826 tonnes at 2.8 g/t for 1,622 contained ounces, with mining suspended in early FY23 to allow Silver Lake to preserve the value of the Maxwells and CEB Mineral Resources and Ore Reserves and complete infill and extensional drilling beyond Mineral Resource limits in anticipation of a return to more normalised operating and supply chain conditions in Western Australia.

Development of the Tank South underground mine at the Aldiss Mining Centre commenced in July 2022, with all LOM development completed during the year. The Tank South mine produced 209,907 tonnes at 3.9 g/t for 26,306 contained ounces, with stoping scheduled to continue throughout FY24.

The commencement of open pit mining at Santa within the Mount Belches Mining Centre in January 2024 will represent the first open pit mining at Mount Belches since 2016 and will add to the enviable stockpile position, providing further baseload feed to the Randalls mill from FY25.

Mount Monger Processing

Ore milled for the period totalled 1,275,326 tonnes at 2.6 g/t for 95,559 recovered ounces (FY22: 1,256,338 tonnes at 3.0 g/t for 112,384 recovered ounces). Mill grade was 14% lower than the prior year following suspension of production from Maxwells and CEB in early FY23, resulting in a greater portion of lower grade stockpile feed in the current year mill blend. Mount Monger stockpiles at 30 June 2023 decreased to ~2.4 million tonnes containing ~90,500 ounces (30 June 2022: ~3.1 million tonnes containing ~123,000 ounces).

Silver Lake will continue to maintain an iterative approach to mine and mill feed scheduling beyond FY24, continuing to prioritise highest returning and cash generative operations to preserve ore body optionality and margin in the prevailing operating climate. Exploration success has created a pipeline of projects at Mount Monger to further leverage on the established infrastructure and enhance mine life visibility. Re-optimisation of pit shells of existing Mineral Resources has identified potential open pits proximal to the Santa open pit, including the Rumbles and Flora Dora prospects. Further opportunities for inclusion in the medium term mining schedule include the recommencement of underground mining at Mount Belches.

Mining and production statistics for the Mount Monger Operation for the year ended 30 June 2023 are detailed in Table 1 and Table 2.

Directors' Report

Overview of the Deflector Region

The Deflector Region Operation is in the Midwest region of Western Australia and comprises the Deflector and Rothsay underground mines and the Deflector mill. FY23 mine production delivered a 23% year on year increase, generating a stockpile of 30,000 ounces gold by year end with strong contributions from both underground ore sources.

Deflector Mining

Deflector Region mine production for the year totalled 1,065,446 tonnes at 4.6 g/t gold and 0.2% copper for 159,109 contained ounces gold (FY22: 799,524 tonnes at 5.0 g/t gold and 0.1% copper for 129,403 contained ounces gold).

Production was sourced from the Deflector Main and Deflector South West underground lodes and the secondary high grade ore source at Rothsay underground. Approximately 80% and 82% of mined ore tonnes and ounces respectively were sourced from Deflector underground.

Deflector Processing

Deflector mill throughput was 731,574 tonnes at 5.6 g/t gold and 0.3% copper (FY22: 751,021 tonnes at 5.4 g/t gold and 0.2% copper). Total gold recovery was 96.7% with copper recovery of 82.5%. FY23 production set an annual record of 127,069 ounces gold and 1,483 tonnes copper (FY22: 124,602 ounces gold and 991 tonnes copper) which underpinned annual record gold sales of 124,553 ounces and 1,325 tonnes copper (FY22: gold sales 123,099 ounces and 907 tonnes copper).

Lower year-on-year mill throughput was offset by higher feed grade with gold recovery consistent at 96.7%. Concentrate production for FY23 totalled 9,414 tonnes at an average gold grade of 91 g/t gold and 16% copper.

At 30 June 2023, Deflector regional ore stocks totalled ~490,000 tonnes at 2.5 g/t gold (30 June 2022: 153,000 tonnes at 1.9 g/t gold).

Mining and production statistics for the Deflector Region for the year ended 30 June 2023 are detailed in Table 1 and Table 2.

Overview of the Sugar Zone Operation

The Sugar Zone Operation is in an established mining province of Northern Ontario, Canada, approximately 30km north of White River or midway between Thunder Bay and Sault St. Marie. Mining at Sugar Zone commenced in 2019, with Silver Lake acquiring the operation in February 2022 following the acquisition of Harte Gold Corp ("Harte Gold"). Following completion of the acquisition in February 2022, Silver Lake commenced a review of operations at the Sugar Zone mine with the objective of delivering material operational improvements and a low capital intensity growth strategy to leverage the installed infrastructure and current Mineral Resource.

Following the completion of essential site based capital projects in FY23, operational activities in FY24 will focus on exploration and include the development of three dedicated exploration drives. Sugar Zone's site logistics network will also be enhanced throughout FY24, with mining and processing to be idled. Silver Lake's investment in exploration is designed to deliver a step change in ore body knowledge and begin unlocking the potential of the extensive resource base and underexplored land package. The enhancement in site logistics will include the relocation of the White River camp to Sugar Zone, effectively increasing available shift duration and mitigating the risks associated with personnel transport to and from site.

Directors' Report

Sugar Zone Mining

Sugar Zone mine production for the period totalled 234,671 tonnes at 5.1 g/t gold for 38,659 contained ounces gold (FY22: 91,519 tonnes at 5.4 g/t gold for 15,812 contained ounces gold).

Mine production for the year was impacted by a shortfall in development metres, predominantly driven by manning shortages, equipment availability of the aged fleet and a prioritisation of site resources to capital projects.

The idling of mining activities in FY24 will provide Silver Lake with the opportunity to “reset” the mine and complete the necessary grade control and extensional drilling programs. The step change in data will allow Silver Lake to effectively plan and resource the Sugar Zone operation and establish the foundations for a higher margin, long life operation utilising the recently acquired new underground mining fleet to implement a mechanised system of work with enhanced site logistics upon recommencement of mining activities.

Sugar Zone Processing

Sugar Zone mill throughput for the period was 259,478 tonnes at 4.9 g/t gold for 38,976 recovered ounces (FY22: 89,741 tonnes at 5.5 g/t gold for 14,901 recovered ounces).

Mining and production statistics for the Sugar Zone Operation for the period ended 30 June 2023 are detailed in Table 1 and Table 2.

For personal use only

Directors' Report

Group Mining and Production Statistics

Mount Monger Mining	Units	FY23	FY22
Underground			
Ore mined	Tonnes	497,688	669,349
Mined grade	g/t Au	4.3	3.9
Contained gold	Oz	69,431	83,265
Open Pit			
Ore mined	Tonnes	-	1,032,566
Mined grade	g/t Au	-	1.4
Contained gold	Oz	-	48,063
Deflector Mining			
Underground			
Ore mined	Tonnes	846,311	586,867
Mined grade	g/t Au	4.8	5.3
Contained gold	Oz	130,055	99,697
Copper grade	%	0.2%	0.2%
Contained copper	Tonnes	2,046	1,114
Rothsay Mining			
Underground			
Ore mined	Tonnes	219,135	212,657
Mined grade	g/t Au	4.1	4.3
Contained gold	Oz	29,054	29,706
Sugar Zone Mining¹			
Underground			
Ore mined	Tonnes	234,671	91,519
Mined grade	g/t Au	5.1	5.4
Contained gold	Oz	38,659	15,812
Group Mining			
Total ore mined	Tonnes	1,797,805	2,592,958
Mined grade	g/t Au	4.6	3.3
Contained gold	Oz	267,199	276,543
Copper grade	%	0.2%	0.2%
Contained copper	Tonnes	2,046	1,114

¹ Sugar Zone physicals for FY22 are from the date of acquisition, 18 February 2022

Table 1

For personal use only

Directors' Report

Mount Monger Processing	Units	FY23	FY22
Ore milled	Tonnes	1,275,326	1,256,338
Head grade	g/t Au	2.6	3.0
Recovery	%	88%	92%
Gold produced	Oz	95,559	112,384
Gold sold	Oz	97,181	113,875
Deflector Processing			
Ore milled	Tonnes	731,574	751,021
Gold grade	g/t Au	5.6	5.4
Copper grade	%	0.3%	0.2%
Gold recovery	%	96.7%	96.1%
Copper recovery	%	82.5%	77.8%
Gold produced	Oz	127,069	124,602
Gold sold	Oz	124,553	123,099
Copper recovered	Tonnes	1,483	991
Copper sold	Tonnes	1,325	907
Sugar Zone Processing ¹			
Ore milled	Tonnes	259,478	89,741
Head grade	g/t Au	4.9	5.5
Recovery	%	94.8%	94.6%
Gold produced	Oz	38,976	14,901
Gold sold	Oz	38,639	17,762
Group Processing			
Ore milled	Tonnes	2,266,378	2,097,100
Gold grade	g/t Au	3.9	4.0
Copper grade	%	0.3%	0.2%
Gold produced	Oz	261,604	251,887
Gold sold	Oz	260,372	251,735
Copper recovered	Tonnes	1,483	991
Copper sold	Tonnes	1,325	907

¹ Sugar Zone physicals for FY22 are from the date of acquisition, 18 February 2022

Table 2

Exploration

Silver Lake invested \$24.8 million (FY22: \$20.8 million) in exploration activities during the year to advance high-grade projects within established and proven mineralised corridors proximal to established infrastructure.

The Group has committed to exploration spend of \$42.5 million in FY24, with a significant investment in exploration at Sugar Zone with grade control, resource definition and advanced exploration drilling amounting to approximately 93,000 metres planned, including development of three dedicated exploration drives.

Mount Monger

Drilling during the year focused on Mineral Resource definition and extensions at established underground mines targeting lode infill and extensions proximal to current underground development.

At the Daisy Complex, underground resource definition drilling targeted direct extensions and splays to the Easter Hollows and Haoma West lodes. At Tank South, drilling beyond the Tank Mineral Resource boundary

Directors' Report

intersected high grade mineralisation which will be followed up in FY24 with surface and underground diamond drilling to determine potential for a new mining zone.

Regional discovery exploration activity was focused on the Mount Belches and Aldiss Mining Centres. Drilling success and the re-optimisation of open pit shells of existing Mineral Resources, given the prevailing Australian Dollar gold price, has identified potential open pits proximal to Santa at the Mount Belches Mining Centre. Recent infill and the extensional drilling at Rumbles has demonstrated the potential to grow the current Mineral Resource. Silver Lake has also recommenced resource definition drilling at the Flora Dora deposit to infill and extend lodes for open pit optimisation.

Deflector

Deflector underground drilling in FY23 was focused on grade control drilling of the South West production areas, and targeted direct extensions to the southern and lower margins of the South West lode system. High grade Deflector style mineralisation was confirmed by surface diamond drilling at the Spanish Galleon prospect located 300m west from the Deflector South West underground mining front, within mafic and ultramafic host rocks similar to the main Deflector host stratigraphy. The Spanish Galleon area had been historically defined by shallow oxide mineralisation with limited drilling beneath oxide mineralisation and presents a new exploration front at Deflector.

FY24 in-mine resource definition drilling will target further extensions to the South West lodes to the south where mineralisation remains open in multiple directions. Follow up drilling from underground will be continued at the Spanish Galleon target zone to define the strike length, geometry and widths of the Deflector style high grade copper and gold mineralisation discovered.

