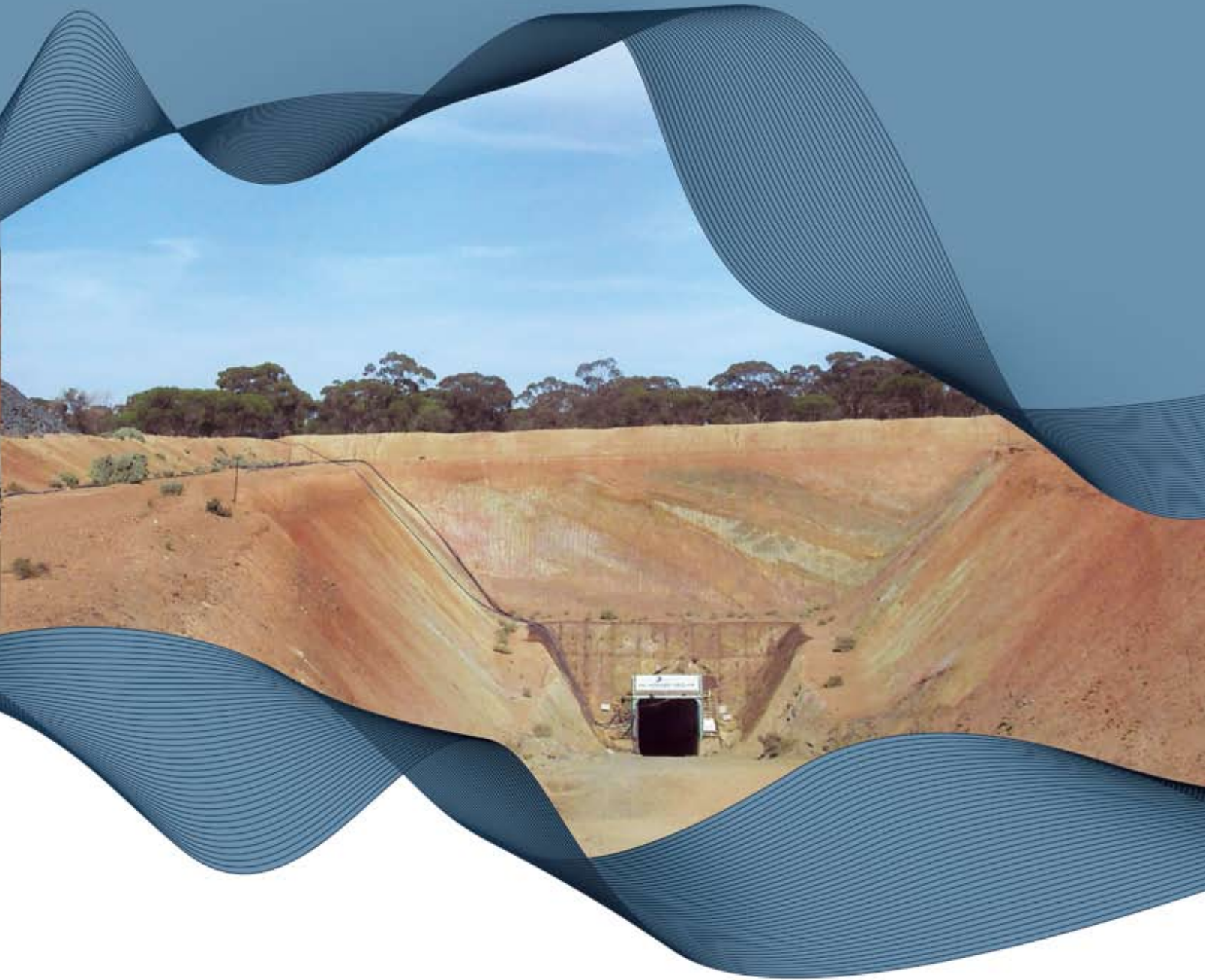


ANNUAL REPORT

FOR THE YEAR ENDED

30 June 2010

ABN 38 108 779 782



silverlake
RESOURCES

HIGHLIGHTS

Three new Discoveries: Daisy East & Emma at Mount Monger & Genesis in the Murchison
Awarded 2009 Gold Miner of the Year from Gold Mining Journal & Paydirt
Doubled capacity at Lakewood Gold Processing Facility to 600,000 tpa (A\$4.1million)
Admitted to ASX 300 list of companies in March 2010
Poured first 100,000 ounces of gold in May 2010
Intersection of 11 metres at 59.4 g/t Au at Magic deposit
North Monger acquisition with near term production potential
70% increase in resource inventory to 2.5 million ounces of gold
35% increase in full year mine production to 66,700 ounces of gold
Full year Net Profit After Tax A\$11.8 million
Acquired 2.5mtpa milling infrastructure for Murchison and Mount Monger (A\$3.0 million)



Directors

Paul Chapman	Non-Executive Chairman
Les Davis	Managing Director
Chris Banasik	Executive Director – Exploration and Geology
Brian Kennedy	Non-Executive Director
Peter Johnston	Non-Executive Director
David Griffiths	Non-Executive Director

Company Secretary

Peter Armstrong

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ABN 38 108 779 782

ASX Code: SLR



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CHAIRMAN & MANAGING DIRECTOR'S REPORT

Dear fellow shareholder

Last year we set the following key objectives for the Company:

- Continue production of ~50,000 oz pa from Daisy Milano and extend the mine life beyond five years;
- Complete mining of the Christmas Flat open pit;
- Expand the Lakewood Gold Processing Facility to 600,000 tpa for a low capital outlay;
- Grow the resource base at Mount Monger;
- Explore the high grade Murchison projects and delineate further resources to sustain a high margin operation; and
- Maintain a strong balance sheet.

We are pleased to report our progress on these matters with a number of significant achievements:

- Gold in ore production from Mount Monger Operations increased 35% to 66,671 oz including:
 - Daisy Milano 50,035 oz;
 - Daisy East (discovered July 2009) 7,638 oz; and
 - Christmas Flat open pit 8,998 oz
- Expansion of the Lakewood Gold Processing Facility to 600,000 tpa was completed on time and for the budgeted amount of A\$4.1 million;
- Our financial position strengthened:
 - Net profit after tax was A\$11.8 million and net cashflow was A\$12.9 million; and
 - Cash and bullion at 30 June 2010 was A\$36.1 million with no debt or hedging.
- Given our strong performance we were admitted to the ASX 300 list of companies in March 2010.

Pleasingly, the mine life at Mount Monger was extended with increased resources at Daisy Milano, the discovery and development of Daisy East and the potential for other near mine ore sources. Furthermore, the resource potential of the Magic deposit based on recent exploration success could be significant.

In July 2010 we announced two strategic acquisitions to further grow the business:

- Acquisition of the North Monger tenements which included JORC compliant gold resources of 80,300 oz with near term production potential; and
- Acquisition of a 2.5mtpa processing infrastructure for the Murchison and Mount Monger projects.

In October 2009, we raised A\$18.3 million via a placement to institutional investors for the purpose of accelerating exploration activities. This led to an increase of over 1 million ounces of gold to the Company's June 2010 JORC resource base which now totals 17.8 million tonnes at 4.4 g/t for 2.5 million ounces of gold. This includes the following highlights:

- JORC resources at Mount Monger increased to 1.1 million oz of gold, an increase of 250% at a sustained high grade of 9.4 g/t Au including:
 - Daisy Milano increased to 623,700 oz of gold, an increase of 142% (after allowing for 2009/10 production); and
 - Maiden resource at Daisy East of 142,600 oz of gold

JORC resources in the Murchison increased to 1.3 million ounces of gold, an increase of 37%.

Silver Lake's discovery cost continues to be less than A\$10 per ounce of gold. We believe that we have surpassed our objectives for last year and remain focussed on growing the business into the future.

CHAIRMAN & MANAGING DIRECTOR'S REPORT

We remain committed to strong cost management and running a sustainable, profitable business. Over the last year we saw our business and the mining industry come under threat from the Federal Government's ill-considered mining tax proposals. The subsequent uncertainty created continues to undermine investor confidence and to cause ongoing anxiety throughout our industry. Australia's largest export earning industry should be encouraged to explore and to grow so as to provide real flow-on benefits to Australians. For this reason, we remain strongly opposed to a mining tax in any form.

The coming year presents a number of opportunities to grow our business while maintaining a strong financial position. Accordingly, we have set ourselves the following key objectives over the next twelve months:

- Continue production of ~80,000 oz pa from Daisy Milano and Daisy East;
- Complete mining studies on our open pit inventory at Mount Monger to bring projects into production;
- Complete the ventilation upgrade at Daisy Milano on time and on budget;
- Further grow the resource base at Mount Monger with exploration targeting near mine production sources and the Magic deposit;
- Continue to explore the high grade Murchison projects and complete a Definitive Feasibility Study to advance these projects to production; and
- Maintain a strong balance sheet through prudent capital and cost management.

Silver Lake has cash flow, highly promising assets and a committed team with a proven track record to implement its strategy. We are committed to growing shareholder value.

On behalf of the Board, we would like to thank the Company's employees for their efforts and achievements during the year. We would also like to acknowledge the support of our suppliers and our shareholders for their confidence in the Company.



Paul Chapman

Non-Executive Chairman

1 September 2010



Les Davis

Managing Director

Overview

Silver Lake Resources Limited ("Silver Lake" or "the Company") is an ASX 300 gold producing and exploration company with a resource base of 2.5 million oz in highly prospective regions including the Mount Monger goldfield and Murchison goldfield.

Silver Lake's strategy is to develop large production centres at Mount Monger and the Murchison with multiple mines at each centre.

Silver Lake's Mount Monger Operation contains the Daisy Milano and Daisy East underground mines located 50 km southeast of Kalgoorlie.

Mount Monger has additional multi mine potential underpinned by emerging open pit production from Costello, Magic, Wombola Dam and Wombola Pit.

Furthermore, the discoveries of Emma and extensions to Rosemary and Haoma show potential as near term production sources.

Gold ore from Mount Monger is transported to Silver Lake's 600,000 tpa Lakewood Gold Processing Facility located 5 km south east of Kalgoorlie and 45 km from the Daisy Milano mine.

In the Murchison ongoing exploration is focusing on extending current resources that are constrained by limited drilling particularly below 100 metres depth. Our strategy is to delineate sufficient resources to sustain a 100,000 oz per annum operation.

Silver Lake's exploration programme is targeting 5 million oz Au in resource.

Safety

There was zero (0) Lost Time Injuries during the period. Silver Lake's Lost Time Injury Frequency Rate stands at zero (0).

Underground Mine Production

Production from Daisy Milano was in line with expectations during the period producing 208,725 tonnes at 7.5 g/t Au for 50,035 ounces (refer to Table 1).

Production from Daisy East (discovered July 2009) exceeded expectations during the period producing 16,392 tonnes at 14.5 g/t Au for 7,638 ounces (refer to Table 1).

Combined underground production during the period totalled 225,117 tonnes at 8.0 g/t Au for 57,673 ounces (refer to Table 1).

Open Pit Production

Stage 1 of the Christmas Flat Project, located 1 kilometre north of Daisy Milano, was completed during the period producing 114,799 tonnes at 2.4 g/t Au for 8,998 ounces (refer to Table 1).

Processing

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

During the period LGPF was upgraded to 600,000 tpa for a low capital outlay of A\$4.1 million. The facility is now capable of processing 400,000 tpa of hard rock or up to 600,000 tpa of blended rock

315,343 tonnes were milled during the period at 6.2 g/t Au for 63,021 contained oz. Recovery was 95% resulting in 60,146 oz produced (refer to Table 2).

OPERATIONS REPORT

Gold In Circuit

Gold in circuit at the end of the period totalled 6,830 ounces.

Gold Sales

Gold sales for the period totaled 54,969 oz at an average realised price of A\$1,257oz.

Financial Result

The profit of the Group for the financial period, after providing for income tax amounted to \$11,782,000 (2009: \$10,650,000).

At the end of the financial year the Group had \$29,503,000 in cash (2009: \$16,564,000), \$2,376,000 in cash deposits to cover environmental bonds (2009: \$1,975,000) and \$4,200,000 in gold bullion (2009: \$1,500,000).

Business Development

The company announced in July 2010 two strategic acquisitions to further grow the business:

- acquisition of North Monger tenements which included JORC compliant gold resources of 80,300; and
- acquisition of 2.5mtpa processing infrastructure for the Murchison and Mount Monger projects.



Mount Monger	Units	Jun Qtr 2010	Mar Qtr 2010	Dec Qtr 2009	Sep Qtr 2009	Full Year 09/10	Full Year 08/09
(including low grade)							
Ore hoisted	Tonnes	36,119	61,233	62,722	48,651	208,725	150,820
Mined grade	g/t Au	10.1	7.2	6.3	7.3	7.5	10.0
Gold in ore hoisted	Oz	11,749	14,187	12,746	11,353	50,035	48,609
Ore hoisted	Tonnes	9,902	2,009	2,481	2,000	16,392	-
Mined grade	g/t Au	12.5	34.8	9.7	9.7	14.5	-
Gold in ore hoisted	Oz	4,000	2,246	771	621	7,638	-
Ore hoisted	Tonnes	-	76,607	25,192	13,000	114,799	3,000
Mined grade	g/t Au	-	2.7	2.0	1.6	2.4	2.0
Gold in ore hoisted	Oz	-	6,715	1,610	673	8,998	193
Total Ore hoisted	Tonnes	46,021	139,849	90,395	63,651	339,916	162,863
Mined Grade	g/t Au	10.6	5.2	5.2	6.2	6.1	9.4
Gold in ore hoisted	Oz	15,749	23,148	15,127	12,647	66,671	49,272

Table 1: Mine production statistics.



OPERATIONS REPORT

Lakewood Gold Processing Facility	Units	Jun Qtr 2010	Mar Qtr 2010	Dec Qtr 2009	Sep Qtr 2009	Full Year 09/10	Full Year 08/09
Ore Milled	Tonnes	131,018	67,424	59,124	57,777	315,343	160,103
Head grade	g/t Au	5.5	7.5	5.7	6.8	6.2	9.7
Contained gold	Oz	23,285	16,168	10,904	12,664	63,021	50,067
Recovery	%	95	96	96	96	95	95
Gold produced	Oz	22,019	15,537	10,435	12,155	60,146	47,334
Gold sold	Oz	18,851	14,844	10,225	11,049	54,969	48,353

Table 2: Processing statistics.