Deflector regional exploration activity focused on both the Gullewa and Brandy Hill greenstone belt corridors targeting highly prospective geology and structural features which are underexplored. Aircore, RC and diamond drilling programs were completed in FY23 to update geological models, confirm geochemical targets and build on the exploration databases. A program of deep stratigraphic diamond drillholes, supported by a state government grant, and designed to significantly advance and enhance target generation at Brandy Hill, commenced at the start of FY24. Further exploration at Brandy Hill in FY24 will test new targets generated from the revised geological and mineralisation models.

Sugar Zone

The work completed in FY23 has identified large areas of new greenstone stratigraphy within the broader regional land package, primarily to the west of Sugar Zone which has not seen any exploration work and are interpreted to be prospective for multiple styles of mineralisation. Silver Lake undertook a comprehensive data review to deliver a pipeline of exploration targets, ranked for systematic testing, and has also commenced relogging and resampling of historical drill core leveraging from an improved understanding of the characteristics of the multiple styles of mineralisation on the extensive land package.

In FY24, Sugar Zone accounts for the largest portion of the Group exploration program, with Silver Lake's investment in exploration designed to deliver a step change in ore body knowledge to unlock the potential of the extensive resource base and underexplored land package. Within the Sugar Zone mine corridor, resource definition drilling from surface will target below planned grade control drilling and the newly defined Sugar Zone South area.

Advanced exploration will predominantly target brownfield prospects within the Sugar Zone mine corridor which presently extends for 3.6 kilometres. Drilling will follow up historical intersections to determine the extent and continuity of mineralisation along strike from the active mining areas, and the drilling coverage will be progressively expanded along the mine corridor to target discovery of new mineralisation and grow the Resource base.

Directors' Report

STRATEGY

The Group's short to medium term strategy is to deliver superior returns for shareholders by positioning Silver Lake as a leading gold stock on the ASX with a balanced portfolio of operations and growth projects. To achieve this strategic objective, the Company must become larger, longer life and lower cost. This will be achieved by:

- Pursuing and unlocking the full potential of existing operations;
- Attracting and retaining an experienced team to enable Silver Lake to be an effective operator and developer of mining assets;
- Developing a balanced growth profile through exploration and targeted M&A programs;
- Maintaining the appropriate balance sheet strength and scale to achieve long term growth through the cycle; and
- A returns driven capital management strategy.

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

- **Gold price and FX currency:** The Company is exposed to fluctuations in the Australian dollar gold price which can impact on revenue streams from operations. To mitigate downside in the gold price, the Board has implemented a hedging program to assist in offsetting variations in the Australian dollar gold price. Hedging is an agenda item at each Board meeting to ensure it continues to fit within the Company's hedging strategy and is deemed appropriate;
- **Reserves and Resources:** The Mineral Resources and Ore Reserves for the Group's assets are estimates only and no assurance can be given that they will be realised;
- **Government charges:** The gold mining industry is subject to a number of Government taxes, royalties and charges. Changes to the rates of taxes, royalties and charges can impact on the profitability of the Company. The Company maintains communications with relevant parties to mitigate potential increases;
- **Operating risk:** The Group's gold mining operations are subject to operating risks that could result in decreased production, increased costs and reduced revenues. To manage this risk the Company seeks to attract and retain high calibre employees and implement suitable systems and processes to ensure production targets are achieved;
- **Exploration success:** No assurance can be given that exploration expenditure will result in future profitable operating mines;
- **Environmental:** The Company has environmental liabilities associated with its tenements which arise as a consequence of mining operations, including waste management, tailings management, chemical management, water management and energy efficiency. The Company monitors its ongoing environmental obligations and risks, and implements rehabilitation and corrective actions as appropriate, through compliance with its environmental management system;
- **People risks:** The Company seeks to ensure that it provides a safe workplace to minimise risk of harm to its employees and contractors. It achieves this through an appropriate safety culture, safety systems, training and emergency preparedness; and
- **Supply chain constraints:** The Group's operations continue to be impacted by ongoing supply chain constraints that have arisen as a consequence of the pandemic and it is not known what impact this will have on FY24 performance.

Directors' Report

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed elsewhere in this report, there have been no material events that have occurred between the reporting date and the date of signing this report.

LIKELY DEVELOPMENTS

The Company will continue to pursue maximising free cashflow and increasing margins from its operations. There are no likely developments of which the directors are aware which could be expected to significantly affect the results of the Group's operations in subsequent financial years not otherwise disclosed in this Report.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify the current Directors and Officers against any liability that may arise from their position as Directors and Officers of the Company except where the liability arises out of the improper use of position, or committing of any criminal, dishonest, fraudulent or malicious act.

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

CORPORATE GOVERNANCE

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

SUBSEQUENT EVENTS

No events have arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Report

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for both Executives and Non-executive Directors.

Contents:

1. Basis of preparation
2. Key management personnel (KMP)
3. Remuneration snapshot
4. Remuneration governance
5. FY23 Executive remuneration
6. FY23 Non-executive director (NED) remuneration
7. KMP Shareholdings

1. BASIS OF PREPARATION

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

2. KEY MANAGEMENT PERSONNEL

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

A list of all NEDs and Executives for FY23 is set out below:

Name	Position	Term as KMP
David Quinlivan	Non-executive Chairman	Full year
Luke Tonkin	Managing Director	Full year
Kelvin Flynn	Non-executive Director	Full year
Rebecca Prain	Non-executive Director	Full year
David Berg	General Counsel & Company Secretary	Full year
Diniz Cardoso ¹	Chief Financial Officer	Full year
Len Eldridge	Corporate Development Officer	Full year
Antony Shepherd	Exploration & Geology Manager	Full year

¹ Diniz Cardoso will retire as CFO on 25 August 2023 and will be replaced by Struan Richards

For personal use only

Directors' Report

3. REMUNERATION SNAPSHOT

FY23 Remuneration in review

During the year the Company continued its focus on delivering new ore sources that sustain and enhance margins to drive shareholder returns. Highlights for the year from this strategy included:

- Silver Lake finished FY23 delivering annual guidance for the ninth consecutive year, despite the continuation of a challenging operating climate across the mining industry;
- cash & bullion increased 6% to \$332.8 million at year end with no bank debt, after investing \$190 million in plant and equipment, underground mine development and exploration;
- the Deflector Region Operation delivered record results with Deflector mine production increasing 30% to 130,000 ounces gold and recovered gold increasing to 127,000 ounces. During the year the operation generated stockpiles that at year end totalled 490,000 tonnes at 2.5 g/t for 39,000 contained ounces;
- created operating flexibility at Mount Monger through the development of the Tank South underground mine which together with Daisy underground provided high grade baseload feed to the Randalls mill, supplemented by ore stockpiles which at year end totalled 2.4 million tonnes at 1.2 g/t for 90,000 contained ounces; and
- exploration success has created a pipeline of projects at Mount Monger to further leverage on the established infrastructure and enhance mine life visibility. Development of the stage 1 Santa open pit will commence in January 2024 and the re-optimisation of pit shells of existing Mineral Resources has identified potential open pits proximal to Santa including the Rumbles and Flora Dora prospects.

Further information on the link between company performance and KMP remuneration can be found in section 5(g).

The Board believes that the Company's remuneration framework is aligned with market practice and that Executive remuneration in FY23 reflects the performance of the Company, the platform established for ongoing performance improvement and the experience of the Executives.

Key remuneration outcomes for FY23 are summarised in the table below:

Remuneration element	Details
Fixed remuneration	No change to fixed remuneration structure.
Short-term incentive (STI)	STI payments were made to Executives during the period in line with their performance against set targets. Further information on STI payments is included in section 5(c) of this report.
Long-term incentive (LTI)	In FY23, 840,555 performance rights were granted to the Managing Director on the terms approved by shareholders at the 2021 AGM and a further 1,398,760 performance rights were granted to other Executives as described further in this report.

Directors' Report

4. REMUNERATION GOVERNANCE

a. Board and Nomination & Remuneration Committee (NRC) responsibility

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

The NRC is responsible for making recommendations to the Board on:

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

b. Remuneration principles

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

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

c. Engagement of remuneration consultants

During the period, the Company did not engage remuneration consultants to provide a "remuneration recommendation" (as that term is defined in the Corporations Act 2001). However, the NRC has benchmarked KMP remuneration using external independent industry reports and data to ensure that remuneration levels are competitive and meet the objectives of the Company.

d. 2022 AGM voting outcome and comments

The Company received 98.7% of votes in favour of the adoption of its Remuneration Report for the 2022 financial year.

5. FY23 EXECUTIVE REMUNERATION

a. Executive remuneration strategy and policy

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

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

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

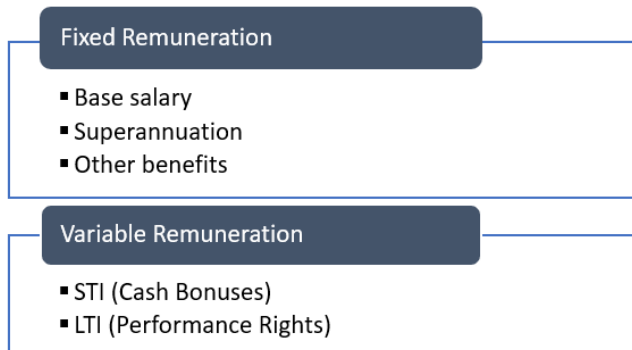
In line with the remuneration policy, remuneration levels are reviewed annually to ensure alignment to the market and the Company's stated objectives.

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

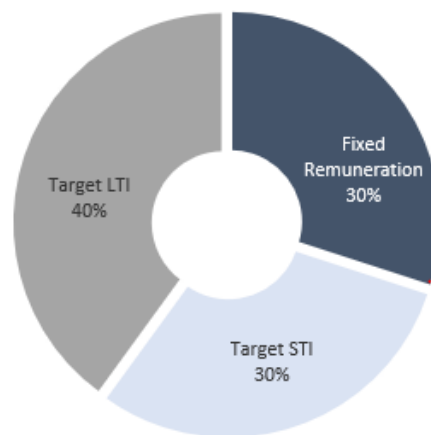
Directors' Report

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

The table below provides a summary of the structure of executive remuneration:



In accordance with the Company's objective to ensure that executive remuneration is aligned to Company performance, a portion of Executives' remuneration is placed "at risk". The relative proportion of target FY23 total remuneration packages split between the fixed and variable remuneration is shown below:



b. Fixed remuneration

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

When positioning base pay, the Company presently aims to position aggregate fixed remuneration at approximately the 62.5 percentile of the industry benchmark AON McDonald Report (an independent, industry recognised report on the gold and mining industry). This is to ensure that the Company's remuneration arrangements remain competitive against peer companies to assist with the retention and attraction of key talent.

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

Directors' Report

Executives' base salaries for the 2023 financial year were:

Executive	Base Salary FY23 ¹	Base Salary FY22 ¹	Movement
Luke Tonkin	\$826,000	\$780,000	6%
David Berg	\$357,800	\$337,500	6%
Diniz Cardoso	\$381,800	\$363,600	5%
Len Eldridge	\$351,800	Note 2	n/a
Antony Shepherd	\$301,800	\$287,400	5%

¹ Base Salary as at 30 June of each respective year

² Classified as a KMP from 1 July 2022

c. Short-term incentive (STI) arrangements

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

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

All Executives are eligible to participate in the STI plan with awards capped at 100% of the target opportunity. The target opportunity for KMP in FY23 was 100% of total fixed remuneration (TFR).

Each year the NRC, in conjunction with the Board, sets KPI targets for Executives. For FY23 the KPIs included non-discretionary targets for safety and environment, production and processing and costs, each of which was measured relative to budget, and a relative TSR target versus a comparator peer group of companies. The NRC also considered and evaluated the Executives' ongoing review, response and modification of safety, environment, production and cost plans during the year, and the execution and success of the operating, business development and growth strategies.

FY23 Performance against STI measures

A summary of the KPI targets set for FY23 and their respective weightings are as follows:

KPI	Weighting	Measure	% of KPI achieved
1. Safety/Environment	9%	<ul style="list-style-type: none"> ▪ Lagging EH&S indicators ▪ Environmental management effectiveness ▪ Safety management effectiveness 	56%
2. Mine production & processing	45%	Production and processing from each operating site relative to FY23 budget	58%
3. Costs	18%	Costs for each cost centre relative to FY23 budget	80%
4. Operating strategy & execution	9%	Execution and success of Operating Strategy	100%
5. Business development & growth	9%	Implementation and execution of Corporate Strategy	50%
6. Company performance	10%	TSR performance against comparator group	10%

Directors' Report

In assessing discretionary components of the KPI, the NRC considered the following achievements against objectives set at the start of the year:

- achieving OH&S objectives;
- achieving environmental objectives;
- achieving FY23 sales and cost guidance despite the challenges presented by labour and supply chain constraints;
- execution and success of operating strategy;
- exceeding the targeted end of year cash and bullion balance; and
- delivery of positive exploration results from infill and extensional resource definition drilling to allow further mines to enter production in future periods.

Based on the above assessment, STI payments for FY23 to Executives were as follows:

Executive	Maximum STI opportunity	% STI awarded	STI awarded
Luke Tonkin	100% of TFR	60%	\$555,000
David Berg	100% of TFR	60%	\$237,000
Diniz Cardoso	100% of TFR	60%	\$253,000
Len Eldridge	100% of TFR	60%	\$233,000
Antony Shepherd	100% of TFR	60%	\$200,000

d. Long-term incentive (LTI) arrangements

The Board has established the Employee Incentive Plan (Incentive Plan) as a means for motivating senior employees to pursue the long term growth and success of the Company. The Incentive Plan provides the Company with the flexibility to issue incentives in the form of either options or performance rights which may ultimately vest and be converted into shares on exercise, subject to satisfaction of any relevant vesting conditions. The Incentive Plan was most recently approved by shareholders at the 2021 AGM.

Key features of the Incentive Plan

Under the terms of the Incentive Plan, the Board may determine which employees are eligible to participate. In FY23, all Executives were eligible and were invited to participate. The number of Performance Rights awarded to each Executive was determined by dividing the Executives' maximum LTI opportunity by the 20 day VWAP of the Company shares as traded on the ASX up to 30 June 2022. Performance Rights which were granted will not vest (and therefore will lapse) unless a hurdle, based on relative total shareholder return (TSR), has been satisfied. TSR measures the growth for a financial year in the price of shares plus dividends paid. The NRC believes that a single hurdle is appropriate as it is transparent, simple to administer and directly links Executive remuneration to the Company's share price relative to its peers.

Relative TSR will be measured by comparing the Company's TSR with that of a comparator group of companies over the respective 3 year vesting period. The TSR metric measures the share price movement and dividends over this period for both the Company and the comparator group.

Directors' Report

The Performance Rights will vest based on the Company's relative TSR ranking on the relevant vesting date as follows:

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

Relative TSR performance is calculated at a single point in time and is not subject to re-testing. The comparator group of companies for Performance Rights on issue is listed in the table on page 22. At the discretion of the Board, the composition of the comparator group may change from time to time.

Performance rights granted under the Incentive Plan will have no exercise price.

Unless the Board in its absolute discretion determines otherwise, all unvested performance rights will lapse 30 days following the cessation of employment. The Board will consider the circumstances surrounding the cessation of employment before deciding whether to make any such determination.

FY23 LTI outcomes

During the year the Company issued 2,239,315 Performance Rights to Executives in respect of the LTI component of their FY23 remuneration. The quantum of Performance Rights issued was determined by reference to the 20 day VWAP to 30 June 2022 of \$1.46 per share.

Executive	Maximum LTI opportunity	20 Day VWAP	Number of Performance Rights granted during FY23	Fair value per Performance Right *
Luke Tonkin	133% of TFR	\$1.46	840,555	\$0.778
David Berg	133% of TFR	\$1.46	359,228	\$0.778
Diniz Cardoso	133% of TFR	\$1.46	383,324	\$0.778
Len Eldridge	133% of TFR	\$1.46	353,204	\$0.778
Antony Shepherd	133% of TFR	\$1.46	303,004	\$0.778

* Independently valued using a hybrid share option pricing model

Directors' Report

Performance Rights

During the year the Company issued 10,949,024 Performance Rights to employees (including 2,239,315 Performance Rights to Executives) in respect of the LTI component of their FY23 remuneration.

Executive	Balance at 1 July 2022	Granted in FY23	Converted	Lapsed	Balance at 30 June 2023	Vested & exercisable at 30 June 2023
Luke Tonkin	1,541,965	840,555	(612,525)	(423,621)	1,346,374	-
David Berg	674,323	359,228	(280,172)	(179,196)	574,183	-
Diniz Cardoso	718,572	383,324	(293,938)	(193,056)	614,902	-
Len Eldridge	626,267	353,204	(281,163)	-	698,308	157,217
Antony Shepherd	576,972	303,004	(241,349)	(152,578)	486,049	-
Total	4,138,099	2,239,315	(1,709,147)	(948,451)	3,719,816	157,217

During the year, 948,451 Performance Rights lapsed due to performance hurdles not being satisfied.

The total expense recognised in the Statement of Profit or Loss for all KMP Performance Rights for the period ended 30 June 2023 was \$1,450,214.

Details of the performance rights on issue at 30 June 2023 are summarised in the following table:

	FY21 Award ¹	FY22 Award	FY23 Award
Number of performance rights	1,798,937	4,598,672	10,949,024
Exercise price	\$0.00	\$0.00	\$0.00
Grant date	1 July 2020	1 July 2021	1 July 2022
Vesting period	1 July 2020 - 30 June 2023	1 July 2021 - 30 June 2024	1 July 2022 - 30 June 2025
Expiry period	15 years	15 years	15 years
ASX Comparator Group	DCN; EVN; GOR; NCM; NST; OGC; PRU; RMS; RRL; RSG; SBM; WGX; X64	DCN; EVN; GOR; NCM; NST; OGC; PRU; RMS; RRL; RSG; SBM; WGX; X64	CMM; EVN; GOR; NCM; NST; OGC; PRU; RMS; RRL; SBM; WAF; WGX
Valuation at grant date	\$0.917	\$1.205	\$0.778
Underlying 20 day VWAP	\$1.98	\$1.73	\$1.46
Volatility	65%	60%	50%
Risk free rate	0.13%	0.20%	3.01%
Expected dividends	-	-	-

Note 1: On completion of the vesting period, only 157,217 of the FY21 Performance Rights had vested, with the balance lapsing due to performance hurdles not being satisfied.

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

For personal use only

Directors' Report

e. Service agreements

A summary of the key terms of service agreements for Executives in FY23 is set out below. There is no fixed term for Executive service agreements and all Executives are entitled to participate in the Company's STI and LTI plans. The Company may terminate service agreements immediately for cause, in which case the Executive is not entitled to any payment other than the value of fixed remuneration and accrued leave entitlements up to the termination date.

Name	Term of Agreement	Notice Period by Executive	Notice Period by Silver Lake	Termination Payment
Luke Tonkin	Open	6 months	6 months	12 months TFR
David Berg	Open	6 months	6 months	6 months TFR
Diniz Cardoso	Open	6 months	6 months	6 months TFR
Len Eldridge	Open	6 months	6 months	6 months TFR
Antony Shepherd	Open	6 months	6 months	6 months TFR

f. Executive remuneration paid

Executive	Year	Fixed Remuneration			Variable Remuneration		Total	Performance Related Remuneration %
		Salary & Fees \$	Other Benefits ¹ \$	Superannuation \$	STI Cash Payments \$	Rights ² \$		
Luke Tonkin	2023	897,620	109,523	27,500	555,000	550,641	2,140,284	52
	2022	846,100	87,672	27,500	577,000	522,216	2,060,488	53
David Berg	2023	367,869	27,523	27,500	237,000	234,274	894,166	53
	2022	343,750	25,962	27,500	245,000	227,819	870,031	54
Diniz Cardoso	2023	394,389	29,369	27,500	253,000	251,437	955,695	53
	2022	372,460	27,969	27,500	264,000	242,993	934,922	54
Len Eldridge ³	2023	361,239	27,062	27,500	233,000	215,122	863,923	52
	2022	-	-	-	-	-	-	-
Steve Harvey ⁴	2023	-	-	-	-	-	-	-
	2022	337,370	25,515	27,500	198,000	223,887	812,272	52
David Vemer ⁴	2023	-	-	-	-	-	-	-
	2022	330,110	25,008	27,500	233,000	219,465	835,083	54
Antony Shepherd	2023	305,989	23,215	27,500	200,000	198,741	755,445	53
	2022	288,640	22,108	27,500	209,000	194,852	742,100	54
Total	2023	2,327,106	216,693	137,500	1,478,000	1,450,215	5,609,514	52
	2022	2,518,430	214,234	165,000	1,726,000	1,631,232	6,254,896	54

¹ Represents contractual entitlements (including termination and retirement benefits), annual leave and long service leave entitlements, measured on an accrual basis

² These are valuations required under accounting standards and have not actually been paid during the year

³ Classified as KMP from 1 July 2022

⁴ Ceased as KMP from 1 July 2022

Directors' Report

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

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

	2023	2022	2021	2020	2019
EBITDA (\$m)	248.4	267.6	290.8	260.1	80.2
Profit after tax (\$m)	30.8	77.7	98.2	256.9	6.5
Cash and bullion (\$m)	332.8	313.8	330.2	269.4	130.7
Cash from operating activities (\$m)	241.4	249.2	268.8	252.3	71.8
Closing share price at 30 June	\$0.97	\$1.21	\$1.66	\$2.13	\$1.26

The Company's remuneration practices reflect the achievement of certain of the Company's and Executive's performance objectives. The Company's overall objective has been to maximise cash flow, increase operating margins and create new opportunities that compete for capital.