Exploration Overview

Silver Lake's lease holding encompasses highly prospective tenement holdings in the Mount Monger and Murchison goldfields, along with the Rothsay and Copper Lakes projects (refer to Figure 1). During the reporting period exploration activities have been undertaken at Mount Monger, in the Murchison and at Rothsay.

At Mount Monger exploration has been undertaken from underground as well as on the surface. A drill platform was established in the 528 stockpile to delineate the resource outline down to 800 metres below the surface. The programme was successful and resulted in a significant increase in the resource. The surface drilling activities were focused at the Magic and Costello resource areas. RC and diamond drilling delineated extensions to the existing resources at both Magic and Costello and has contributed to a greater understanding of the geological setting in the southern portion of the Mount Monger leases belonging to Silver Lake Resources. Exploration activities in the coming year will continue in the Magic area with surface drilling and the underground exploration will focus on testing to the east and west of the main Daisy Milano orebody.

At Tuckabianna, exploration focused in the area of the Caustons and Caustons South open pits. RC and diamond drilling located the Genesis and Exodus mineralised zones. The delineation of these zones is significant because it is possible that they form a zone of mineralisation which is parallel to the main Tuckabianna trend. In addition the separation between this new trend and the zone previously understood is only 100 metres.

During the year a programme of RC and diamond drilling was undertaken at Comet. This work resulted in the extension of the Comet resource down dip to the east and also along strike to the south.

Exploration in the Moyagee area focused on the area south of the Lena resource. Drilling at Lena South, Leviticus and Numbers was following up on historical isolated high grade intercepts. The results from this drilling has shown that there are potentially well mineralised zones along the Lena Shear up to 5 kilometres south of the existing Lena resource. Exploration in this area will continue in order to better define the mineralisation and potentially define new resources.

At Rothsay, a programme of sampling on the banded iron formation outcrops was undertaken. Early indications suggest that the Fe content of the outcrops may be significant and a follow up programme is planned for 2011.

Resources

A 177% increase to total JORC gold resource ounces at the Mount Monger Operation was achieved from the Company's underground and surface drilling programmes throughout the year. The total JORC resource for Mount Monger totals 3.6 million tonnes at 9.4 g/t Au for 1,081,000 oz (refer to Table 3).

In the Murchison a 37% increase to total JORC gold resources was achieved from the Company's surface drilling programmes throughout the year. The total JORC resources for the Murchison now totals 13.7 million tonnes at 3.0 g/t Au for 1,321,600 oz (refer to Table 3).

As at 30 June 2010 the company's total JORC resource base totals 17.8 million tonnes at 4.4 g/t for 2.5 million ounces of gold (refer to Table 3).

The company's ongoing exploration programme is targeting 2 million ounces of gold in resource at Mount Monger and 3 million ounces of gold in resource at its Murchison projects.

EXPLORATION AND RESOURCES REPORT

As at 30 June 2010, the Measured, Indicated and Inferred Mineral Resources were as follows:

										Total Resources		
Deposit	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s
Daisy Milano	70.3	24.7	55.8	457.1	23.1	339.5	227.0	31.3	228.4	754.4	25.7	623.7
Daisy East	33.0	48.1	51.0	53.6	44.9	77.4	27.9	15.7	14.1	114.6	38.7	142.6
Christmas Flat	-	-	-	152.8	3.0	14.7	238.6	3.6	27.6	391.4	3.4	42.4
Costello	-	-	-	115.0	3.3	12.2	128.2	3.1	12.8	243.2	3.2	25.0
Lorna Doone	-	-	-	-	-	-	111.0	4.0	14.3	111.0	4.0	14.3
Magic	-	-	-	283.8	4.4	39.7	807.2	4.4	113.2	1,091.0	4.4	152.8
Wombola Pit ¹	-	-	-	132.2	2.6	11.1	171.0	2.9	15.7	303.0	2.8	26.8
Wombola Dam ¹	-	-	-	125.1	2.6	10.3	432.0	3.1	43.2	557.2	3.0	53.5
Total Mount Monger	103.3	32.2	106.9	1,320.0	11.9	504.9	2,142.7	6.8	469.3	3,565.7	9.4	1,081.0
Caustons	-	-	-	625.6	3.9	78.2	462.2	3.3	48.9	1,087.8	3.6	127.1
Caustons South	-	-	-	424.8	2.0	27.6	296.5	4.2	39.6	721.3	2.9	67.2
Tuckabianna	-	-	-	1,224.0	2.2	86.6	938.0	2.1	63.3	2,162.0	2.2	149.9
Friars	-	-	-	-	-	-	402.0	1.9	24.6	402.0	1.9	24.6
Jasper Queen	-	-	-	-	-	-	175.0	2.6	14.6	175.0	2.6	14.6
Gilt Edge	-	-	-	63.0	3.0	6.0	33.0	5.2	5.5	96.0	3.8	11.6
Genesis	-	-	-	353.7	1.8	20.2	11.8	2.4	0.9	365.5	1.8	21.2
Exodus	-	-	-	457.4	1.6	23.7	101.3	2.8	9.0	558.7	1.8	32.6
Julies Reward	-	-	-	461.3	3.2	46.7	254.7	3.4	27.8	716.0	3.2	74.6
Sherwood	-	-	-	-	-	-	349.0	2.2	24.9	349.0	2.2	24.9
Jaffas Folly	-	-	-	6.0	4.3	0.8	202.0	1.4	9.1	208.0	1.5	9.9
Little John	-	-	-	-	-	-	1,201.0	1.8	69.5	1201.0	1.8	69.5
TMC/Katies	-	-	-	-	-	-	850.0	1.9	51.9	850.0	1.9	51.9
Total Tuckabianna	-	-	-	3,615.8	2.5	289.9	5,276.4	2.3	389.7	8,892.2	2.4	679.6
Comet	36.0	0.6	0.7	2,776.2	3.7	325.5	1,150.3	2.5	91.5	3,962.5	3.3	417.8
Moyagee	-	-	-	-	-	-	820.2	8.5	224.2	820.2	8.5	224.2
Total Murchison	36.0	0.6	0.7	6,392.0	3.0	615.5	7,247.0	3.0	705.4	13,675.0	3.0	1,321.6
Rothsay	-	-	-	-	-	-	591.2	7.0	132.9	591.2	7.0	132.9
Total Silver Lake	139.4	24.0	107.6	7,711.7	4.5	1,120.4	9,980.8	4.1	1,307.5	17,831.9	4.4	2,535.5

Table 3: Silver Lake Resource Inventory as at June 2010. Rounding may give rise to unit discrepancies in this table.

EXPLORATION AND RESOURCES REPORT

Notes

1. The figures quoted represent the geological resource. No "Modifying Factors" have been applied as per the 2004 edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").
2. For the Daisy Milano Measured and Indicated Resource calculation, the geology model was formed by the incorporation of geological mapping, face production sampling and drill hole data. Mineralised veins down to a width of 0.1 metre are included in the resource model.

For the Daisy Milano Inferred Resource calculation the geology model was extrapolated from 720 metres below the surface down to 800 metres below the surface, which is the bottom of the current mine plan.
3. The Magic, and Costello resources incorporate oxide, transition and sulphide material. The models are based mainly on RC drilling with less than 10% diamond drill data.
4. Resources calculations for Lorna Doone, Wombola Pit, Wombola Dam and Rothsay were based on reviews of historical drilling data and a recalculation of resource models.
5. The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Christopher Banasik who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Banasik is a full time employee of Silver Lake Resources Ltd, and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a Competent Person as defined in the 2004 edition of the JORC Code. Mr Banasik has given his consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.
6. Information that relates to exploration targets refers to targets that are conceptual in nature, where there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.



EXPLORATION AND RESOURCES REPORT

Tenement Schedule

Project	Tenement Type	Tenement Number	Registered Holder	Holder %	Date Granted	Date Expiry	Application Date	Area	
								Hectares	Blocks
Copper Lakes	E	45/2903	Rudd AP	100%	-	-	1/05/06	-	78.0
	E	45/3632	Silver Lake Resources Ltd	100%	-	-	24/02/10	-	78.0
Comet	E	21/0125	Cue Minerals Pty Ltd	100%	16/01/08	15/01/13	5/10/05	-	19.0
	M	21/0008	Cue Minerals Pty Ltd	100%	16/05/86	15/05/28	27/07/85	47.68	-
	M	21/0072	Cue Minerals Pty Ltd	100%	2/09/91	1/09/12	9/11/90	745.30	-
	E	20/0531	Cue Minerals Pty Ltd	100%	23/08/06	22/08/11	24/10/01	-	11.0
	E	20/0573	Mavia Pty Ltd	100%	2/10/08	1/10/13	2/12/04	-	3.0
	E	20/0616	Cue Minerals Pty Ltd	100%	22/01/07	21/01/12	22/11/05	-	16.0
	E	21/0144	Cue Minerals Pty Ltd	100%	-	-	3/02/10	-	4.0
Lakewood	L	26/0234	Silver Lake Resources Ltd	100%	3/04/08	2/04/29	24/01/03	33.00	-
	M	26/0242	Silver Lake Resources Ltd	100%	18/10/88	17/10/30	11/03/88	141.65	-
	M	26/0367	Silver Lake Resources Ltd	100%	12/05/93	11/05/14	28/06/91	2.08	-
Moyagee	M	21/0106	Silver Lake Resources Ltd	100%	19/05/99	18/05/20	21/02/96	935.00	-
	M	21/0107	Silver Lake Resources Ltd	100%	19/05/99	18/05/20	21/02/96	642.85	-
	M	58/0224	Silver Lake Resources Ltd	100%	29/08/95	28/08/16	25/01/95	320.00	-
	M	58/0225	Silver Lake Resources Ltd	100%	29/08/95	28/08/16	25/01/95	154.00	-
	E	21/0129	Silver Lake Resources Ltd	100%	30/01/08	29/01/13	31/08/06	-	19.0
	E	58/0335	Silver Lake Resources Ltd	100%	4/06/08	3/06/13	31/08/06	-	9.0
	P	21/0651	Silver Lake Resources Ltd	100%	8/10/08	7/10/12	31/08/06	99.73	-
	P	21/0652	Silver Lake Resources Ltd	100%	8/10/08	7/10/12	31/08/06	100.23	-
	P	21/0654	Silver Lake Resources Ltd	100%	12/09/08	11/09/12	31/08/06	29.09	-
	P	21/0655	Silver Lake Resources Ltd	100%	12/09/08	11/09/12	31/08/06	3.36	-
	P	21/0656	Silver Lake Resources Ltd	100%	12/09/08	11/09/12	31/08/06	5.23	-
	P	21/0657	Silver Lake Resources Ltd	100%	12/09/08	11/09/12	31/08/06	174.43	-
	P	21/0658	Silver Lake Resources Ltd	100%	12/09/08	11/09/12	31/08/06	48.43	-
	P	21/0662	Silver Lake Resources Ltd	100%	9/10/08	8/10/12	9/11/06	69.19	-
	P	21/0665	Silver Lake Resources Ltd	100%	9/10/08	8/10/12	9/11/06	48.00	-
	P	58/1372	Silver Lake Resources Ltd	100%	9/10/08	8/10/12	31/08/06	7.24	-
	P	58/1373	Silver Lake Resources Ltd	100%	9/10/08	8/10/12	31/08/06	43.38	-
	P	58/1374	Silver Lake Resources Ltd	100%	9/10/08	8/10/12	31/08/06	52.24	-
	P	58/1375	Silver Lake Resources Ltd	100%	9/10/08	8/10/12	31/08/06	90.95	-
Mt Monger	E	26/0146	Silver Lake Resources Ltd	100%	-	-	28/10/09	-	4.0
	L	26/0215	Silver Lake Resources Ltd	100%	4/07/00	3/07/21	-	4.00	-
	L	26/0246	Silver Lake Resources Ltd	100%	12/05/09	11/05/30	10/11/08	3.00	-
	M	25/0136	Silver Lake Resources Ltd	100%	1/02/95	31/01/16	25/02/94	84.71	-
	M	26/0038	Silver Lake Resources Ltd	100%	20/10/83	19/10/25	18/05/83	12.36	-
	M	26/0094	Silver Lake Resources Ltd	100%	8/10/95	7/10/27	26/04/85	9.56	-
	M	26/0129	Silver Lake Resources Ltd	100%	17/03/87	16/03/29	10/11/86	24.10	-
	M	26/0250	Silver Lake Resources Ltd	100%	12/01/89	11/01/31	31/03/88	314.75	-
	M	26/0251	Silver Lake Resources Ltd	100%	12/01/89	11/01/31	31/03/88	331.85	-

EXPLORATION AND RESOURCES REPORT

Project	Tenement Type	Tenement Number	Registered Holder	Holder %	Date Granted	Date Expiry	Application Date	Area	
								Hectares	Blocks
	M	26/0271	Silver Lake Resources Ltd	100%	31/03/89	30/03/31	29/07/88	18.20	-
	M	26/0280	Silver Lake Resources Ltd	100%	7/09/89	6/09/10	3/11/88	13.52	-
	M	26/0282	Silver Lake Resources Ltd	100%	22/05/89	21/05/31	14/11/88	27.56	-
	M	26/0325	Silver Lake Resources Ltd	100%	22/01/90	21/01/11	5/07/89	15.83	-
	M	26/0389	Silver Lake Resources Ltd	100%	20/03/92	19/03/13	3/01/92	77.00	-
	M	26/0393	Silver Lake Resources Ltd	100%	24/06/92	23/06/13	31/03/92	67.82	-
	M	26/0402	Silver Lake Resources Ltd	100%	29/10/92	28/10/13	29/05/92	475.80	-
	M	26/0410	Silver Lake Resources Ltd	100%	18/11/92	17/11/13	11/08/92	11.20	-
	M	26/0411	Silver Lake Resources Ltd	100%	25/01/93	24/01/14	11/08/92	10.00	-
	M	26/0415	Silver Lake Resources Ltd	100%	8/02/93	7/02/14	30/11/92	2.05	-
	M	26/0500	Silver Lake Resources Ltd	100%	20/01/10	19/01/31	23/08/95	4.50	-
	M	26/0636	Silver Lake Resources Ltd	100%	11/01/99	10/01/20	14/07/97	5.90	-
	M	26/0665	Silver Lake Resources Ltd	100%	25/10/00	24/10/21	22/12/97	9.44	-
	M	26/0827	Silver Lake Resources Ltd	100%	-	-	18/06/10	2.00	-
	P	25/1872	Silver Lake Resources Ltd	100%	22/11/07	21/11/11	30/08/06	178.00	-
	P	25/1873	Silver Lake Resources Ltd	100%	22/11/07	21/11/11	30/08/06	186.00	-
	P	25/1962	Silver Lake Resources Ltd	100%	22/11/07	21/11/11	1/02/07	121.00	-
	P	25/1963	Silver Lake Resources Ltd	100%	22/11/07	21/11/11	1/02/07	121.00	-
	P	26/3064	Silver Lake Resources Ltd	100%	20/06/06	19/06/10	21/11/00	1.14	-
	P	26/3172	Silver Lake Resources Ltd	100%	18/07/07	17/07/11	24/02/03	121.00	-
	P	26/3173	Silver Lake Resources Ltd	100%	18/07/07	17/07/11	24/02/03	117.00	-
	P	26/3174	Silver Lake Resources Ltd	100%	18/07/07	17/07/11	24/02/03	107.00	-
	P	26/3253	Silver Lake Resources Ltd	100%	21/08/06	20/08/10	12/01/04	10.00	-
	P	26/3417	Silver Lake Resources Ltd	100%	12/08/08	11/08/12	30/08/06	8.00	-
	P	26/3502	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	24.00	-
	P	26/3503	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	9.71	-
	P	26/3504	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	4.15	-
	P	26/3505	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	134.00	-
	P	26/3506	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	102.00	-
	P	26/3507	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	70.00	-
	P	26/3508	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	157.00	-
	P	26/3509	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	157.00	-
	P	26/3510	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	183.00	-
	P	26/3511	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	158.00	-
	P	26/3512	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	198.00	-
	P	26/3513	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	177.00	-
	P	26/3514	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	150.00	-
	P	26/3515	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	179.00	-
	P	26/3516	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	129.00	-
	P	26/3517	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	122.00	-
	P	26/3518	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	199.00	-
	P	26/3519	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	121.00	-