6. FY23 NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

a. NED remuneration policy

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

It is ensured that:

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

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

b. NED fee pool and fees

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

Directors' Report

FY23 NED fees

NED	Fees FY23 ¹	Fees FY22 ¹	Movement
David Quinlivan	\$262,000	\$247,300	6%
Kelvin Flynn	\$151,000	\$142,800	6%
Rebecca Prain	\$151,000	\$123,193	Note 2
Peter Alexander	-	\$20,127	Note 3

¹ Fees excluding superannuation as at 30 June of each respective year

² Appointed 17 August 2021

³ Resigned 17 August 2021

c. NED fees paid

Details of the remuneration of each NED for the year ended 30 June 2023 is set out in the following table:

Non executive Director	Year	Short Term Base Fee \$	Superannuation benefits \$	Total \$
David Quinlivan	2023	262,000	27,510	289,510
	2022	247,300	24,730	272,030
Kelvin Flynn	2023	151,000	15,855	166,855
	2022	142,800	14,280	157,080
Rebecca Prain ¹	2023	151,000	15,855	166,855
	2022	123,193	12,319	135,512
Peter Alexander ²	2023	-	-	-
	2022	20,127	2,013	22,140
Total	2023	564,000	59,220	623,220
	2022	533,420	53,342	586,762

¹ Appointed 17 August 2021

² Resigned 17 August 2021

7. KMP SHAREHOLDINGS

KMP	Balance at 1 July 2022	Acquired	Conversion of Performance Rights	Sold	Balance at 30 June 2023
David Quinlivan	-	-	-	-	-
Luke Tonkin	1,181,661	-	612,525	(1,030,000)	764,186
Kelvin Flynn	-	-	-	-	-
Rebecca Prain	-	-	-	-	-
David Berg	270,000	-	280,172	(13,221)	536,951
Diniz Cardoso	200,000	-	293,938	(493,938)	-
Len Eldridge	-	-	281,163	(281,163)	-
Antony Shepherd	-	-	241,349	(241,349)	-
Total	1,651,661	-	1,709,147	(2,059,671)	1,301,137

There has been no change to KMP shareholdings between 30 June 2023 and the date of this report.

Directors' Report

AUDITOR'S INDEPENDENCE

Section 307C of the Corporations Act 2001 requires Silver Lake's auditors, KPMG, to provide the Directors with an Independence Declaration in relation to the audit of the financial report for the year ended 30 June 2023. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

NON-AUDIT SERVICES

During the year the Group's auditor, KPMG, has performed certain other services in addition to the audit and review of the financial statements. The Board is satisfied that the provision of non-audit services is compatible with, and did not compromise the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

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

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

	2023	2022
Audit services		
Audit and review of financial statements - KPMG Australia	303,000	328,000
Audit and review of financial statements - KPMG Canada	110,000	163,000
Non-audit services		
Taxation services	137,000	155,000
Total paid	550,000	646,000

ROUNDING OFF

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

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



Luke Tonkin
Managing Director
23 August 2023

Directors' Declaration

1. In the opinion of the Directors:
 - a) the consolidated financial statements and notes of the Group and the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001 including:
 - i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year then ended; and
 - ii) Complying with Australian Accounting Standards and Corporations Regulations 2001;
 - b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1;
 - c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - d) there are reasonable grounds to believe that the Company and the Group entity identified in Note 35 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and that Group entity pursuant to ASIC Corporations (wholly owned companies) Instruments 2016/785.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with s295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2023.

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



Luke Tonkin
Managing Director
23 August 2023



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

To the Directors of Silver Lake Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Silver Lake Resources Limited for the financial year ended 30 June 2023 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

KPMG

GL + 177

Graham Hogg
Partner
Perth
23 August 2023

For personal use only



Independent Auditor's Report

To the shareholders of Silver Lake Resources Limited

Report on the audit of the Financial Report

Opinion

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

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

- Giving a true and fair view of the **Group's** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated Balance Sheet as at 30 June 2023;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

- Valuation of goodwill and non-current assets; and
- Recoverability of Deferred Tax Assets in relation to Tax Losses in Australia.

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

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

Valuation of goodwill and non-current assets (\$762.3 million)

Refer to Note 15,16 &18 to the Financial Report

The key audit matter

A key audit matter was impairment testing of goodwill and non-current asset given the significance of the balances in the Group’s consolidated balance sheet. Impairment testing was performed on the following Cash generating units (CGU):

- 1) Mount Monger and Deflector operations due to the presence of goodwill; and
- 2) The Sugar zone operation for which the presence of an impairment indicator was identified.

We focused on the significant and judgemental forward-looking assumptions the Group applied in their fair value less costs of disposal (FVL COD) calculation, including:

- Forecast cashflows including forecast sales, production output, production costs and capital expenditure;
- Forecast gold prices and AUD/USD exchange rate - fluctuating gold prices and exchange rates increases the risk of future fluctuations and inaccurate forecasting;
- Discount rate - these are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time;
- Life of mineral reserves and resources - inherent estimation uncertainty related to life of mine reserves and resources increases the range of forecasting outcomes to consider; and
- Resources multiples.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

How the matter was addressed in our audit

Our procedures included:

- We examined documentation prepared by management including consideration of the appropriateness of adopting fair value less costs of disposal methodology in developing models for Deflector and Mount Monger CGUs;
- We evaluated the sensitivity of the valuation of goodwill by considering reasonably possible changes to the key assumptions in the valuation models;
- We assessed the reasonableness of key assumptions used in the models, using our knowledge of the Group, their past performance, and our industry experience;
- We compared the forecast cash flows and capital expenditure in the models to Board approved forecasts;
- We compared expected commodity prices and foreign exchange rates to published views of the market commentator on future trends;
- For resources outside of the CGU models, where value is determined using a resource multiple basis (to comparable companies) we compared resource multiples to publicly available market data for the comparable entities;
- We compared the life of mineral reserves and resources in the models to the reserves and resources statements commissioned by the Group for consistency with the cash flow forecasts; and
- Working with our valuation specialists, we independently developed a discount rate considered comparable, using publicly available market data for comparable entities.

Specifically for the Sugar Zone CGU:

- We have involved our valuation specialists and assessed the reasonableness of the methodology adopted by the Group;
- We assessed the Group’s external expert report and considered their objectivity, competence and scope of their work;

For personal use only



	<ul style="list-style-type: none"> We assessed the companies used in the multiples analysis to determine if they are comparable to Sugar Zone; and We recalculated the valuation range based on the range of multiples. <p>We also assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</p>
--	---

Recoverability of Deferred Tax Assets in relation to Tax Losses in Australia (\$60.8 million)	
Refer to Note 9 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group has recognised deferred tax assets arising from tax losses carried forward.</p> <p>The Group has recognised a net deferred tax asset balance of \$17.3 million as at 30 June 2023 in Australia. This includes gross carry forward losses of \$202.7 million (not tax effected) which are partially offset by deferred tax liabilities for temporary differences.</p> <p>Our focus on recoverability of the deferred tax assets is associated with the Australia tax losses as the losses are booked in excess of the deferred tax liabilities.</p> <p>The recoverability of deferred tax assets in relation to tax losses was a key audit matter due to:</p> <ul style="list-style-type: none"> The significance of these assets recognised by the Group; The significant judgement required by us to evaluate the Group's assessment of their probability of generating sufficient taxable profits, in light of the tax losses recorded in previous financial years; and The risk of the Group incorrectly applying the requirements of the accounting standards and Australian tax law to recognise deferred tax assets for tax losses, which could result in a substantial effect on the Group's statement of profit or loss and other comprehensive income. <p>We involved tax specialists to supplement our senior team members in assessing this key audit matter.</p>	<p>Working with our tax specialists, our procedures included:</p> <ul style="list-style-type: none"> Examining the documentation prepared by the Group underlying the availability of tax losses and annual utilisation allowances for consistency with Australian tax law as applicable; Comparing the forecasts included in the Group's estimate of future taxable profits used in their deferred tax asset recoverability assessment to those used in the Group's assessment of the valuation goodwill. Our approach to testing these forecasts was consistent with the approach detailed in relation to the valuation of goodwill; We evaluated the differences between forecast cash flows and taxable profits by evaluating the adjustment of cash flows, for differences between accounting profits, as presented in the Group's forecasts, to taxable profits, against Australian tax law; Understanding the timing of future taxable profits and considering the consistency of the timeframes of expected recovery to our knowledge of the business and its plans; and Recalculating the amount of previously recognised tax losses utilised against the recorded amount disclosed by the Group in accordance with Australian tax law and the accounting standards. <p>We assessed the disclosures in the financial report using the results from our testing and against the requirements of the accounting standards.</p>

For personal use only

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Silver Lake Resources Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 15 to 25 of the Directors' Report for the year ended 30 June 2023.

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

KPMG

Graham Hogg

Partner

Perth

23 August 2023

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Revenue	4	719,628	634,566
Cost of sales	5	(639,031)	(518,525)
Gross profit		80,597	116,041
Other income		228	252
Exploration expensed/impaired		(5,044)	(3,187)
Profit/(loss) on sale of assets		412	(1,008)
Gain on bargain purchase	3	-	28,827
Administration expenses	6	(23,744)	(17,515)
Results from operating activities		52,449	123,410
Finance income		13,516	676
Finance expenses		(6,640)	(8,751)
Net finance income/(costs)	8	6,876	(8,075)
Profit before income tax		59,325	115,335
Income tax expense	9	(28,489)	(37,654)
Profit for the year		30,836	77,681
Net income for the year		30,836	77,681
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss - exchange differences arising on translating foreign		1,963	7,690
Total comprehensive income for the year attributable to Owners of the Company		32,799	85,371
		Cents Per Share	Cents Per Share
Basic earnings per share	10	3.31	8.60
Diluted earnings per share	10	3.26	8.52

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

Consolidated Balance Sheet

As at 30 June 2023

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Current assets			
Cash and cash equivalents	11	328,285	304,298
Trade and other receivables	13	14,136	15,078
Inventories	14	92,473	83,887
Prepayments		875	1,230
Total current assets		435,769	404,493
Non-current assets			
Inventories	14	53,711	63,356
Exploration, evaluation and development expenditure	15	435,967	402,146
Property, plant and equipment	16	235,651	247,604
Investments	17	12,838	7,968
Deferred tax assets	9	77,786	65,112
Goodwill	18	90,695	90,695
Total non-current assets		906,648	876,881
Total assets		1,342,417	1,281,374
Current liabilities			
Trade and other payables	19	90,672	83,317
Lease liabilities	21	23,479	22,382
Employee benefits	22	7,243	7,617
Deferred revenue	20	-	20,467
Rehabilitation and restoration provision	24	-	90
Total current liabilities		121,394	133,873
Non-current liabilities			
Lease liabilities	21	21,134	24,465
Rehabilitation and restoration provision	24	48,093	46,833
Deferred tax liabilities	9	63,385	22,020
Total non-current liabilities		132,612	93,318
Total liabilities		254,006	227,191
Net assets		1,088,411	1,054,183
Equity			
Share capital	25	1,095,436	1,096,268
Reserves	26	17,710	13,486
Accumulated losses		(24,735)	(55,571)
Total equity		1,088,411	1,054,183

The Consolidated Balance Sheet should be read in conjunction with the accompanying notes to these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Share Capital \$'000	Share Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings / (Accumulated Losses) \$'000	Total Equity \$'000
Balance at 1 July 2021	1,023,106	5,924	-	(133,252)	895,778
Total comprehensive income for the period	-	-	-	77,681	77,681
Transactions with owners, recorded directly in equity					
Equity settled share based payment	-	3,195	-	-	3,195
Transfer from reserves to share capital (Note 25)	3,323	(3,323)	-	-	-
Share buyback (Note 25)	(1,064)	-	-	-	(1,064)
Issue of shares	70,903	-	-	-	70,903
Exchange differences on translation of foreign operations	-	-	7,690	-	7,690
Balance at 30 June 2022	1,096,268	5,796	7,690	(55,571)	1,054,183
Balance at 1 July 2022	1,096,268	5,796	7,690	(55,571)	1,054,183
Total comprehensive income for the period	-	-	-	30,836	30,836
Transactions with owners, recorded directly in equity					
Equity settled share based payment	-	4,466	-	-	4,466
Transfer from reserves to share capital (Note 25)	2,205	(2,205)	-	-	-
Share buyback (Note 25)	(3,037)	-	-	-	(3,037)
Exchange differences on translation of foreign operations	-	-	1,963	-	1,963
Balance at 30 June 2023	1,095,436	8,057	9,653	(24,735)	1,088,411

For personal use only

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Receipts from sales		700,254	632,852
Payments to suppliers and employees		(458,845)	(383,769)
Net cash from operating activities	12	241,409	249,083
Cash flow from investing activities			
Interest received		6,353	676
Acquisition of plant and equipment		(34,438)	(14,904)
Proceeds from sale of plant and equipment		300	-
Acquisition of investments	17	(1,979)	(1,722)
Proceeds from divestments		3,487	375
Payments for exploration, evaluation and development		(155,116)	(112,084)
Cash acquired in a business combination		-	7,165
Harte Gold transaction	3	-	(134,720)
Net cash used in investing activities		(181,393)	(255,214)
Cash flows from financing activities			
Share buy back	25	(3,037)	(1,064)
Repayment of lease liabilities		(27,561)	(33,025)
Payment of stamp duty		-	(3,316)
Return of insurance bond		-	1,444
Proceeds from gold pre-pay arrangement	20	-	30,572
Repayment of gold pre-pay arrangement		-	(10,223)
Finance costs paid		(5,448)	(2,928)
Net cash used in financing activities		(36,046)	(18,540)
Net increase/(decrease) in cash and cash equivalents		23,970	(24,671)
Cash and cash equivalents at 1 July		304,298	328,890
Effects of fx rate changes on cash and cash equivalents		17	79
Cash and cash equivalents at 30 June	11	328,285	304,298

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

1. Basis of Preparation

Silver Lake Resources Limited is a for-profit entity domiciled in Australia. The principal activities of the Group during the year were exploration, mine development, mine operations and the sale of gold and gold/copper concentrate in Australia and Canada.

The consolidated financial statements of the Company as at and for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as “the Group” and individually as “Group Entities”).

The consolidated financial statements were approved by the Board of Directors on 23 August 2023. The financial report is a general purpose financial report which:

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

Other than the adoption of new standards, there have been no material changes to accounting policies for the periods presented in these consolidated financial statements. Significant accounting policies specific to one note are included in that note. Accounting policies determined non-significant are not included in the financial statements.

The accounting policies have been applied consistently to all periods presented and by all Group Entities.

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

(a) Foreign Currency Translation

i. Functional and Presentation Currency

These consolidated financial statements are prepared in Australian dollars, which is the functional currency of the Company and its Australian subsidiaries. The functional currency for Canadian subsidiaries is Canadian dollars.

ii. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. The subsequent payment or receipt of funds related to a transaction is translated at the rate applicable on the date of payment or receipt.

Monetary assets and liabilities which are denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

All exchange differences in the consolidated financial statements are taken to the Statement of Other Comprehensive Income and accumulated in a reserve.

iii. Translation

The assets and liabilities of subsidiaries with functional currency other than Australian dollars (being the presentation currency of the Group) are translated into Australian dollars at the exchange rate at the reporting date and the Statement of Profit or Loss is translated at the average exchange rate for the period. On consolidation, exchange differences arising from the translation of these subsidiaries are recognised in Other Comprehensive Income and accumulated in the foreign currency translation reserve.

(b) Use of Judgements and Estimates

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

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

- Note 3 Acquisition of Subsidiary - fair value of the consideration transferred, and fair value of the assets acquired and liabilities assumed, measured on a provisional basis
- Note 9 Income Tax - recognition of deferred tax assets
- Note 15 Exploration, evaluation and development expenditure - consideration of impairment triggers and recognition of impairment losses
- Note 15 Amortisation of development expenditure - estimation of future mineable inventory and future development expenditure when calculating units of production amortisation
- Note 15 Reserves and Resources - estimating reserves and resources
- Note 18 Impairment testing of goodwill - key assumptions underlying recoverable amounts
- Note 24 Closure and rehabilitation - measurement of provision based on key assumptions

(c) Basis for Consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is disclosed in Note 30.

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

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

(d) Measurement of Fair Value

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

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

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

2. Significant Accounting Policies

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2022.

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

3. Acquisition of Subsidiary in FY22 (Silver Lake Ontario Inc - formerly Harte Gold Corp.)

On 28 January 2022, the Ontario Superior Court of Justice approved Silver Lake's bid to acquire Harte Gold Corp. ('Harte Gold') under Canada's Companies' Creditors Arrangement Act ('CCAA proceedings'). Harte Gold was a TSX-listed gold mining company which owned and operated the Sugar Zone mine in Ontario, Canada. Closing of the transaction occurred on 18 February 2022 ('Closing Date') which was the acquisition date for accounting purposes.

The acquisition of Harte Gold involved the execution of multiple transactions including:

Transactions through the CCAA Process

i. Acquisition of BNP Paribas (BNP) credit facilities

On 19 November 2021, Silver Lake acquired credit facilities provided by BNP to Harte Gold. Total cash consideration paid to BNP amounted to US\$65.3 million.

At Closing Date, the balance became an intercompany amount between Harte Gold and Silver Lake.

ii. Debtor in possession (DIP) loan

During the CCAA proceedings, Silver Lake entered into a DIP Loan agreement to provide Harte Gold a non-revolving multiple draw credit facility of up to C\$10.8 million. The loan allowed Harte Gold to maintain the liquidity required to continue operations until closing of the transaction.

At Closing Date, Harte Gold had drawn down C\$1.9 million of the facility, with the balance subsequently transferred to Harte Gold to fund ongoing working capital.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

iii. Settlement of Appian debt facilities

In January and February 2022, Silver Lake settled all debt facility obligations owed by Harte Gold to Appian Capital Advisory LLP ('Appian') through the issuance of 27.0 million Silver Lake shares to Appian (at a fair value of \$39.4 million) and payment of \$8.0 million in cash.

Other transactions

iv. Settlement of hedge book

At Closing Date, Silver Lake elected to settle Harte Gold's out of the money hedge book with BNP. Total consideration amounted to US\$24.8 million which was settled in cash.

v. Acquisition of royalty

At Closing Date, Silver Lake elected to acquire a net smelter royalty ("NSR") from Appian. The 2.0% NSR was payable on production from the Sugar Zone mine and on the entire Sugar Zone property. The consideration for the acquisition totalled US\$22.0 million and was settled through the issuance of 17.66 million Silver Lake shares to Appian at a fair value of A\$31.5 million.

At the Closing Date, the settlement value across all transactions related to the CCAA process amounted to A\$139.5 million (Table 1):

	CCAA Transactions	Transaction Amount	Basis of settlement	A\$'000
i.	Acquisition of BNP credit facilities	US\$65,328,290	Cash	89,844
ii.	Debtor in Possession Loan	C\$1,900,000	Cash	2,196
iii.	Settlement of Appian debt facilities	C\$43,134,100	Equity	39,378
			Cash	8,030
	Total			139,448

Table 1

The settlement value across the other transactions amounted to A\$66.1 million (Table 2):

	Other Transactions	Transaction Amount	Basis of settlement	A\$'000
iv.	Settlement of hedge book	US\$24,849,204	Cash	34,531
v.	Acquisition of royalty	US\$22,000,000	Equity	31,525
	Total			66,056

Table 2

Note: balances in tables are converted to Australian Dollars using the applicable foreign currency rate at the date of the transaction

Following completion of the above transactions and final court approval, all previous equity in Harte Gold was written off and new equity issued to Silver Lake as sole shareholder.

Accounting treatment

As the acquisition of Harte Gold occurred through a Court approved CCAA process and resulted in no payments to previous equity holders, the consideration amount for accounts purposes under AASB 3 *Business Combinations*, was deemed to be nil. Instead, each individual transaction tabled above was treated separately for accounts purposes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Net identifiable assets at fair value as at the date of acquisition are tabled below:

	<u>\$'000</u>
Cash and cash equivalents	7,165
Trade and other receivables	7,069
Inventory	11,113
Prepayments	3,150
Property, plant and equipment	104,468
Right-of-use lease assets	9,469
Exploration, evaluation and development expenditure	95,928
Deferred tax assets	16,986
Trade and other payables	(21,289)
Employee provisions	(1,580)
Interest bearing liabilities	(180,888)
Rehabilitation provision	(5,778)
Deferred tax liabilities	(16,986)
Total net identifiable assets	<u>28,827</u>

As the consideration for accounting purposes was deemed to be nil, to initially recognise the net assets tabled above, a gain on bargain purchase of \$28.8 million was recognised in the statement of profit or loss as the excess of fair value of net assets acquired over consideration paid.

Accounting Policies

Business combinations

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

4. Revenue

	30 June 2023 \$'000	30 June 2022 \$'000
Gold sales	701,386	621,264
Copper sales	16,976	12,116
Silver sales	1,266	1,186
Total	<u>719,628</u>	<u>634,566</u>

Included in current year gold sales is 89,952 ounces of gold sold (at an average price of A\$2,601/ounce) under various hedge programs. At 30 June 2023, the Company has a total of 110,000 ounces of gold left to be delivered under these programs over the next 30 months at an average price of A\$3,007/ounce (FY22: 40,000 ounces at A\$2,505/ounce). Included in gold and copper sales is \$3.3 million of revenue attributable to provisionally priced contracts (FY22: \$0.3 million).

Accounting Policies

Gold bullion sales

Under AASB 15 Revenue, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. With the sale of gold bullion, this

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

occurs when physical bullion, from a contracted sale, is transferred from the Company's metals account into the account of the buyer.

Concentrate Sales

Under AASB 15 Revenue, revenue is recognised upon receipt of the bill of lading when the concentrate is delivered for shipment. Contract terms for concentrate sales allow for a final price adjustment after the date of sale, based on average market prices and final assays in the period after the concentrate is sold. Average market prices are derived from independently published data with material adjustments between the provisional and final price separately disclosed in Note 4. This typically occurs between 60-80 days after the initial date of sale.

Gold forward contracts

The Group uses derivative financial instruments such as gold forward contracts to manage the risks associated with commodity price. The sale of gold under such hedge instruments is accounted for using the 'own use exemption' under AASB 9 Financial Instruments and as such all hedge revenue is recognised in the Statement of Profit or Loss and no fair value adjustments are subsequently made to sales yet to be delivered under the hedging program.