EXPLORATION AND RESOURCES REPORT

Project	Tenement Type	Tenement Number	Registered Holder	Holder %	Date Granted	Date Expiry	Application Date	Area	
								Hectares	Blocks
	P	26/3520	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	195.00	-
	P	26/3521	Silver Lake Resources Ltd	100%	17/01/08	16/01/12	1/02/07	183.00	-
	P	26/3522	Silver Lake Resources Ltd	100%	22/11/07	21/11/11	1/02/07	80.00	-
Rothsay	E	59/1234	Silver Lake Resources Ltd	100%	29/01/07	28/01/12	1/12/05	-	1.0
	E	59/1262	Silver Lake Resources Ltd	100%	10/08/07	9/08/12	19/05/06	-	1.0
	E	59/1263	Silver Lake Resources Ltd	100%	10/08/07	9/08/12	19/05/06	-	1.0
	E	59/1455	Silver Lake Resources Ltd	100%	16/12/08	15/12/13	21/12/07	-	1.0
	E	59/1574	Silver Lake Resources Ltd	100%	5/01/10	4/01/15	11/03/09	-	12.0
	L	59/0024	Silver Lake Resources Ltd	100%	22/08/89	21/08/14	12/05/89	6.90	-
	M	59/0039	Silver Lake Resources Ltd	100%	4/12/86	3/12/28	4/06/86	710.30	-
	M	59/0040	Silver Lake Resources Ltd	100%	4/12/86	3/12/28	4/06/86	380.85	-
	P	59/1745	Silver Lake Resources Ltd	100%	14/02/07	13/02/11	29/05/06	122.60	-
	P	59/1746	Silver Lake Resources Ltd	100%	14/02/07	13/02/11	29/05/06	152.70	-
Tuckabianna	E	20/0606	Silver Lake Resources Ltd	100%	8/08/07	7/08/12	7/10/05	-	20.0
	E	20/0608	Silver Lake Resources Ltd	100%	8/08/07	7/08/12	7/10/05	-	4.0
	M	20/0055	Silver Lake Resources Ltd	100%	19/05/87	18/05/29	22/10/86	344.25	-
	M	20/0108	Silver Lake Resources Ltd	100%	6/05/88	5/05/30	15/10/87	932.70	-
	M	20/0111	Silver Lake Resources Ltd	100%	6/05/88	5/05/30	15/10/87	240.05	-
	M	20/0176	Silver Lake Resources Ltd	100%	10/04/89	9/04/31	10/01/89	322.55	-
	M	20/0183	Silver Lake Resources Ltd	100%	5/09/89	4/09/10	16/06/89	7.88	-
	M	20/0195	Silver Lake Resources Ltd	100%	16/05/90	15/05/11	11/01/90	784.35	-
	M	20/0208	Silver Lake Resources Ltd	100%	4/12/90	3/12/11	11/06/90	819.75	-
	M	20/0225	Silver Lake Resources Ltd	100%	9/01/92	8/01/13	13/08/91	10.03	-
	M	20/0245	Silver Lake Resources Ltd	100%	15/09/92	14/09/13	17/07/92	100.00	-
	M	20/0247	Silver Lake Resources Ltd	100%	26/10/02	25/10/13	13/08/92	9.99	-
	M	20/0277	Silver Lake Resources Ltd	100%	29/08/95	28/08/16	21/04/94	707.35	-
	P	20/2038	Silver Lake Resources Ltd	100%	7/04/09	6/04/13	16/10/07	195.00	-
	P	20/2039	Silver Lake Resources Ltd	100%	7/04/09	6/04/13	16/10/07	186.00	-
	P	20/2040	Silver Lake Resources Ltd	100%	7/04/09	6/04/13	16/10/07	145.00	-
	P	20/2041	Silver Lake Resources Ltd	100%	7/04/09	6/04/13	16/10/07	128.00	-
	P	20/2042	Silver Lake Resources Ltd	100%	7/04/09	6/04/13	16/10/07	124.00	-
	P	20/2043	Silver Lake Resources Ltd	100%	7/04/09	6/04/13	16/10/07	156.00	-

M = Mining Lease
 E = Exploration License
 P = Prospecting License
 L = Miscellaneous License

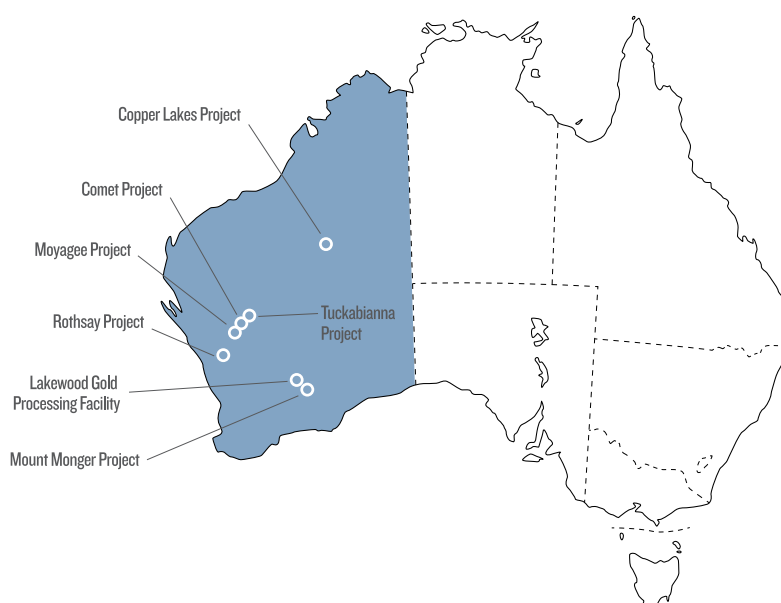


Figure 1: Map of Australia showing the location of Silver Lake's projects.

Mount Monger Goldfield – Western Australia (Silver Lake 100%)

The Mount Monger goldfield (refer to Figure 2) is situated within the terrane subdivision of the Eastern Goldfields Province located 50 km southeast of Kalgoorlie. Gold mining in the Mount Monger area began during the early 1900's. Production records indicate that the field has produced in excess of 400,000 oz Au. Since the company purchased the project in November 2007 over 120,000 ounces of gold have been mined from the Mount Monger Operations. Only sub-cropping mineralisation appears to have been exploited by early miners, with historic workings in the field typically extending to depths of no greater than 80 metres below the surface.

The Mount Monger goldfield is accessible via the Mount Monger road which is bitumen for 15 km then an all weather road for the remaining 35 km. The project consists of 54 granted tenements covering 66 km². All of the resources and historical workings lie within granted tenements. The Mount Monger lease package contains the Daisy Milano and Daisy East underground mines as well as other historical workings.



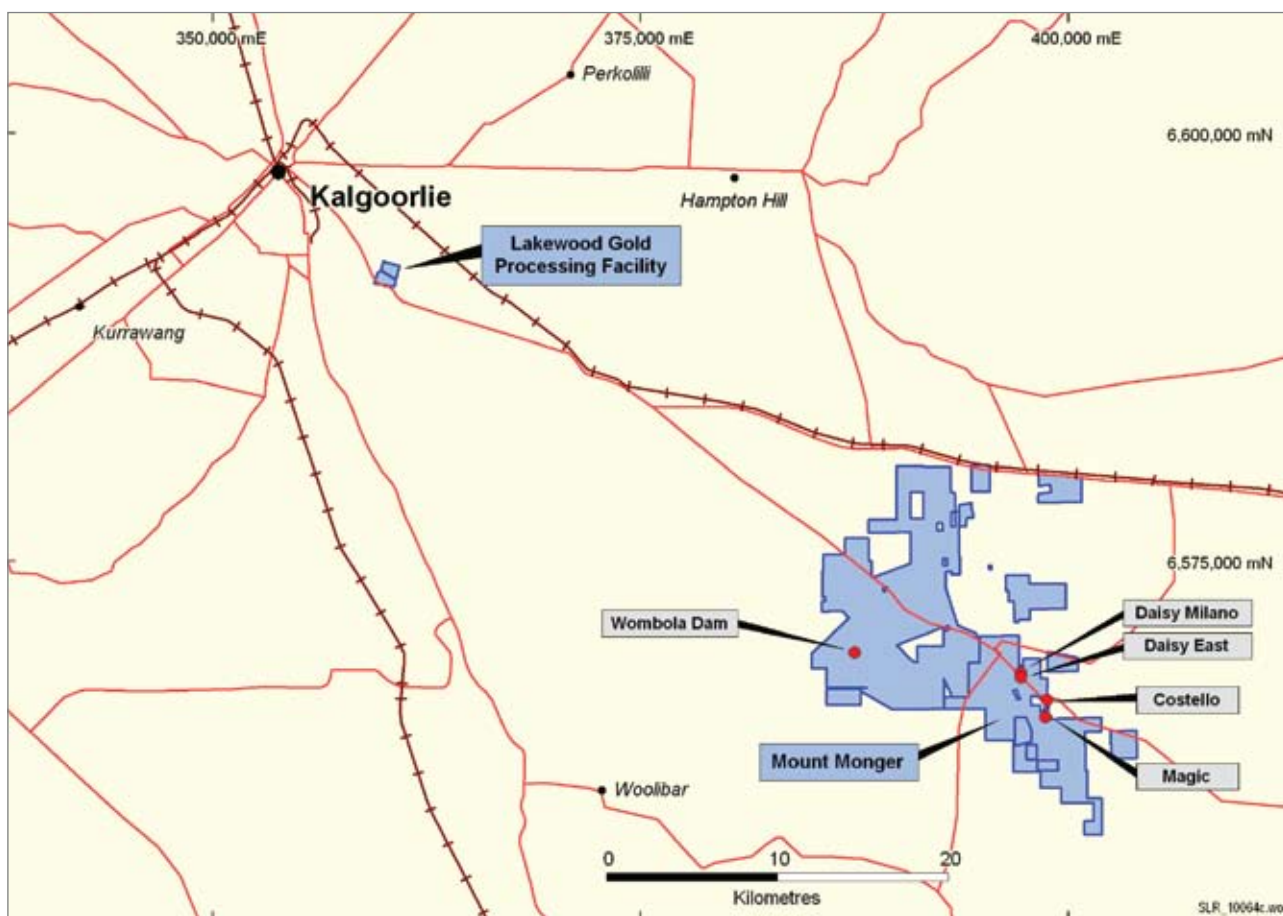


Figure 2: Location plan – Mount Monger goldfield.

Daisy Milano Mine

The Daisy Milano gold deposit is hosted by a dilational zone within a north-south trending shear zone. The mineralisation occurs as a swarm of the thin quartz veins in two major lodes; typically less than two metres in width, dipping at about 80 degrees east, plunging to the south and lengthening in strike extent at depth.

The mine is accessed via a decline from the surface which is currently developed to 550 metres below the surface. The area of the mine above 500 metres from the surface is referred to as Daisy Upper and the area below 500 metres is referred to as Daisy Deep.

Due to the successful underground drilling programme during the year which extended the mineralisation down to 800 vertical metres, the June 2010 JORC resource at Daisy Milano has increased to 754,400 tonnes at 25.7 g/t Au for 623,700 (refer to Table 3). It is expected that decline will progressively extend down to 800 vertical metres where the mineralisation is still open at depth (refer to Figure 3).

A 520 metre deep ventilation shaft is planned to be excavated from the 27 level to the surface over the coming year to increase primary ventilation flow allowing increased production from independent mining fronts at Daisy Milano, Daisy East and other near mine production sources. The cost of the ventilation shaft, ventilation fan and surface infrastructure is budgeted at A\$5 million.