5. Cost of sales

		30 June 2023 \$'000	30 June 2022 \$'000
	Notes		
Mining and processing costs		336,697	266,119
Impairment of carrying value of inventories		68	-
Amortisation	15	118,511	100,062
Depreciation	16	71,578	67,818
Salaries and on-costs		89,103	63,528
Royalties		23,074	20,998
Total		639,031	518,525

Accounting Policies

Mining and processing costs

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

Amortisation

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

The Group uses ounces mined over mineable inventory as its basis for depletion of mine properties. In the absence of reserves, the Group believes this is the best measure as evidenced by historical conversion of resources to reserves. The Group applies applicable factoring rates when adopting the units of production method to reflect the risk of conversion from the inferred and indicated categories to mineable inventory.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Depreciation

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

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

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

6. Administration expenses

	30 June 2023 \$'000	30 June 2022 \$'000
Salaries and on-costs	12,507	9,458
Consultants and contractors	1,925	1,299
Rental expenses	557	595
Business development expenses	1,229	299
Share based payments	4,466	3,195
Other corporate costs	3,060	2,669
Total	23,744	17,515

7. Group personnel expenses

	30 June 2023 \$'000	30 June 2022 \$'000
Wages and salaries	87,677	62,424
Other associated personnel expenses	8,827	6,206
Superannuation and pension contributions	6,214	5,267
Total	102,718	73,897

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

8. Finance income and expenses

	30 June 2023 \$'000	30 June 2022 \$'000
Interest income	7,639	676
Change in fair value of listed investments (Note 17)	5,877	-
Finance income	13,516	676
Interest expense	(714)	(13)
Change in fair value of listed investments (Note 17)	-	(4,741)
Interest expense on lease liabilities	(1,739)	(2,735)
Rehabilitation accretion and gold prepay	(1,075)	(1,244)
Borrowing costs	(3,112)	-
Foreign exchange	-	(18)
Finance costs	(6,640)	(8,751)
Net finance costs	6,876	(8,075)

Accounting Policies

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

9. Taxes

(a) Income tax

	30 June 2023 \$'000	30 June 2022 \$'000
Current tax expense		
Current income tax	18,537	5,701
Adjustment for prior years	519	146
	<u>19,056</u>	<u>5,847</u>
Deferred income tax expense		
Derecognition of previously recognised DTA	-	11,296
Movement in temporary differences	9,433	20,511
Income tax expense reported in profit or loss	<u>28,489</u>	<u>37,654</u>
Numerical reconciliation between tax expenses and pre-tax profit		
Profit before tax	59,325	115,335
Income tax using the Australian corporation tax rate of 30%	17,798	34,601
Adjustment for prior years	519	146
Movement due to non-deductible items	1,444	2,466
Derecognition of previously recognised DTA	-	11,296
Deferred taxes not brought to account	10,933	-
Non-assessable gain on bargain purchase	-	(8,648)
Adjustment for difference between (AUD/CAD) tax rates	(1,851)	(1,376)
Other movements	(354)	(831)
Income tax expense reported in profit or loss	<u>28,489</u>	<u>37,654</u>
(b) Deferred tax assets and liabilities		
Inventories	(5,172)	(4,722)
Investments	(1,371)	-
Exploration, evaluation and mining assets	(97,695)	(71,088)
Property, plant and equipment	18,384	9,538
Accrued expenses	1,522	1,626
Provisions	14,540	14,131
Share issue costs	1,042	1,797
Plant, equipment and mine assets - Ontario	(2,828)	(5,034)
Tax losses	85,979	108,140
	<u>14,401</u>	<u>54,388</u>
Derecognition of previously recognised DTA	-	(11,296)
Net deferred tax assets	<u>14,401</u>	<u>43,092</u>

For personal use only

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

	30 June 2023 \$'000	30 June 2022 \$'000
Australian entities:		
Deferred tax assets	60,800	79,857
Deferred tax liabilities	(43,468)	(31,731)
Canadian entities:		
Deferred tax assets	16,986	16,986
Deferred tax liabilities	(19,917)	(22,020)
Net deferred tax assets	14,401	43,092

Accounting Policies

Income tax

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

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

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

Tax consolidation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Tax losses

The Group utilised \$61,790,000 of tax losses in Australia during the current year by offsetting them against taxable income. At 30 June 2023 the Company has \$240,326,000 (FY22: \$303,846,000) of tax losses remaining that are available for offset against future taxable profits in Australia. The Company has not recognised \$37,654,000 of these losses on the balance sheet which would equate to a deferred tax asset of \$11,296,000.

At 30 June 2023, the Group's Canadian subsidiaries have \$209,434,000 (FY22: \$130,255,000) of tax losses remaining that are available for offset against future taxable profits in Canada. The Canadian subsidiary has not recognised \$108,307,000 of these losses on the balance sheet which would equate to a deferred tax asset of \$27,077,000.

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

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

In accordance with the Group's accounting policies for deferred taxes, a deferred tax asset is recognised for unrecognised 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.

10. Earnings per share

	30 June 2023 \$'000	30 June 2022 \$'000
Profit used in calculating basic and diluted EPS	30,836	77,681
	Number of Shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	930,296,458	902,770,152
Effect of dilution in respect of unvested performance rights granted to employees	14,320,124	9,361,404
Weighted average number of ordinary shares used in calculating diluted earnings per share	944,616,582	912,131,556

Accounting Policies

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

11. Cash and cash equivalents

	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	328,285	304,298

Accounting Policies

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. The Group ensures that as far as possible it maintains excess cash and cash equivalents in short-term high interest bearing deposits. The Group's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in Note 27.

12. Reconciliation of cash flows from operating activities

	30 June 2023 \$'000	30 June 2022 \$'000
Cash flow from operating activities		
Profit after tax	30,836	77,681
Adjustments for:		
Depreciation	71,578	67,818
Amortisation	118,511	100,062
Exploration expenditure & impairment	901	3,187
Share based payments	4,466	3,195
Change in fair value of investments	(5,877)	4,741
Non cash finance costs	2,814	1,257
Profit/(loss) from the sale of non-current assets	(500)	5
Gain on bargain purchase	-	(28,827)
Operating profit before changes in working capital and provisions	222,729	229,119
Change in trade and other receivables	942	(1,242)
Change in inventories	1,059	(13,983)
Change in prepayments and other assets	354	2,155
Change in net deferred tax assets	28,691	37,653
Change in trade and other payables	7,305	(11,803)
Change in other liabilities	(19,671)	7,184
Total	241,409	249,083

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

13. Trade and other receivables

	30 June 2023 \$'000	30 June 2022 \$'000
Current		
Trade and other receivables	7,617	6,961
Sales tax receivables	6,519	8,117
Total	14,136	15,078

The Group's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in Note 27.

Accounting Policies

Trade receivables are recognised initially at the value of the invoice sent to the counterparty and subsequently at the amounts considered recoverable (amortised cost). Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding change to the profit or loss statement. The Group's exposure to credit risk in relation to its receivables is not material.

14. Inventories

	30 June 2023 \$'000	30 June 2022 \$'000
Current		
Materials and supplies	22,569	20,329
Ore stocks	53,953	41,188
Gold in circuit	8,155	8,260
Concentrate	3,304	4,593
Bullion	4,492	9,517
	92,473	83,887
Non-Current		
Ore stocks	53,711	63,356
Total	146,184	147,243

Stockpiles that are not forecast to be processed over the next 12 months are classified as non-current inventory. At the reporting date the Group carried out an impairment review of inventory and assessed that all inventory was carried at the lower of cost and net realisable value.

Accounting Policies

Inventory

Ore stockpiles, concentrate, gold in circuit and gold bullion are physically measured or estimated and valued at the lower of cost and net realisable value. The cost comprises direct materials, labour and transportation expenditure in bringing such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure based on weighted cost incurred during the period in which such inventories were produced.

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated cost necessary to perform the sale. Inventories of consumable supplies and

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

spare parts that are expected to be used in production are valued at cost. Obsolete or damaged inventories of such items are valued at net realisable value.

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

Bullion

Bullion comprises gold that has been delivered to an independent gold refinery prior to period end but which has not yet been delivered into a sale contract.

15. Exploration, evaluation and development expenditure

During the year ended 30 June 2023 the Group incurred and capitalised the following on exploration, evaluation and development expenditure:

	30 June 2023 \$'000	30 June 2022 \$'000
Exploration and evaluation phase		
Cost brought forward	16,850	11,772
Expenditure during the year	14,429	8,307
Impaired during the year	(901)	-
Transferred to development phase	(5,758)	(1,026)
Expensed during year	(2,717)	(2,203)
Balance at 30 June	21,903	16,850
Development phase		
Cost brought forward	-	96,452
Transfer from exploration and evaluation phase	5,758	1,026
Transferred to production phase	(5,758)	(97,478)
Balance at 30 June	-	-
Production phase		
Cost brought forward	385,296	159,936
Acquired in a business combination (Note 3)	-	95,928
Transfer from development phase	5,758	97,478
Expensed during the year	(1,426)	-
Expenditure during the year	141,307	131,565
Foreign currency translation adjustment	1,322	3,872
Rehabilitation asset adjustment	318	(3,421)
Amortisation expense	(118,511)	(100,062)
Balance at 30 June	414,064	385,296
Total	435,967	402,146

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Impairment testing - Sugar Zone

At year end, a review of the recoverable amount of the Sugar Zone CGU was undertaken. The assessment of the fair value for Sugar Zone was determined based on a market approach using Enterprise Value resource multiples for comparable listed ASX and TSX mining companies. Using this method, which was supported by a third-party expert, it was determined that the range of comparable multiples was A\$138 - A\$225/resource ounce. Given the carrying value of the Sugar Zone CGU was at the bottom end of this range, nil impairment was required at 30 June 2023.

Accounting Policies

Exploration and evaluation expenditure

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

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

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

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

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

Impairment testing of exploration and evaluation assets

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

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

- the term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration and evaluation of mineral resources in the specific area are not budgeted or planned;

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

- 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 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 cash generating unit which is no larger than the area of interest.

Impairment testing of assets in the development or production phase

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

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

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

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

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

Exploration expenditure commitments

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Mine properties and mining assets

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

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

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

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

Deferred Stripping Costs

Stripping is the process of removing overburden and waste materials from surface mining operations to access the ore. Stripping costs are capitalised during the development of a mine and are subsequently amortised over the life of mine on a units of production basis, where the unit of account is ounces of gold mined. Stripping costs capitalised at year end are included in the Production phase in Note 15.

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

16. Property, Plant and Equipment

	Note	Land & Buildings \$'000	Plant & Equipment \$'000	Capital Work In Progress \$'000	Total \$'000
Balance 1 July 2021		7,409	114,440	59,982	181,831
Additions		-	38	15,074	15,112
Acquired in a business combination	3	54,550	45,617	4,301	104,468
Transfers		6,716	60,099	(66,815)	-
Leased assets	16(a)	-	18,197	-	18,197
Depreciation	5	(5,884)	(61,934)	-	(67,818)
Foreign currency translation adjustment		805	804	276	1,885
Disposals		-	(5,331)	(740)	(6,071)
At 30 June 2022		63,596	171,930	12,078	247,604
Balance 1 July 2022		63,596	171,930	12,078	247,604
Additions		-	-	46,580	46,580
Transfers		3,328	28,482	(31,810)	-
Leased assets	16(a)	-	12,728	-	12,728
Depreciation	5	(9,266)	(62,312)	-	(71,578)
Foreign currency translation adjustment		355	273	27	655
Disposals		-	(338)	-	(338)
At 30 June 2023		58,013	150,763	26,875	235,651

16(a) Right-of-use assets

The Group leases mining equipment for the purposes of production and exploration activities. These leases run for a period of approximately 1-3 years and may contain an option to renew the lease after that date. Leases that contain extension options are exercisable by the Group and not the lessor. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group has estimated that exercising of the extension options would result in an increase in lease liabilities and right-of-use assets of \$1.1 million.

Some leases provide for additional rent payments that are based on changes in local price indices. These are factored into the calculation of minimum lease payments in determining the value of the right-of-use assets only when these changes become effective.

Information about leases for which the Group is a lessee is presented below:

	30 June 2023 \$'000	30 June 2022 \$'000
Property, plant and equipment		
Balance 1 July	50,118	68,278
Additions to right-of-use assets	12,728	18,197
Derecognition of right-of-use assets	(85)	(5,331)
Depreciation charge for the year	(24,767)	(31,026)
Balance 30 June	37,994	50,118

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Accounting Policies

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

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

17. Investments

	30 June 2023 \$'000	30 June 2022 \$'000
Investments in listed entities - at fair value	12,838	7,968
Movements as follows:		
Balance at 1 July	7,968	11,391
Acquisitions	1,979	1,722
Disposals	(2,986)	(404)
Change in fair value	5,877	(4,741)
Balance at 30 June	12,838	7,968

Accounting Policies

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

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

The fair values of investments in equity securities are determined with reference to their quoted ASX closing price at balance date (considered a Level 1 fair value measurement).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

18. Goodwill

Goodwill of \$90.7 million was recorded following the Company's merger with Doray Minerals Limited on 5 April 2019. The goodwill was attributable to both financial synergies (as a result of the creation of a mid-tier gold company with two complementary gold camps increasing market presence and liquidity) and operating synergies (expected to be achieved from integrating Doray into the Group's existing mining operations).

Impairment testing

Mount Monger and Deflector Operation

As goodwill does not generate cash flows independently of other assets, its carrying value was apportioned to two of the Group's operating CGUs as part of the 30 June impairment testing review. The allocation was made based on the relative market values of the Silver Lake and Doray entities at the date of the merger as follows:

- | | |
|--------------------------------|----------------------|
| ▪ Mount Monger Operation (MMO) | 67% (\$60.8 million) |
| ▪ Deflector Operation | 33% (\$29.9 million) |

In assessing whether each CGU (including its share of goodwill) has been impaired, its carrying amount is compared with its recoverable amount. In accordance with the Group's accounting policy, recoverable amount is assessed as the higher of fair value less costs of disposal (FVLCD) and value in use. The Group has adopted FVLCD in its assessment, using discounted cash flows.

The key assumptions in addition to the life of mine plans used in the discounted cash flow valuation are the gold price, the Australian dollar exchange rate against the US dollar and the discount rate.

Gold price and AUD:USD exchange rate assumptions are estimated by management, with reference to external market forecasts, and updated at least annually. For this review, the forecast gold price was estimated at US\$1,780-US\$1,900/oz. with a forecast exchange rate of US\$0.68 to US\$0.70 per A\$1.00, based on broker consensus forecasts over the life of the mines. A discount rate of 6% was applied to the post tax cash flows expressed in nominal terms. The discount rate was derived from the Group's post tax weighted average cost of capital (WACC). The impairment testing carried out at 30 June 2023 using these assumptions resulted in a nil impairment charge.

Changes to the forecast Australian dollar gold price may have an impact on the carrying value of a CGU in future periods. For example, a A\$400/ounce decrease in forecast AUD gold prices would result in a \$10 million impairment to each of the MMO and Deflector CGUs, assuming all other factors remain constant. The application of a 10% discount rate would not result in an impairment to either CGU.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Accounting Policies

Goodwill arising on acquisition of subsidiaries is measured at cost less accumulated impairment losses. At each reporting date, the Group tests goodwill for impairment. Where the asset does not generate cash inflows independent from other assets and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the cash generating unit (CGU) to which it belongs.

The Group considers each of its operating segments to be a separate CGU. If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss recognised in the Statement of Profit or Loss. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal or value in use.

19. Trade and other payables

	30 June 2023 \$'000	30 June 2022 \$'000
Trade payables	43,815	65,972
Other accruals	46,857	17,345
Total	90,672	83,317

The Group's exposure to liquidity risk and a sensitivity analysis of financial assets and liabilities are disclosed in Note 27.

Accounting Policies

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

20. Deferred revenue

	30 June 2023 \$'000	30 June 2022 \$'000
Gold prepay facility	-	20,467

On 15 February 2022 the Company entered into a secured Gold Prepay Facility ("Facility") with the Commonwealth Bank of Australia ("CBA"), raising \$30,572,000. Under the Facility, Silver Lake delivered a total of 11,928 ounces of gold to CBA between March 2022 and February 2023 (994 ounces per month).

The Facility was secured by way of mining mortgages over the Mount Monger Operation and a general security interest over all assets of Silver Lake and its wholly owned subsidiary Silver Lake (Integra) Pty Ltd. The facility was settled in full by February 2023.

Accounting Policies

Deferred revenue is recorded as a liability when the Company has received payment for goods (in this case bullion) not yet delivered to the buyer. The upfront payment received is initially recognised as a liability and is then transferred to profit or loss as revenue in line with the physical delivery of bullion to the customer.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

21. Lease liabilities

	30 June 2023 \$'000	30 June 2022 \$'000
Current		
Lease liabilities	23,479	22,382
Non-current		
Lease liabilities	21,134	24,465
Total	44,613	46,847

Payments made during the year under lease arrangements qualifying under AASB 16 *Leases* but were variable by nature and therefore not included in the minimum lease payments used to calculate lease liabilities, totalled \$169.9 million (FY22: \$152.3 million). These include payments for services, including labour charges, under those contracts that contained payments for the right-of-use of assets.

For the period ended 30 June 2023, the Group recognised \$27.7 million (2022: \$32.8 million) of lease liability repayments, \$24.8 million (2022: \$31.0 million) of depreciation charges and \$2.1 million (2022: \$2.7 million) of interest costs in relation to these leases. Total cash outflows for leases recognised under AASB 16 *Leases* totalled \$27.6 million for the year (2022: \$33.0 million).

Accounting Policies

The Group leases assets including properties and equipment. As a lessee, the Group previously classified leases as operating or financial leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16 *Leases*, the Group recognises right of use assets and lease liabilities for some of these leases - i.e. they are on-Balance Sheet. The Group presents right-of-use assets in 'Property, plant and equipment' together with assets that it owns. The Group presents lease liabilities separately in the Balance Sheet.

In accordance with AASB 16 *Leases*, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group recognises right-of-use assets at the commencement date of the lease and is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for any changes to lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

22. Employee benefits

	30 June 2023 \$'000	30 June 2022 \$'000
Current		
Liability for annual leave	5,266	5,825
Liability for long service leave	1,977	1,792
Total	7,243	7,617

Accounting Policies

(i) Defined Contribution Superannuation Funds

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

(ii) Other Long-Term Employee Benefits

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

(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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

23. Share based payments

Performance rights (equity settled)

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

	Balance at 1 July 2022	Granted in FY23	Converted	Lapsed	Balance at 30 June 2023	Vested & exercisable at 30 June 2023
Total	8,932,251	10,949,024	(2,764,606)	(2,796,545)	14,320,124	245,427

These performance rights are subject to vesting conditions as outlined in section 5.3(c) of the Remuneration Report. Details of the performance rights currently on issue are summarised in the following table:

	FY21 Award ¹	FY22 Award	FY23 Award
Number of performance rights	1,798,937	4,598,672	10,949,024
Exercise price	\$0.00	\$0.00	\$0.00
Grant date	1 July 2020	1 July 2021	1 July 2022
Vesting period	1 July 2020 - 30 June 2023	1 July 2021 - 30 June 2024	1 July 2022 - 30 June 2025
Expiry period	15 years	15 years	15 years
ASX Comparator Group	DCN; EVN; GOR; NCM; NST; OGC; PRU; RMS; RRL; RSG; SBM; WGX; X64	DCN; EVN; GOR; NCM; NST; OGC; PRU; RMS; RRL; RSG; SBM; WGX; X64	CMM; EVN; GOR; NCM; NST; OGC; PRU; RMS; RRL; SBM; WAF; WGX
Valuation at grant date	\$0.917	\$1.205	\$0.778
Underlying 20 day VWAP	\$1.98	\$1.73	\$1.46
Volatility	65%	60%	50%
Risk free rate	0.13%	0.20%	3.01%
Expected dividends	-	-	-

Note 1: On completion of the vesting period, only 157,217 of the FY21 Performance Rights had vested, with the balance lapsing due to performance hurdles not being satisfied.

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

The total expense recognised in the Statement of Profit or Loss for all performance rights for the period ended 30 June 2023 was \$4,466,000 (FY22: \$3,195,000).

Accounting Policies

Share-Based Payment Transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

24. Provisions

	30 June 2023 \$'000	30 June 2022 \$'000
Closure and rehabilitation		
Opening balance at 1 July	46,923	44,929
Acquired through a business combination	-	5,778
Accretion expense	1,075	1,016
Adjustment to provisions during the year	254	(3,243)
Rehabilitation spend	(159)	(1,557)
Closing balance at 30 June	48,093	46,923
Current provision	-	90
Non-current provision	48,093	46,833
Closing balance at 30 June	48,093	46,923

At year end a review of the Group's closure and rehabilitation provision was undertaken using updated cost assumptions and updated rehabilitation plans. As a result of this review the provision was increased by \$254,000 (FY22: \$3,243,000 decrease).

Accounting Policies

Provisions

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

Closure and Rehabilitation

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

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

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

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

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

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

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

25. Share capital

	Number	\$'000
Movements in issued capital		
Balance as at 1 July 2021	881,575,315	1,023,106
Issue of shares - long term incentive plan	6,875,764	-
Transfer from reserves	-	3,323
Issues of shares - Harte Gold transaction (Note 3)	44,681,667	70,903
Buy back of share capital	(778,164)	(1,064)
Balance as at 30 June 2022	932,354,582	1,096,268
Transfer from reserves	-	2,205
Buy back of share capital	(2,610,249)	(3,037)
Balance as at 30 June 2023	929,744,333	1,095,436

All ordinary share rank equally and have no par value.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Accounting Policy

Issued Capital

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

26. Reserves

	30 June 2023 \$'000	30 June 2022 \$'000
Equity settled share-based payment reserve	8,057	5,796
Foreign currency translation reserve	9,653	7,690
Balance as at 30 June	17,710	13,486

Accounting Policy

Equity settled share-based payment reserve

The equity settled share-based payment reserve is used to record the value of share-based payments and performance rights provided to employees (including KMP) as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial information of foreign operations.

27. Financial risk management

(a) Overview

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

(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 in Australia and Canada. 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 with major Australian and Canadian financial institutions.

ii) Trade and other receivables

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

The Group has determined that its credit risk exposure on all other trade receivables is low, as customers are considered to be reliable and have short contractual payment terms. Management does not expect any of these counterparties to fail to meet their obligations.

iii) Exposure to credit risk

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

	Carrying Amount	
	2023 \$'000	2022 \$'000
Trade and other receivables	14,136	15,078
Cash and cash equivalents	328,285	304,298
Total	342,421	319,376

(c) Liquidity risk

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

To mitigate large fluctuations in the USD:AUD exchange rate as well as the USD denominated gold price, the Group has entered into hedging programmes whereby future bullion sales are hedged at a predetermined AUD gold price. At 30 June 2023, the Company has a total of 110,000 ounces of gold left to be delivered under these programs over the next 30 months at an average price of A\$3,007/ounce. The sale of gold under these hedges is accounted for using the 'own use exemption' under AASB 9 Financial Instruments and as such all hedge revenue is recognised in the Statement of Profit or Loss and no mark to market valuation is performed on undelivered ounces.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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

	Carrying Amount \$'000	Contractual Cash Flows \$'000	12 Months or Less \$'000	1-2 years \$'000	2-5 years \$'000
30 June 2023					
Trade and other payables*	90,672	90,672	90,672	-	-
Lease liabilities	44,613	45,912	34,937	8,135	2,840
Total	135,285	136,584	125,609	8,135	2,840
30 June 2022					
Trade and other payables*	83,317	83,317	83,317	-	-
Gold prepay facility**	20,467	-	-	-	-
Lease liabilities	46,847	54,646	20,654	23,397	10,595
Total	150,631	137,963	103,971	23,397	10,595

* The carrying value at balance date approximates fair value

**The gold prepay facility was settled through the physical delivery of bullion

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

i) Commodity risk

The Group's exposure to commodity price risk arises largely from Australian dollar and Canadian dollar gold price fluctuations. The Group's exposure to movements in the gold price is managed through the use of Australian dollar gold forward contracts. The gold forward sale contracts do not meet the criteria of financial instruments for accounting purposes on the basis that they meet the normal purchase/sale exemption because physical gold will be delivered into the contract. Further information relating to these forward sale contracts is included in Note 4. No sensitivity analysis is provided for these contracts as they are outside the scope of AASB 9 *Financial Instruments*.