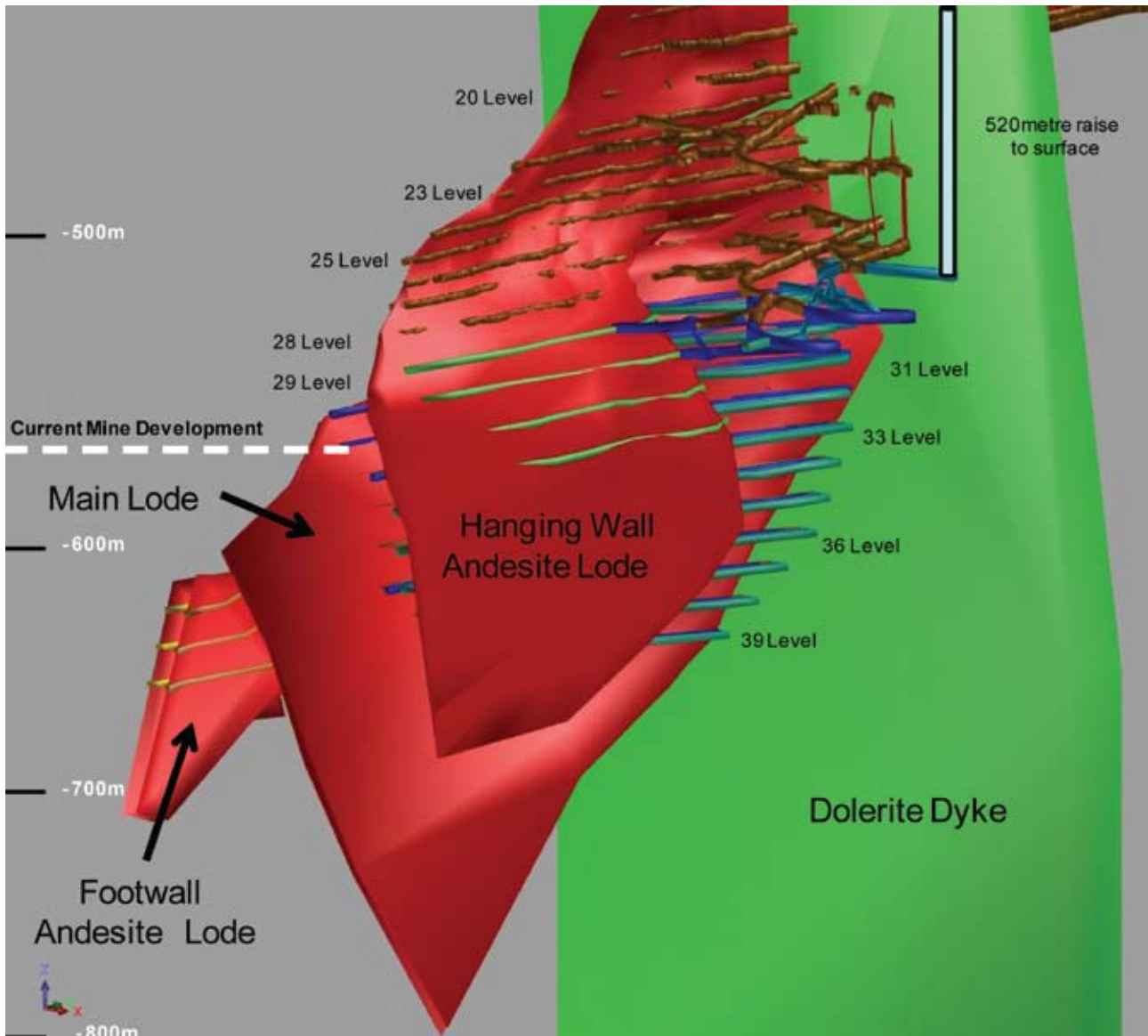


Figure 3: Schematic view of Daisy Deeps showing ore structures and ventilation shaft location.

Christmas Flat Open Pit

The Christmas Flat Project is located 1 kilometre north of Daisy Milano (refer to Figure 4) and was completed in March 2010 (refer to Figure 5) producing 114,799 tonnes at 2.4 g/t Au for 8,998 ounces.

The remaining resource of 41,000 oz Au at Christmas Flat is being evaluated to be extracted by either an open pit cutback or from underground.



Figure 4: Mount Monger aerial view showing locations of deposits, historic workings and lines of lode.



Figure 5: Photo of completed Christmas Flat open pit.

Daisy East, Emma and Rosemary Deposits

In May 2009 an underground drilling programme commenced from the 8 level at Daisy Milano. This programme was targeting extensions to the Rosemary orebody, which is a historical mine approximately 140 metres east of the Daisy Milano decline (refer to Figure 4).

The drilling located two additional zones of gold mineralisation, Daisy East and Emma, that appear to be parallel to the Daisy Milano orebody spaced approximately 40 metres and 70 metres to the east and the drilling also showed that the Rosemary orebody exists below the previously mined level (refer to Figure 6).

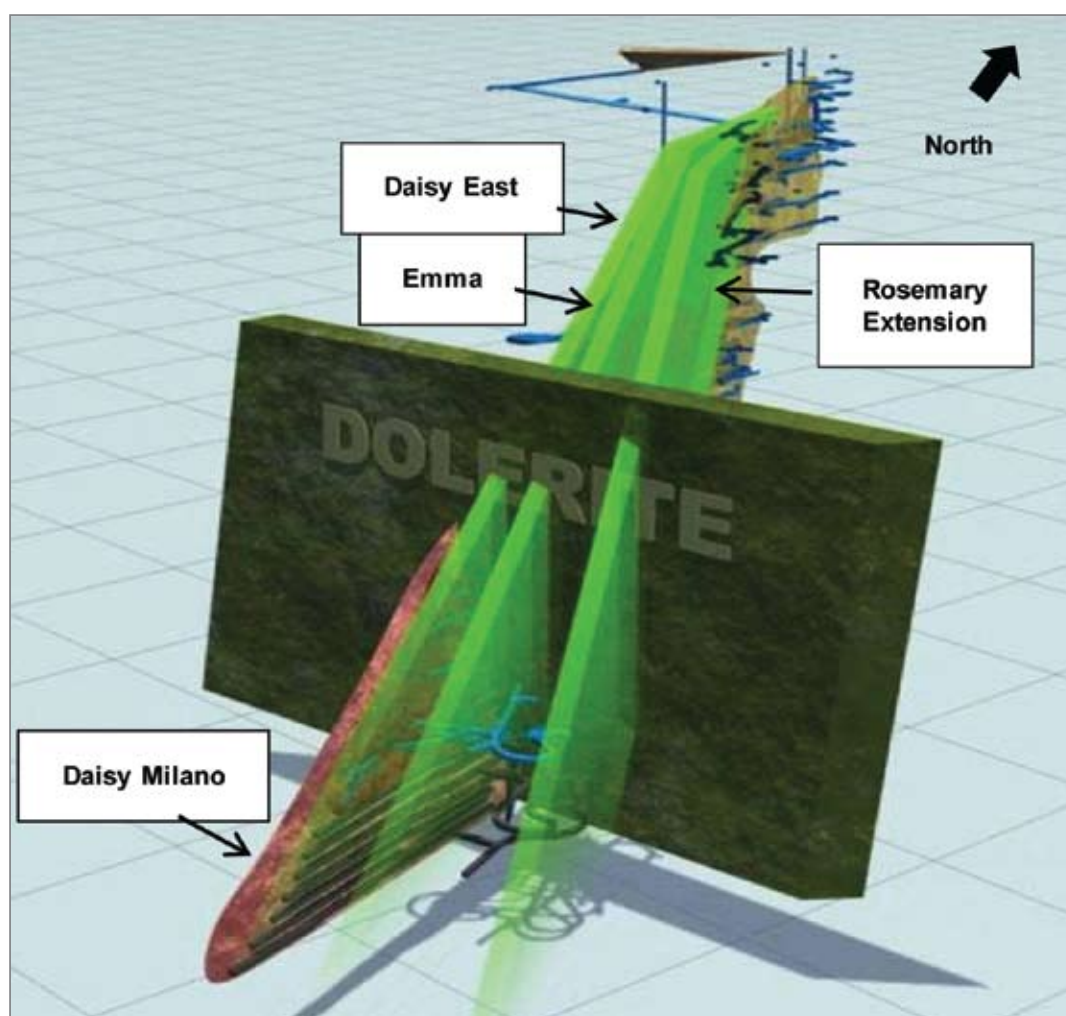


Figure 6: Schematic view of Daisy Milano, Daisy East, Emma and Rosemary showing target zones.

Ongoing drilling and development at Daisy East has increased the mineralised structure to over 200 vertical metres and resulted in a maiden JORC Resource of 114,600 tonnes at 38.7 g/t Au for 142,600 ounces (refer to Table 3). Initial production since discovery this year totalled 16,392 tonnes at 14.5 g/t Au for 7,638 oz.

Ore development will be the primary source of Daisy East production for the coming year as the ventilation shaft at Daisy Milano is being constructed. Post completion of the ventilation shaft, waste development to the 200 metre vertical extent of the current mineralisation will have been completed allowing stoping blocks to commence and production ramp up to occur.

Drilling is ongoing to define the northern extent of the mineralisation.

Further drilling is being planned and geological interpretations are ongoing at Emma and Rosemary.

Costello Deposit

The Costello deposit is located 2 kilometres south of the Daisy Milano mine (refer to Figure 4). The drilling programme throughout the year intersected near surface, thick, high grade mineralisation that remains open at depth and to the north and south which resulted in an increase to the JORC resource to 243,200 tonnes at 3.3 g/t Au for 25,000 oz (refer to Table 3).

A mining study is well advanced for Costello and all required regulatory documentation has been submitted to allow for timely commencement of the project. Metallurgical test work has been completed and the ore is free milling and ideally suited for processing at LGPF.

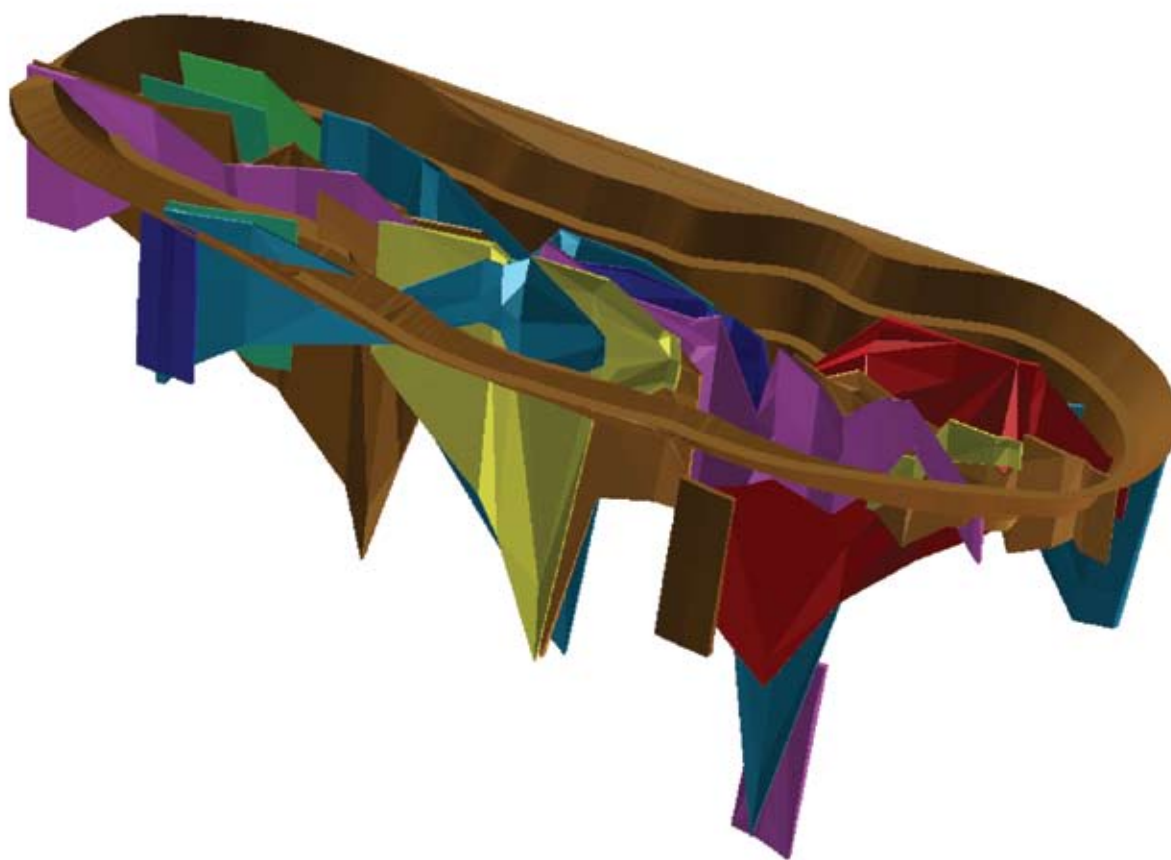


Figure 7: Schematic view showing planned Costello open pit shell and multiple ore structures.

Magic Deposit

The Magic project is located 3 kilometres south of the Daisy Milano mine (Refer to Figure 4). The drilling programme throughout the year intersected significant mineralisation including:

- 11 metres at 59.4 g/t Au from 251 metres (including 1.5 metres at 243 g/t Au);
- 10 metres at 19.1 g/t Au from 52 metres;
- 3 metres at 23.8 g/t Au from 44 metres; and
- 15 metres at 4.7 g/t Au from 272 metres.

Exploration success throughout the year resulted in a 172% increase to the JORC resource to 1,091,000 tonnes at 4.4 g/t Au for 152,900 Oz (refer to Table 3).

Based on the latest drilling results it is currently interpreted that the mineralisation is stacked in multiple layers to the west that remain open to the south and at depth. Given the potential of Magic deposit, the company is undertaking an extensive exploration programme in the area to further delineate the resource.