Interest rate risk

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

Profile

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

	2023 \$'000	2022 \$'000
Fixed rate instruments		
Lease liabilities	44,613	46,847
Variable rate instruments		
Cash and cash equivalents	328,285	304,298

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss after tax by \$3,283,000 (FY22: \$3,043,000). This analysis assumes that all other variables remain constant.

ii) Equity price risk

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

iii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency. The Group generally does not hedge foreign exchange risks.

As at 30 June 2023, the Group held US\$0.4 million in US dollar currency bank accounts (FY22: US\$1.6 million), C\$2.7 million in Canadian dollar currency bank accounts (FY22: C\$1.1 million) and had outstanding receivables of C\$2.2 million relating to Sugar Zone (FY22: C\$4.6 million). An increase/decrease in AUD:USD and AUD:CAD foreign exchange rates of 10% will result in a \$0.5 million impact to net assets and pre-tax profit.

The Group is exposed to translation-related risks arising from the Sugar Zone Operation having a functional currency (CAD) different from the Group's presentation currency (AUD). An increase/decrease in AUD:CAD foreign exchange rates of 10% will result in \$11.1 million impact to net assets and equity reserves.

(e) Fair values

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and interest-bearing liabilities is considered to be a fair approximation of their fair values. The carrying amounts of equity investments are valued at year end at their quoted market price.

(f) Capital management

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

28. Commitments

The Group has \$3,458,000 (FY22: \$3,291,000) of commitments relating to minimum exploration expenditure on its various tenements and \$2,002,000 (FY22: \$6,701,000) of capital commitments at 30 June 2023.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

29. Related parties

(a) Key Management Personnel compensation

	30 June 2023 \$	30 June 2022 \$
Short-term employee benefits	4,585,799	4,992,084
Post-employment benefits	196,720	218,342
Other long-term benefits	1,450,215	1,631,232
Total	6,232,734	6,841,658

(b) Individual directors and executives' compensation disclosures

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

During the current period 2,239,315 performance rights were awarded to key management personnel. See Note 23 and the Remuneration Report for further details of these related party transactions.

For personal use only

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

30. Group Entities

The Company controlled the following subsidiaries:

Subsidiaries	Country of Incorporation	Ownership Interest	
		2023	2022
Backlode Pty Ltd	Australia	100%	100%
Brandy Hill Iron Pty Ltd	Australia	100%	100%
Brandy Hill Iron SPV Pty Ltd	Australia	100%	100%
Central Infrastructure Pty Ltd	Australia	100%	100%
Central Infrastructure SPV Pty Ltd	Australia	100%	100%
Cue Minerals Pty Ltd	Australia	100%	100%
Deflector Gold Pty Ltd	Australia	100%	100%
Deflector Gold SPV Pty Ltd	Australia	100%	100%
Doray Gold Operations Pty Ltd	Australia	100%	100%
Egan Street Victoria Bore Pty Ltd	Australia	100%	100%
Gullewa Gold Project Pty Ltd	Australia	100%	100%
Gullewa Gold Project SPV Pty Ltd	Australia	100%	100%
Loded Pty Ltd	Australia	100%	100%
Meehan Minerals Pty Ltd	Australia	100%	100%
Murchison Resources Pty Ltd	Australia	100%	100%
MYG Tenement Holdings Pty Ltd	Australia	100%	100%
MYG Tenement Holdings SPV Pty Ltd	Australia	100%	100%
Paylode Pty Ltd	Australia	100%	100%
Silver Lake (Deflector) Pty Ltd	Australia	100%	100%
Silver Lake (Doray) Pty Ltd	Australia	100%	100%
Silver Lake (Egan Street) Pty Ltd	Australia	100%	100%
Silver Lake (Integra) Pty Ltd	Australia	100%	100%
Silver Lake (Rothsay) Pty Ltd	Australia	100%	100%
Roonela Pty Ltd	Australia	100%	-
Silver Lake (SPV) Pty Ltd	Australia	100%	-
Silver Lake Canada Inc	Canada	100%	100%
Silver Lake Ontario Inc	Canada	100%	100%

Accounting Policies

Subsidiaries

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

31. Joint Operations

As at 30 June 2023, the Group had no interest in any joint venture.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

32. Auditor's Remuneration

	30 June 2023 \$	30 June 2022 \$
Audit services		
Audit and review of financial statements - KPMG Australia	303,000	328,000
Audit and review of financial statements - KPMG Canada	110,000	163,000
Non-audit Services		
Taxation services	137,000	155,000
Total	<u>550,000</u>	<u>646,000</u>

33. Parent Entity

As at, and throughout the financial year ended 30 June 2023, the parent company of the Group was Silver Lake Resources Limited.

	30 June 2023 \$'000	30 June 2022 \$'000
Results of the parent entity		
Loss for the year	(35,126)	(58,503)
Total comprehensive loss for the year	<u>(35,126)</u>	<u>(58,503)</u>
Balance Sheet of parent entity at year end		
Current assets	59,533	33,644
Total assets	<u>635,839</u>	<u>679,117</u>
Current liabilities	52,948	68,802
Total liabilities	<u>59,144</u>	<u>74,851</u>
Total equity of the parent entity comprising of:		
Share capital	1,095,436	1,096,268
Reserves	14,182	5,795
Accumulated losses	(532,923)	(497,797)
Total equity	<u>576,695</u>	<u>604,266</u>

The parent entity has \$1,772,000 (FY22: \$1,716,000) of commitments relating to minimum exploration expenditure on its various tenements and \$492,000 (FY22: \$778,000) capital commitments at financial year end.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

34. Segment Reporting

The accounting policies used by the Company in reporting segments are in accordance with the measurement principles of applicable accounting standards. The Group has the following reportable segments:

- i) Mount Monger Operation
- ii) Deflector Operation (including the Rothsay Project)
- iii) Sugar Zone Operation

The Mount Monger and Deflector operations are both located in Western Australia, with the Sugar Zone Operation located in Ontario, Canada. The Mount Monger Operation produces gold bullion, the Deflector Operation produces gold bullion and gold-copper concentrate, and the Sugar Zone Operation produces gold bullion and gold concentrate. Financial information for the reportable segments for the years ended 30 June 2023 and 30 June 2022 is as follows:

30 June 2023	Mount Monger \$'000	Deflector \$'000	Sugar Zone \$'000	Unallocated ² \$'000	Total \$'000
Revenues	258,985	355,757	104,886	-	719,628
EBITDA (excluding significant items) ¹	81,694	196,806	(3,594)	(26,507)	248,399
PP&E & mine assets	128,840	272,472	270,306	-	671,618
Capital expenditure ³	64,238	82,542	43,830	-	190,610

30 June 2022	Mount Monger \$'000	Deflector \$'000	Sugar Zone \$'000	Unallocated ² \$'000	Total \$'000
Revenues	269,204	326,733	38,629	-	634,566
EBITDA (excluding significant items) ¹	93,209	189,757	2,109	(17,515)	267,560
PP&E & mine assets	107,145	296,865	245,740	-	649,750
Capital expenditure ³	47,816	77,864	21,456	-	147,136

¹ A reconciliation between the statutory profit after tax and the Group's EBITDA (excluding significant items) is tabled below

² Unallocated items primarily comprise administration expenses

³ Capital expenditure includes \$12.7 million of Right of Use asset additions as required under AASB 16 Leases (2022: \$18.2 million)

Reconciliation of Statutory Profit after Tax to EBITDA (excluding significant items) - unaudited	30 June 2023 \$'000	30 June 2022 \$'000
Statutory profit after tax:	30,836	77,681
<i>Adjustments for:</i>		
Depreciation and amortisation	190,089	167,880
Income tax expense	28,489	37,654
Net finance costs (includes change in value of listed investments)	(6,876)	8,075
Business development adjustments (including gain on bargain Purchase in FY22)	1,229	(27,924)
Exploration expensed	5,044	3,187
Other	(412)	1,007
EBITDA (excluding significant items)	248,399	267,560

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

35. Deed of Cross Guarantee

The Company and its wholly owned subsidiary Silver Lake (Integra) Pty Ltd have entered into a Deed of Cross Guarantee under which each company guarantees the debts of the other. By entering into the Deed of Cross Guarantee, Silver Lake (Integra) Pty Ltd has been relieved from the Corporations Act 2001 requirement to prepare, audit and lodge a financial report and Directors' report under ASIC Corporations (wholly owned companies) Instrument 2016/785. The Consolidated Balance Sheet at 30 June for the members of the Deed of Cross Guarantee is disclosed in the table below:

	30 June 2023 \$'000	30 June 2022 \$'000
Current assets		
Cash and cash equivalents	56,858	30,947
Trade and other receivables	2,186	2,060
Inventories	30,079	44,066
Prepayments	275	306
Total current assets	89,398	77,379
Non-current assets		
Inventories	44,200	63,157
Exploration evaluation and development expenditure	102,172	77,791
Property, plant and equipment	26,668	29,355
Investments	456,789	406,166
Intercompany receivables	46,810	123,186
Deferred tax asset	60,801	48,126
Total non-current assets	737,440	747,781
Total assets	826,838	825,160
Current liabilities		
Trade and other payables	40,115	36,918
Lease liabilities	9,474	6,700
Interest bearing liability	-	20,467
Employee benefits	4,552	4,187
Closure and rehabilitation provision	-	90
Total current liabilities	54,141	68,362
Non-current liabilities		
Lease liabilities	-	1,131
Closure and rehabilitation provision	17,688	17,492
Deferred tax liabilities	43,468	-
Total non-current liabilities	61,156	18,623
Total liabilities	115,297	86,985
Net assets	711,541	738,175
Equity		
Share capital	1,095,436	1,096,268
Reserves	14,183	10,717
Accumulated losses	(398,078)	(368,810)
Total equity	711,541	738,175

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023 for the members of the Deed of Cross Guarantee is disclosed in the table below:

	30 June 2023 \$'000	30 June 2022 \$'000
Revenue	258,985	269,204
Cost of sales	(228,663)	(252,130)
Gross profit	30,322	17,074
Other income	545	247
Business combinations expenses	-	(7,866)
Exploration expensed	(2,652)	(1,809)
Administration expenses	(31,350)	(16,994)
Results from operating activities	(3,135)	(9,348)
Finance income	6,271	77
Finance expenses	(1,609)	(6,769)
Net finance income/(costs)	4,662	(6,692)
Profit/(loss) before income tax	1,527	(16,040)
Income tax expense	(30,795)	(32,621)
Loss profit for the year	(29,268)	(48,661)

36. Subsequent Events

No events have arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.