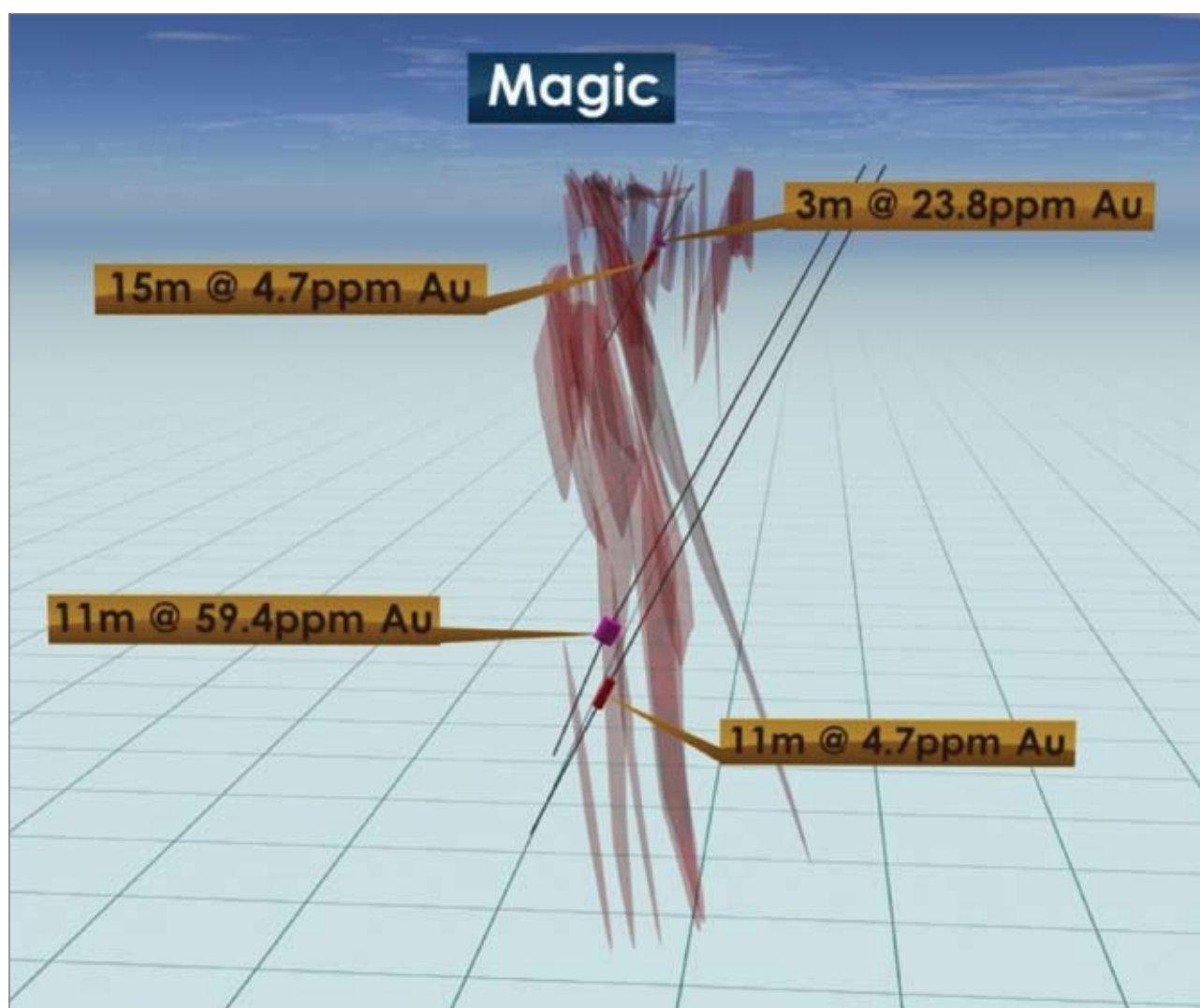


Figure 8: Schematic cross section of the Magic deposit showing mineralisation in multiple layers.

North Monger

The North Monger project was acquired by the company in July 2010. The project covers 100 km² of Archaean greenstone terrane located 45km south-east of Kalgoorlie and adjoins Silver Lake's Mount Monger Operations to the north-west, 2km from the high grade Daisy Milano mine and 40km from the Lakewood Gold Processing Facility (refer to Figure 2).

The Project hosts both gold and nickel resources compiled in accordance with JORC guidelines. The Wombola Pit (refer to Figure 9) and Wombola Dam deposits have a combined gold resource of 860,000 tonnes at 2.9 g/t for 80,300 ounces (refer to Table 3). The Black Hills project has a nickel laterite resource of 30 million tonnes grading 0.64 % Ni for 192,800 tonnes of contained nickel metal.

Widespread surface and subsurface mineralisation indicates that the North Monger Project is highly prospective for additional near surface, open pitable gold deposits. Deeper drilling has the potential to discover much larger deposits as the stratigraphy includes differentiated dolerite and porphyry, which are host rocks for many of the multi million ounce deposits throughout the Eastern Goldfields (eg Kalgoorlie, Kambalda, Kanowna Belle, Coolgardie and Paddington).

Previous exploration was targeted at an average depth of 60 metres with only 10% of holes drilled deeper than 100 metres. Complex structural relationships such as those known to occur at North Monger are key parameters for these large deposit types.

Mining studies have commenced for Wombola Pit and Wombola Dam. Exploration targets are being ranked and drilling will commence later this year. It is expected for the North Monger transaction to be completed in the 2010 September quarter.



Figure 9: Western wall of Wombola pit showing steep dipping mineralisation.

Murchison Goldfield - Western Australia (Silver Lake 100%)

Silver Lake's projects situated in the Murchison goldfield are located between the multi-million oz gold producing areas of Mount Magnet and Cue, 600 km northeast of Perth (refer to Figure 10).

Murchison assets consist of the Tuckabianna, Comet, and Moyagee projects with a combined JORC resource of 13.7 million tonnes at 3.0 g/t Au for 1,321,600 oz (refer to Table 3).

Ongoing exploration is focused on extending current resources that are constrained by limited drilling particularly below 100 metres depth with the strategy of delineating sufficient resources to sustain a high margin operation.

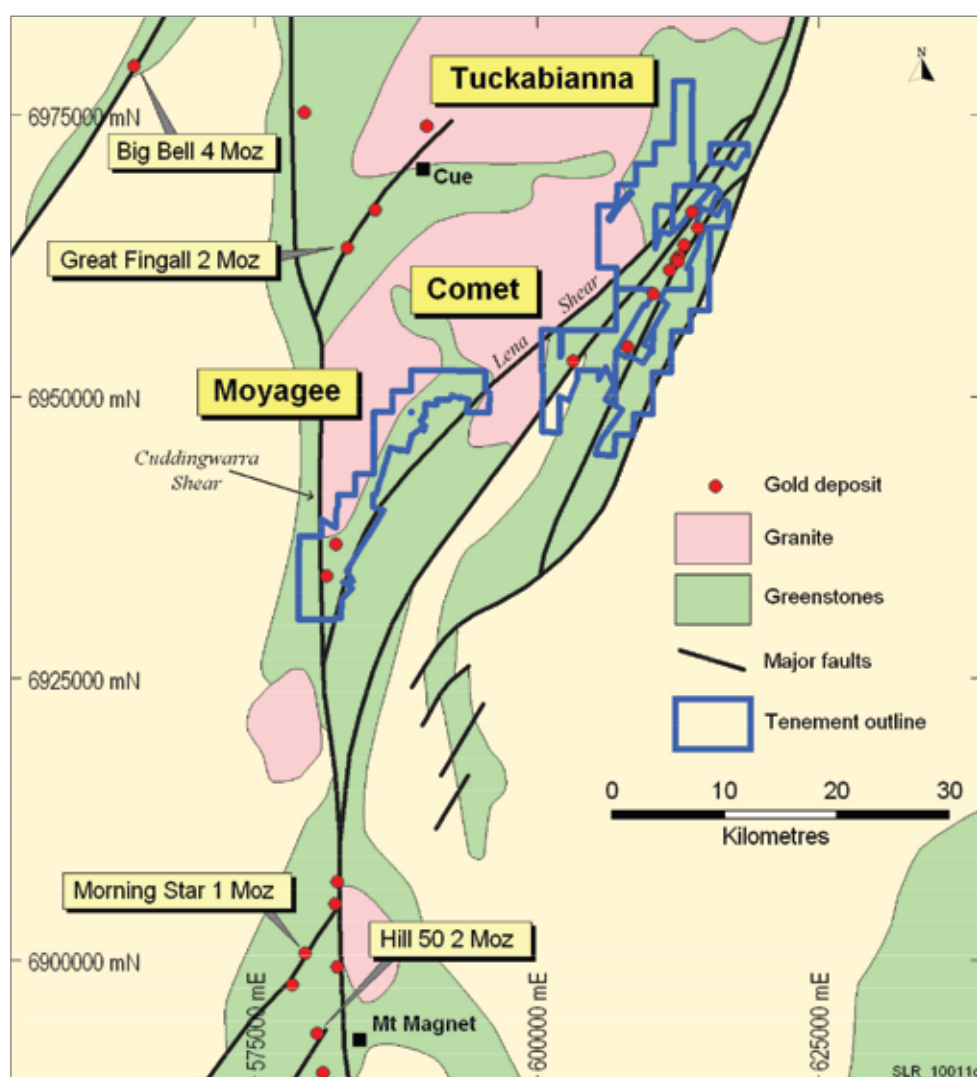


Figure 10: Location Plan - Tuckabianna, Comet and Moyagee.

PROJECTS REPORT

The company announced in August 2010 that it purchased a complete milling circuit (refer to Figure 11) presently located in Western Australia, for A\$3 million.

The milling infrastructure was built in the 1990's and consists of a 500tph crushing circuit, a grinding circuit with 3 ball mills and a 7 stage CIL circuit with a plant capacity up to 2.5mtpa. An independent condition report confirms that the milling infrastructure is in good condition and is readily relocatable.

This acquisition is aligned with the Company's low capital strategy and has secured the critical infrastructure required to bring the Murchison projects into production. The milling circuit can be configured to the expected 1.2mtpa base load production profile.

The remaining capacity gives the Company the option to further expand production in the Murchison or an option to establish milling infrastructure located on the Mount Monger tenements given this year's resource upgrade.

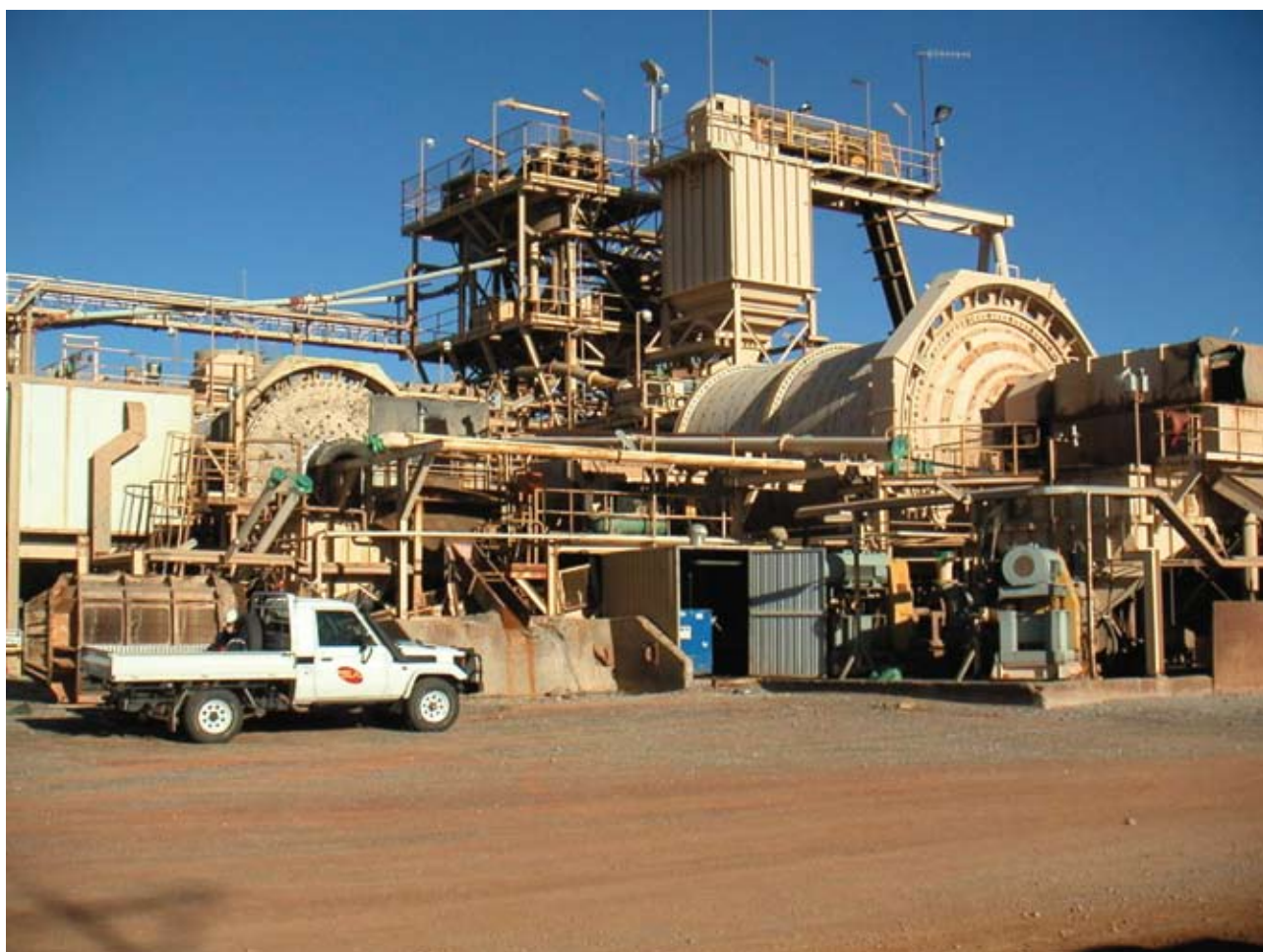


Figure 11: 2.5mtpa milling infrastructure.

Tuckabianna Project

Background

Gold was discovered at Tuckabianna in 1915 with intermittent small scale production from rich mineralised pods within the host banded iron formation. During the period leading up to the commencement of modern open pit mining operations in 1988, total gold production was 53,000 oz at an average grade of 18 g/t Au.

Between 1988 and 1997, approximately six million tonnes of ore was treated from the Tuckabianna area for total production exceeding 500,000 oz Au. Most of this production came from 17 different open pits located within the project area.

Exploration

Exploration throughout the year was highly successful and resulted in several resource extensions and the discovery of the Genesis deposit located 200 metres to the east of the Tuckabianna main zone (refer to Figure 12). Genesis contains multiple near surface, thick, high grade intercepts with mineralisation open to the north, south and at depth and unlocks significant potential for near surface mineralisation to the east and parallel to the 13km long Tuckabianna main zone. Maiden JORC resources were announced for Caustons South, Genesis and Exodus which total 1.6 million tonnes at 2.3 g/t Au for 121,023 oz.

The June 2010 JORC resource for Tuckabianna totals 8.9 million tonnes at 2.4 g/t Au for 679,600 oz (refer to Table 3).

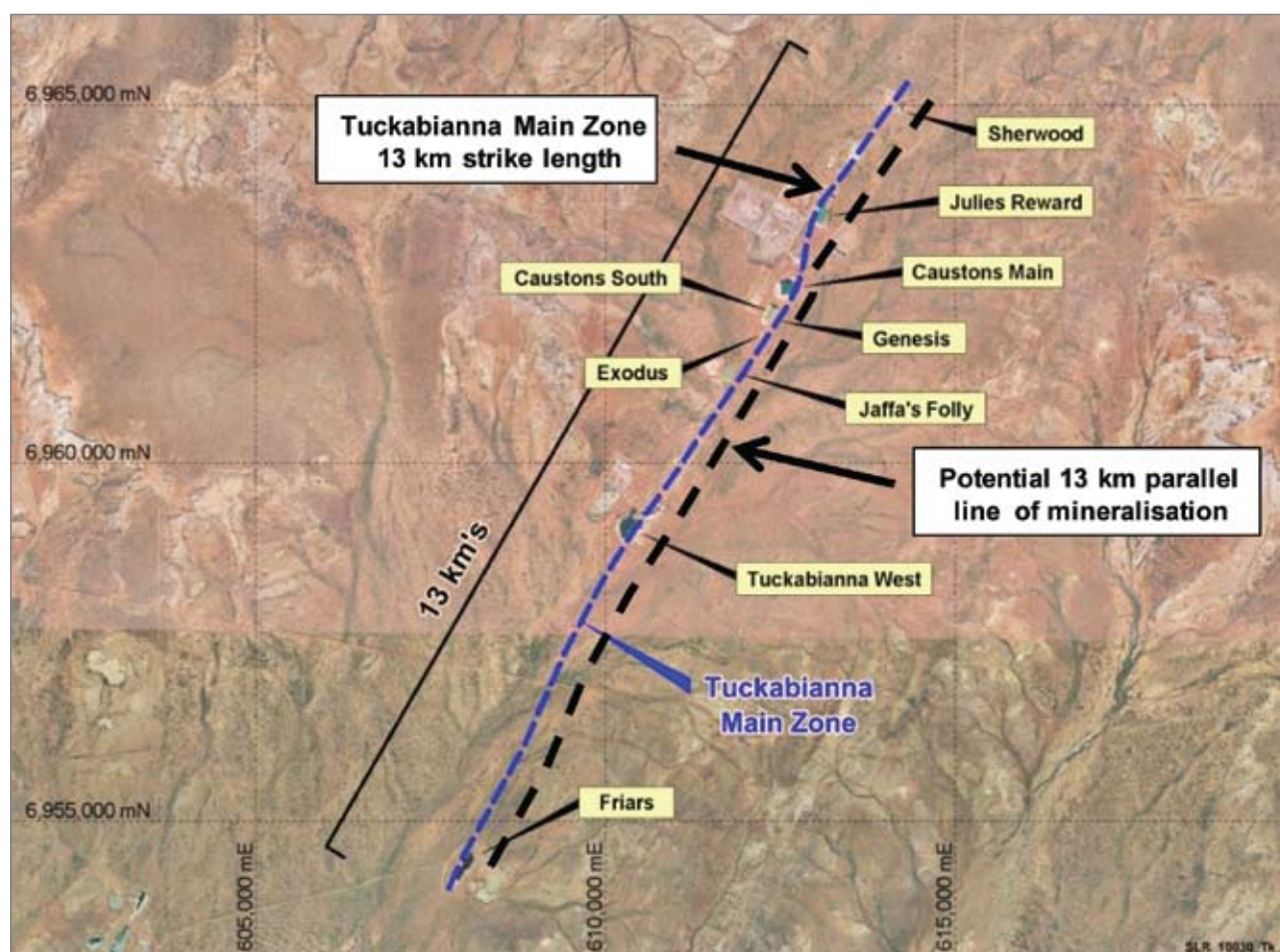


Figure 12: Tuckabianna main zone showing previously mined open pits and the location of the Genesis discovery.

Comet Project

Background

The Comet project is a pre-development gold project that also has advanced exploration targets. Mining activities commenced in the Comet project area in 1913 with underground mining being carried out until 1983. Before the 1980's, gold mining activities were largely limited to intermittent underground mining. In the late 1980's, open pit mining was undertaken at the Comet and Pinnacles deposits with production being 638,335 tonnes at 3.45 g/t Au for 71,000 oz. Up to 1996, the project area was subject to active mining operations.

Exploration

Exploration throughout the year resulted in a 43% increase in the resource to 3.9 million tonnes at 3.3 g/t Au for 417,800 oz. The deposit remains open to the south and at depth.

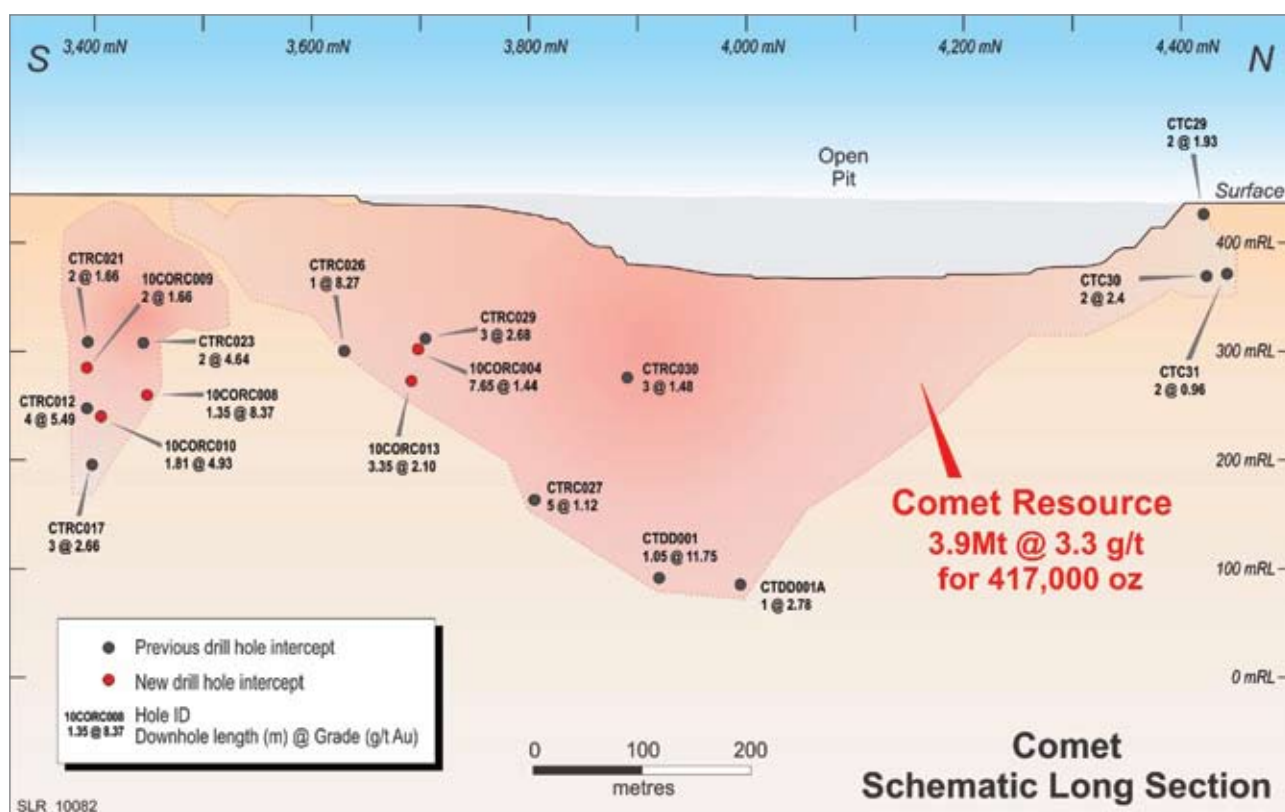


Figure 13: Comet schematic long section.

Kurrajong Nickel Project

The Kurrajong project sits directly to the east of the Company's Comet gold project near Cue, Western Australia. Several ultramafic peridotite horizons have been identified with anomalous geochemical signatures that indicate high potential for hosting komatiite style nickel sulphide mineralisation. No exploration was carried out on the project during the year.

Moyagee Project

Background

Silver Lake's Moyagee project has been the subject of several phases of exploration since the early 1980's. Past gold production from the project area totalled 11,780 oz Au from 9,400 tonnes of ore, mainly from small high grade quartz veins.

Exploration

The Moyagee project is based around the 35 km long Lena shear zone. The Lena deposit is located in this shear zone and already has a JORC resource of 820,000 tonnes at 8.5 g/t Au for 224,200 oz. Mineralisation has been intersected along the shear zone for 5 km south of the Lena deposit and is currently subject to an ongoing drilling programme (refer to Figure 14).

Exploration throughout the year intersected multiple near surface, thick, high grade intercepts.

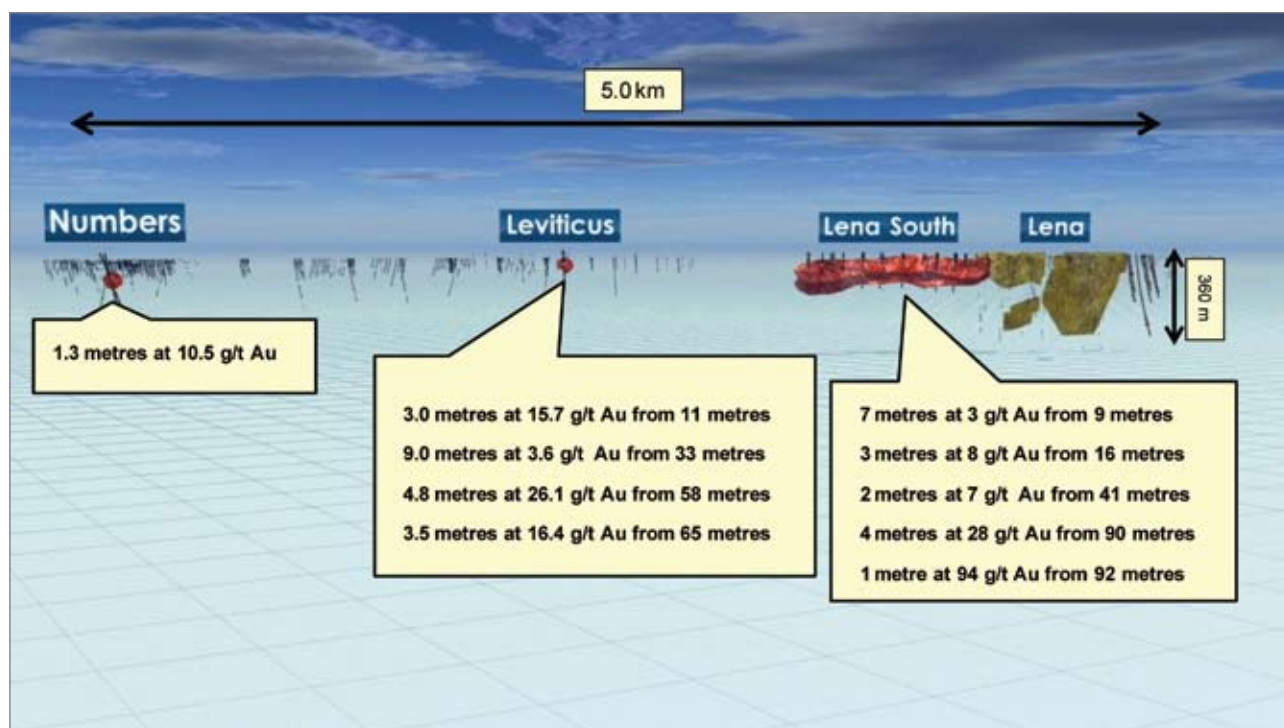


Figure 14: Schematic view of Lena, Lena South, Leviticus and Numbers which is subject to an ongoing drill programme.

Other

Rothsay Project

Background

The Rothsay gold deposit was first discovered in 1894 and several veins making up the deposit were mined up until 1994. It has been estimated that approximately 56,000 oz Au was produced from the small scale open pit and underground mining operations.

Location

The Rothsay project is located 300 km north-northeast of Perth and 70 km east of the wheat belt town of Perenjori. Access to the area is gained by gravel roads from Perenjori or Paynes Find. The project consists of eight granted tenements covering 25 km².

Exploration

As part of ongoing activities at Rothsay, sampling was undertaken over a 3km strike length on the banded iron formation at the project located adjacent to Gindalbie Metals Ltd's Karara iron ore project. The results were encouraging with the samples averaging 43% Fe. Supplementary activities will be undertaken in the coming year.

Copper Lakes Project

The Copper Lakes project is located on the edge of the Great Sandy Desert approximately 520 km southeast of Port Hedland and approximately 200 km south of the Telfer copper-gold mine. Access to the project from Newman is via the unsealed Talawana track.

The project is located within the Rudall Complex, the Proterozoic core of the Paterson Orogen in the remote north of Western Australia. The Paterson Orogen is host to several major mineral deposits including Telfer (gold and copper), Nifty (copper) and Kintyre (uranium).

It is noteworthy that previous explorers reported assays from surface sampling programmes of up to 10 g/t Au, 26% Cu, and over 0.1% Co from the various locations on the project licence.

The Copper Lakes project is relatively under-explored, but this has not hindered the delivery of some very significant gold and copper assays from past exploration efforts. The project is still awaiting grant of the exploration tenement.

The directors present their report on the consolidated entity consisting of Silver Lake Resources Limited ("Silver Lake" or "the Company") and the entities it controlled at the end of, or during the financial year ended 30 June 2010 ("the Group").

Directors

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

Paul Chapman

B Comm, ACA, Grad Dip Tax, MAICD, SA Fin, MAusIMM
Non-Executive Chairman & Founding Director
Appointed 20 April 2004

Mr Chapman is a chartered accountant and has over 25 years experience in the resources sector gained in Australia and the United States. Mr Chapman has experience across a range of commodity businesses including gold, nickel, uranium, manganese, bauxite/alumina and oil/gas.

Mr Chapman has held managing director and other senior management roles in public companies of various sizes and is Chairman of ASX listed explorers Encounter Resources Ltd (since 7 October 2005) (ASX:ENR) and Rex Minerals Ltd (since 2007) (ASX:RXM), and was a director of Albion Ltd (from 18 April 2007 to 23 April 2009).

Les Davis

MSc (Min Econ)
Managing Director & Founding Director
Appointed 25 May 2007

Mr Davis has over 30 years industry experience including 17 years hands-on experience in mine development and narrow vein mining.

Mr Davis' career incorporates 13 years senior management experience including roles as Mine Manager, Technical Services Manager, Concentrator Manager, Resident Manager and General Manager Expansion Projects with organisations including WMC Resources Ltd, Reliance Mining Ltd and Consolidated Minerals Ltd.

Mr Davis has held no other directorships in publicly listed companies.

Chris Banasik

B App Sc (Physics), MSc (Econ Geol), Grad Dip Ed, MAusIMM
Executive Director – Exploration & Geology & Founding Director
Appointed 25 May 2007

Mr Banasik has over 21 years experience in the resource industry which includes 10 years hands-on experience in mine geology resource and reserve calculation and a history of successful exploration in the Kambalda region of Western Australia.

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

Mr Banasik has held no other directorships in publicly listed companies.

DIRECTOR'S REPORT

Brian Kennedy

Cert Gen Eng
Non-Executive Director & Founding Director
Appointed 20 April 2004

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

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

Mr Kennedy has held no other directorships in publicly listed companies in the last three years.

Peter Johnston

BA, FAICD, FAusIMM
Non-Executive Director & Founding Director
Appointed 22 May 2007

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

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

David Griffiths

B Bus
Non-Executive Director & Founding Director
Appointed 25 May 2007

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

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

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

Company Secretary

Peter Armstrong

ACIS, B Bus(Acct)
Appointed 16 January 2009

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

Committee Membership

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

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

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

(c) Designates the chairman of the committee

* Formed on 17 August 2007

Directors' Meetings

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

	Director's Meetings	Meetings of Committees		
		Audit	Remuneration	Nomination
Number of meetings held:	14	2	1	1
Number of meetings attended:				
Paul Chapman	13	2	*	*
Les Davis	14	*	*	*
Chris Banasik	13	*	*	*
Brian Kennedy	14	*	1	1
Peter Johnston	13	2	1	1
David Griffiths	14	2	1	1

*Not a member of this committee

Directors' Interests

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

Name of Director	Fully Paid Ordinary Shares	Unlisted Options
Paul Chapman	4,606,908	4,000,000
Les Davis	4,200,000	4,000,000
Chris Banasik	4,000,000	4,000,000
Brian Kennedy	4,075,377	4,000,000
Peter Johnston	4,318,253	4,000,000
David Griffiths	4,158,377	4,000,000

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

DIRECTOR'S REPORT

Principal Activities

The principal activities of the Group during the course of the financial year were exploration and evaluation of projects, gold mining from the Daisy Milano and Christmas Flat mines and gold processing at Lakewood Gold Processing Facility ("LGPF").

Corporate Structure

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

Operating Review

The entity's operations are discussed in detail in the operations report contained in this annual report.

Review of Financial Condition

The profit of the Group for the financial period, after providing for income tax amounted to \$11,782,000 (2009: \$10,650,000).

At the end of the financial year the Group had \$29,503,000 in cash (2009: \$16,564,000), \$2,376,000 in cash deposits to cover environmental bonds (2009: \$1,976,000) and \$4,248,000 in gold bullion (2009: \$1,500,000). Capitalised mineral exploration and evaluation expenditure is \$42,092,000 (2009: \$28,741,000) including capital development \$8,453,000 (2009: \$3,649,000). The \$4,248,000 in gold bullion is valued at a net realisable value, a value based on cost of production would be \$2,272,000.

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

Capital Structure

As at the report date the Company had 178,757,838 fully paid ordinary shares and 24,365,000 options over ordinary shares on issue.

Cash from Operations

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

Dividends

The Directors considered a dividend policy for the current fiscal year including the following factors:

- the Company has a number of immediate and significant value adding projects at its Mount Monger Operations and Murchison projects including:
 - continuation of the accelerated exploration programme to grow the current 2.5 million oz resource base;
- the need to maintain a strong balance sheet whilst entering the next growth phase of the business; and
- the absence of any franking credits.

Accordingly, it was decided that it is in the best interest of shareholders to defer a dividend. The Directors will review the Company's dividend policy on a regular basis.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Group during the financial period were as follows:

- » In October 2009 the Group raised \$18,333,660 through the issuing of 23,207,164 shares in Silver Lake Resources Limited. The funds raised are being used to accelerate exploration within the Group. Raising capital via a placement to institutional investors delivers a certain outcome in an uncertain market that has been evident since the global financial crisis commenced.
- » Mining of the Christmas Flat open pit was completed in March 2010, however some stockpiles of Christmas Flat ore still remain to be treated as at 30 June 2010.

Likely Developments and Expected Results

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

- The purchase of the North Monger Project assets from Cortona Resources Limited (90%) and Mr Peter van der Borgh (10%) on 5 July 2010. These assets contain 80,300 ounces Au in JORC resources and are undergoing mining studies;
- On 4 August 2010 the Company announced that it had purchased a treatment plant, located in Western Australia for \$3,000,000. The payment will occur in the first half of the 2010/11 financial year;
- Silver Lake plans to open further open pit ore sources at its Mount Monger Operations; and
- the Company has commenced a definitive feasibility study to determine strategies to open a second multi-source mining centre at its Murchison projects.

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

Environmental Regulations and Performance

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

Share Options

During the financial year Silver Lake issued no unlisted options to acquire unissued shares to employees of the Company.

2,141,250 Ordinary shares were issued on the exercise of options.

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

Number of Options	Exercise Price (\$)	Vesting Date	Expiry Date
24,000,000	\$0.30	-	31 December 2012
365,000	\$0.30	29 January 2009	29 January 2013

DIRECTOR'S REPORT

Employees

The consolidated entity had 54 employees as at 30 June 2010. In addition, Silver Lake also engages contractors and consultants.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify the current officers and senior executives against any liability (other than the Company or related body corporate) that may arise from their position as directors and officers of the Company except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company has paid D&O insurance premiums of \$10,918 in respect of liability of any current and future officers, and senior executives of the Company.

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

Proceedings on Behalf of the Company

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

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

Corporate Governance

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

Auditor's Independence

Section 307C of the Corporations Act 2001 requires Silver Lake's auditors, KPMG, to provide the directors of Silver Lake with an Independence Declaration in relation to the audit of the financial report for the year ended 30 June 2010. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

Non-Audit Services

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

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

	2010 \$	2009 \$
Taxation services	24,700	33,000

Remuneration Report - Audited

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

Emoluments of directors and senior executives are set by reference to payments made by other mining and exploration companies of similar size, and by reference to the skills and experience of the directors and executives. Details of the nature and amount of emoluments of each director of the Company are disclosed annually in the Company's annual report.

Remuneration Committee

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

- a) remuneration packages of executive directors, non-executive directors and senior executives; and
- b) employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive and executive directors and senior management remuneration is separate and distinct

Non-Executive Director Remuneration

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

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

Any change to the maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a general meeting.

The remuneration of non-executive directors is detailed on page 40 of this report.

Remuneration Report – Audited (cont)

Executive Director Remuneration

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

- a) executive remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and objectives;
- b) a proportion of executives' remuneration is structured in a manner designed to link reward to corporate and individual performances; and
- c) recommendations are made to the Board with respect to the quantum of bonuses to be paid to executives by the remuneration committee.

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

Senior Management

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

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

Incentive Plans and Benefits Programmes

It is the place of the Remuneration Committee to:

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

Director's Remuneration

The Constitution provides that the non-executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum from time to time determined by the Company in a general meeting. The directors' fees payable in aggregate to the non-executive directors of the Company are currently set at \$500,000 per annum.

Remuneration Report – Audited (cont)

Non-Executive Letters of Engagement

All non-executive directors conduct their duties under the following terms:

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

In consideration of the services provided by Messrs Kennedy, Johnston and Griffiths, the Company will pay each \$40,000 per annum plus statutory superannuation. In consideration of the chairman services provided by Mr Chapman the Company will pay him \$70,000 per annum plus statutory superannuation, from 1 January 2010, previously \$50,000 per annum.

Messrs Chapman, Kennedy, Johnston and Griffiths are also entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform extra services or make special exertions on behalf of the Company. They may also be reimbursed for out of pocket expenses incurred as a result of their directorships.

Executive Employment Agreements

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

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

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

Mr Armstrong was appointed to act as Company Secretary of the Company. Mr Armstrong will receive an annual base salary of \$230,000 per annum plus the statutory superannuation to be reviewed annually or as agreed in writing between the Executive and the Company. Mr Armstrong may also receive an annual performance-based bonus of up to 20% of his current base salary, the performance, assessment and timing of which will be negotiated annually with the Board.

Mr Crockford was appointed to act as Resident Manager of the Mount Monger Operations. Mr Crockford will receive an annual base salary of \$230,000 per annum plus the statutory superannuation to be reviewed.

DIRECTOR'S REPORT

Remuneration Report – Audited (cont)

Annually or as agreed in writing between the Executive and the Company, as at 1 July 2010 (2009 : \$220,000). Mr Crockford may also receive an annual performance-based bonus of up to 20% of his current base salary, the performance, assessment and timing of which will be negotiated annually with the Board.

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

The Service Agreements may be terminated by:

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

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

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

Under the Service Agreement, the Executive is employed as a full-time employee of the Company and will consult with the Chairman of the Board annually regarding yearly programmes and goals, perform his duties and any additional duties as may be assigned by the Board from time to time.

The Executive is entitled to 20 business days' annual leave and at least the minimum level of long service leave prescribed by law.

Shareholding Qualifications

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

Consequences of Performance on Shareholder Wealth

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

	2010	2009	2008	IPO Nov 2007
Profit attributable to owners of the company	\$11,782,000	\$10,650,000	(\$3,664,000)	-
Closing share price	\$1.75	\$0.69	\$0.31	\$0.30

Remuneration Report – Audited (cont)

Remuneration

Details of the remuneration of each director of Silver Lake and each of the executives of the Company who received the highest remuneration for the year ended 30 June 2010 are set out in the following table:

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

DIRECTOR'S REPORT

Remuneration Report – Audited (cont)

30 June 2009	Short term			Post - employment	Other Long Term	Total \$	Value of options as proportion of remuneration %
	Base Emolument \$	Other Benefit \$	Total Benefit \$	Superannuation \$	Base Emolument \$		
Paul Chapman Non-Executive Chairman	50,000	-	50,000	4,500	-	54,500	-
Les Davis Managing Director	230,000	-	230,000	26,450	-	256,450	-
Chris Banasik Executive Director –	215,000	-	215,000	24,725	-	239,725	-
Brian Kennedy Non-Executive Director	40,000	-	40,000	3,600	-	43,600	-
Peter Johnston Non-Executive Director	40,000	-	40,000	3,600	-	43,600	-
David Griffiths Non-Executive Director	40,000	-	40,000	3,600	-	43,600	-
Gavin Cooke Company Secretary (To 31 March 2009)	73,350	-	73,350	-	-	73,350	-
Peter Armstrong Company Secretary (From 16 January 2009)	85,385	-	85,385	7,685	1,847	94,917	2.0%
David Crockford Resident Manager Mount Monger	220,000	-	220,000	19,800	36,292	276,092	13.1%
Total	993,735	-	993,735	93,960	38,139	1,125,834	3.4%

No key management person received remuneration which is performance related. The \$20,000 bonus paid to Peter Armstrong related to the recognition of additional services provided.

Options granted as compensation

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

Exercise of options granted as compensation

During the reporting period David Crockford was issued 240,000 shares on the exercise of options previously granted as compensation. The options had an exercise price of \$0.30 per option and a fair value of \$0.68 per option.

Signed in accordance with a resolution of the directors.



Les Davis

Managing Director

27 August 2010

AUDITOR'S INDEPENDENCE DECLARATION



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

To: the directors of Silver Lake Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 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.

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

R Gambitta
Partner

Perth

27 August 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Statement

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

Disclosure of Corporate Governance Practices

Summary Statement

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

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

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

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

Website Disclosures

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

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

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year ("Reporting Period").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

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

Disclosure:

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

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

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

Recommendation 1.2:

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

Disclosure:

The performance evaluations of senior executives are undertaken by the Chair on an informal basis, as required.

Recommendation 1.3:

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

Disclosure:

During the Reporting Period, an evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2. Please refer to the section above marked Website Disclosures.

Principle 2 – Structure the board to add value**Recommendation 2.1:**

A majority of the Board should be independent directors.

Disclosure:

The Board has a majority of directors who are independent.

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

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

The independent Chair of the Board is Paul Chapman.

Recommendation 2.3:

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

Disclosure:

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

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

The Board has established a Nomination Committee.

Recommendation 2.5:

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

Disclosure:

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

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

Recommendation 2.6:

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

Disclosure:**Skills, Experience, Expertise and term of office of each Director**

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

Identification of Independent Directors

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

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

Company's Materiality Thresholds

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

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

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

Nomination Matters

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

Performance Evaluation

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

Selection and (Re)Appointment of Directors

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

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

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

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

Disclosure:

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

Recommendation 3.2:

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

Disclosure:

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

Recommendation 3.3:

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

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting**Recommendation 4.1:**

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:

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

Disclosure:

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

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

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

Disclosure:

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

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

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

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

Principle 5 – Make timely and balanced disclosure**Recommendation 5.1:**

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

Disclosure:

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

Recommendation 5.2:

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

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

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

Disclosure:

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

Recommendation 6.2:

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

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

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

Disclosure:

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

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

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

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

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

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

The Company has established a formal system to manage its material business risks. The Company holds risk review meetings at least annually at Board level and also at the operational and exploration levels. At these meetings the Company's material business risks are identified and risk management strategies established. In addition, the process of management of material business risks is allocated to members of senior management. The Managing Director is responsible for reporting to the Board as to the outcome of the meetings held at the operational and exploration levels. The categories of risk identified by the Company and reported on include financial, operational, human capital, political, technological, economic cycle, legal and compliance.

Recommendation 7.2:

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

Disclosure:

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

Recommendation 7.3:

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

Disclosure:

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

Recommendation 7.4:

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

Disclosure:

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

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

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

The Company has established a Remuneration Committee.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

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

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

Recommendation 8.3:

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

Disclosure:

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

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

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

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

DIRECTOR'S DECLARATION

1. In the opinion of the directors:
 - a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001 including:
 - i) Giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year then ended; and
 - ii) Complying with Australian Accounting Standards (including Australian Accounting Interpretations) and Corporations Regulations 2001
 - b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2;
 - c) The remuneration disclosures that are contained in the remuneration report in the directors report comply with Australian Accounting Standards AASB 124 related party disclosures, the Corporations Act 2001 and the Corporations Regulations 2001;
 - d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with s295A of the Corporations Act 2001 for the financial year ended 30 June 2010

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



Les Davis

Managing Director

30 August 2010



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

Report on the financial report

We have audited the accompanying financial report of the Group comprising Silver Lake Resources Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.



Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position-as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Silver Lake Resources Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

R Gambitta
Partner

Perth

27 August 2010

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

		GROUP	
	Notes	30 June 2010 \$,000	30 June 2009 \$,000
Revenue	7	69,073	58,069
Cost of sales		(50,769)	(42,647)
Gross Profit		18,304	15,422
Other income		10	12
Administrative expenses	8	(2,235)	(1,885)
Results from operating activities		16,079	13,549
- finance income		803	257
- finance expenses		(200)	(221)
Net Finance Income	11	603	36
Profit Before Income Tax		16,682	13,585
Income tax expense	12	(4,900)	(2,935)
Profit For the Period		11,782	10,650
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		11,782	10,650
Total Comprehensive Income Attributable to: Owners of the Company		11,782	10,650
		Cents Per Share	Cents Per Share
Earnings Per Share			
Basic earnings per share (cents per share)	13	6.88c	6.94c
Diluted earnings per share (cents per share)	13	6.22c	6.90c

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		GROUP	
	Notes	30 June 2010 \$,000	30 June 2009 \$,000
ASSETS			
Current Assets			
Cash and cash equivalents	14	29,503	16,564
Trade and other receivables	16	1,904	562
Inventories	17	7,802	2,459
Prepayments		22	64
Total Current Assets		39,231	19,649
Non-Current Assets			
Trade and other receivables	16	2,376	1,976
Property, plant and equipment	19	13,499	9,527
Exploration evaluation and mining assets	18	42,092	28,741
Total Non-Current Assets		57,967	40,244
TOTAL ASSETS		97,198	59,893
LIABILITIES			
Current Liabilities			
Trade and other payables	20	11,441	8,810
Interest bearing liabilities	21	345	338
Employee benefits	22	339	229
Total Current Liabilities		12,125	9,377
Non-Current Liabilities			
Rehabilitation and restoration provision	24	2,340	2,303
Interest bearing liabilities	21	338	370
Deferred tax liability	12	6,850	2,273
Total Non-Current Liabilities		9,528	4,946
TOTAL LIABILITIES		21,653	14,323
NET ASSETS		75,545	45,570
EQUITY			
Share capital	26	56,224	38,033
Reserves	27	182	629
Retained profits		19,139	6,908
TOTAL EQUITY		75,545	45,570

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

STATEMENT OF CHANGES IN EQUITY

	Notes	GROUP			Total Equity \$,000
		Share Capital \$,000	Option Reserve \$,000	Retained Earnings \$,000	
Balance at 1 July 2008		37,373	339	(3,742)	33,970
Total comprehensive income for the period					
Profit		-	-	10,650	10,650
Other Comprehensive income		-	-	-	-
Transactions with owners, recorded directly in equity					
Recognition of previously unrecognised tax on share issue transaction costs	26	660	-	-	660
Issue of options		-	290	-	290
Balance at 30 June 2009		38,033	629	6,908	45,570
Total comprehensive income for the period					
Profit		-	-	11,782	11,782
Other Comprehensive income		-	-	-	-
Transactions with owners, recorded directly in equity					
Issue of ordinary shares net of transaction costs	26	17,507	-	-	17,507
Issue of Employee options		-	2	-	2
Exercise of employee options	26	684	(449)	449	684
Balance at 30 June 2010		56,224	182	19,139	75,545

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

		GROUP	
		30 June 2010 \$,000	30 June 2009 \$,000
	Notes		
Cash Flows From Operating Activities			
Cash receipts from customers		67,877	58,583
Cash paid to suppliers and employees		(48,050)	(33,905)
Net Cash From Operating Activities	15	19,827	24,678
Cash Flow From Investing Activities			
Interest received		804	257
Acquisition of plant and equipment		(7,701)	(1,800)
Proceeds from sale of plant and equipment		403	-
Exploration, evaluation and mining assets		(17,795)	(7,920)
Deposit for environmental bonds		(400)	(176)
Net Cash Used In Investing Activities		(24,689)	(9,639)
Cash Flows From Financing Activities			
Proceeds from borrowing		815	220
Repayment of borrowing		(840)	(285)
Interest paid		(42)	(47)
Proceeds from the issue of share capital		19,018	-
Payments of transaction costs		(1,150)	-
Net Cash From/(Used In) Financing Activities		17,801	(112)
Net increase in cash and cash equivalents		12,939	14,927
Cash and cash equivalents at 1 July		16,564	1,637
Cash and Cash Equivalents at 30 June	14	29,503	16,564

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. Reporting Entity

Silver Lake Resources Limited ("Silver Lake" or "the Company") is a company domiciled in Australia. The address of the Company's registered office is 31 Malcolm St, West Perth WA 6005. The Consolidated Financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group Entities"). The Group primarily is involved in the production of gold and minerals exploration.

2. Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on 30 August 2010.

3. Basis of Preparation

a) Functional and presentation currency

The financial statements are prepared in Australian dollars, which is the functional currency of the Company and its subsidiaries. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

b) Basis of measurement

The financial statements are presented on the historical cost basis.

c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances. The results of which forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

4. Significant Accounting Policies

The accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 30 June 2009.

a) Change in Accounting Policy

i) Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

ii) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on 30 June 2010.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

b) Production Stripping Costs

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

c) Basis for consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

d) Non-Derivative Financial Instruments

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

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

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

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

e) 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 not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

i) Tax Consolidation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

f) Exploration and Evaluation and Mining Assets

i) Exploration and Evaluation Expenditure

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

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

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

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

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

Exploration and evaluation assets include:

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

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

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

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

Assets that are classified as intangible assets include:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Impairment testing of exploration and evaluation assets

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

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

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

When a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy 3(r)(ii).

ii) Mine Properties and Mining Assets

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

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

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

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

Development expenditure includes the following:

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

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

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

The Group applies the units of production method for amortisation of its mine properties, which results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions in relation to reserves and resources, metallurgy and the complexity of future capital development requirements. These estimates and assumptions are reviewed annually, changes to these estimates and assumptions may impact the amortisation charge in the income statement and asset carrying values which would be adjusted if appropriate on a prospective basis.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

iii) Reserves and Resources

Resources are estimates of the amount of gold product that can be economically extracted from the Group's mine properties. In order to calculate resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements short and long term commodity prices and exchange rates.

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

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

- Asset carrying values may be impacted due to changes in estimates of future cash flows;
- Amortisation charged in the income statement may change where such charges are calculated using the units of production basis;
- Decommissioning, site restoration and environmental provisions may change due to changes in estimated resources after expectations about the timing or costs of these activities change; and
- Recognition of deferred tax assets, including tax losses.

g) Plant and Equipment

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

h) Employee Benefits

i) Defined Contribution Superannuation Funds

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

ii) Other Long-Term Employee Benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

iii) Short-Term Benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

iv) Share-Based Payment Transactions

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

i) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

j) Lease Payments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

k) Finance Income and Expenses

Interest income comprises interest income on funds invested and is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings and unwinding of the discount on provisions. All borrowing costs are recognised in profit and loss using the effective interest method.

l) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

m) Provisions

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

n) Closure and rehabilitation

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies. Provisions for the cost of each closure and rehabilitation program are recognised when the Group has a present obligation and it is probable that rehabilitation/restoration costs will be incurred at a future date, which generally arises at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure, in connection with disturbances, as at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements. Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows.

When provisions for closure and rehabilitation are initially recognised, to the extent that it is probable that future economic benefits associated with the rehabilitation, decommissioning and restoration expenditure will flow in the entity, the corresponding cost is capitalised as an asset. The capitalised cost of closure and rehabilitation activities is recognised in exploration evaluation and mine properties and property, plant and equipment as appropriate and depreciated/amortised accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance expenses. Closure and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of the related assets, where it is probable that future economic benefits will flow to the entity, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the income statement. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

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

o) Earnings Per Share

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

p) 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.

q) Inventory

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

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

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

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

r) Impairment

i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

ii) Non-Financial Assets

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

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

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

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

s) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of the initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing these financial statements:

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group not yet determined the potential effect of the standard;
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements;
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements;
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issue [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements; and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

5. Financial Risk Management

a) Overview

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

The Group does not generally use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. The Board does however regularly review the use of derivatives and opportunities for their use within the Group. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

b) Credit Risk

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

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

i) Cash and Cash Equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

ii) Trade and Other Receivables

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

The Group has not established an allowance for impairment.

c) Exposure to Credit Risk

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

	GROUP Carrying Amount	
	2010 \$,000	2009 \$,000
Trade and other receivables	4,279	2,538
Cash and cash equivalents	29,503	16,564
Total	33,782	19,102

None of the Group's receivables are past due (2009: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

d) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds generated from operations and by continuously monitoring forecast and actual cash flows.

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

GROUP 30 JUNE 2010

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

GROUP 30 JUNE 2009

	Carrying Amount \$,000	Contractual Cash Flows \$,000	6 Mths or Less \$,000	6-12 Mths \$,000	1-2 Years \$,000	2-5 Years \$,000
Interest bearing liabilities	708	800	192	192	358	58
Trade and other payables	8,810	8,810	8,810	-	-	-
Total	9,518	9,610	9,002	192	358	58

e) Market Risk

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

f) Interest Rate Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

i) Profile

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

		GROUP Carrying Amount	
		2010 \$,000	2009 \$,000
Fixed Rate Instruments			
Financial liabilities			
Equipment loans		(683)	(708)
Total		(683)	(708)
Variable Rate Instruments			
Financial assets			
Cash and cash equivalents		29,503	16,564
Environmental bonds		2,376	1,976
Total		31,879	18,540

ii) Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

iii) Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant.

		GROUP Profit or Loss	
		100bp Increase \$,000	100bp Decrease \$,000
30 June 2010			
Variable rate instruments		223	(223)

		GROUP Profit or Loss	
		100bp Increase \$,000	100bp Decrease \$,000
30 June 2009			
Variable rate instruments		130	(130)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

g) Fair Values

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

h) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business through future exploration and development of its projects.

During the period the Group raised \$17,507,000 through the issue of 23,207,164 shares and is using the funds to accelerate exploration. Borrowings have been kept to a minimum with \$683,000 outstanding in equipment loans as at 30 June 2010.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

The Group is not subject to externally imposed capital requirements.

6. Segment Reporting

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

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

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

Information about reportable segments For the year ended 30 June

	Production		Exploration		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	69,073	58,069	-	-	69,073	58,069
Interest Income	-	-	-	-	-	-
Interest Expense	(200)	(221)	-	-	(200)	(221)
Depreciation and Amortisation	(7,556)	(5,203)	-	-	(7,556)	(5,203)
Reportable segment profit before income tax	18,248	15,213	(134)	-	18,114	15,213
Reportable segment assets	41,993	29,319	23,141	11,889	65,134	41,208
Capital Expenditure	13,941	5,171	11,476	4,549	25,417	9,720

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Reconciliation of reportable segment revenue

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Total revenue for reportable segments	69,073	58,069
Consolidated profit before income tax	69,073	58,069

Reconciliation of reportable segment profit/(loss)

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Total profit or loss for reportable segments	18,114	15,213
Unallocated amounts:		
Finance Income	803	257
Other Corporate Expenses	(2,235)	(1,885)
Consolidated profit before income tax	16,682	13,585

Reconciliation of reportable segment assets

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Total assets for reportable segments	65,134	41,208
Unallocated amounts:		
Cash and cash equivalents	29,503	16,564
Environmental bonds on deposit	2,376	1,976
Corporate Assets	185	145
Consolidated total assets	97,198	59,893

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

7. Revenue

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Gold sales	68,919	57,965
Silver sales	154	104
Total Sales	69,073	58,069

8. Administrative Expenses

The following expenses were incurred during the period:

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Salaries and on costs	1,043	956
Consultants	104	225
Professional fees	107	112
Travel and accommodation	145	101
Contractors	447	177
Rental expense	113	120
Other	276	194
Total	2,235	1,885

9. Personnel Expenses

		GROUP	
	Note	30 June 2010 \$,000	30 June 2009 \$,000
Wages and salaries		5,559	4,230
Other associated personnel expenses		520	399
Superannuation contributions		610	550
Increase in liability for annual leave		110	108
Employee option expenses	27	2	290
Total		6,801	5,577

Personnel expenses included in cost of goods sold is \$4,740,000 (2009: \$4,621,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

10. Depreciation and Amortisation

Included within cost of sales is an amount of \$3,325,000 (2009: \$2,127,000) for depreciation and \$4,231,000 (2009: \$3,076,000) for amortisation.

11. Finance Income and Expenses

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Interest income	803	257
Finance Income	803	257
<hr/>		
Interest expense on financial liabilities	(41)	(44)
Unwind of discount on site rehabilitation provision	(159)	(177)
Finance expense	(200)	(221)
Net Finance Income and Expense	603	36
<hr/>		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

12. Income Tax Expense

a) Recognised in the Income Statement

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Current Tax Expense		
Current income tax	79	815
Current year tax losses not recognised	-	-
	<hr/> 79	<hr/> 815
Deferred Income Tax Expense		
Origination and reversal of temporary differences	4,821	2,273
Changes in previously unrecognised temporary differences	-	(153)
	<hr/> 4,821	<hr/> 2,120
Income tax expense reported in income statement	<hr/> 4,900	<hr/> 2,935
Income Tax Recognised Directly in Equity		
Share capital transaction costs	<hr/> 323	<hr/> 660
Numerical Reconciliation Between Tax Expenses and Pre-Tax Profit		
Profit before tax	16,682	13,585
Income tax using the domestic corporation tax rate of 30% (2009: 30%)	5,005	4,076
Increase in income tax expense due to non-deductible expenses	49	88
Decrease in income tax due to:		
Tax incentives	(154)	(261)
Recognition of previously unrecognised tax losses	-	(815)
Changes in unrecognised temporary differences	-	(153)
Income Tax Expense on Pre-Tax Net Profit	<hr/> 4,900	<hr/> 2,935

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

b) Deferred Tax Assets and Liabilities

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Deferred tax assets and liabilities are attributable to the following:		
Deferred Tax Assets/(Liabilities)		
Receivables	(41)	-
Inventories	(142)	(129)
Exploration and evaluation assets	(6,996)	(3,606)
Mine properties	(4,374)	(3,603)
Property, plant and equipment	(801)	(333)
Accrued expenses	19	17
Provisions	804	760
Share issue costs	573	447
Tax losses recognised	4,108	4,174
Net Tax Liabilities	(6,850)	(2,273)

c) Tax Losses

At 30 June 2010 the Company has \$13,693,566 (2009: \$13,911,077) of tax losses that are available for offset against future taxable profits of the Company. The unrecognised deferred tax asset arising on tax losses at 30 June 2010 is nil (2009: nil).

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

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

In accordance with the Group's accounting policies for deferred taxes, a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgments about commodity prices, ore resources, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

13. Earnings Per Share

Basic earnings per share

The earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of \$11,782,000 (2009: \$10,650,000) and the weighted average number of ordinary shares outstanding as at 30 June 2010 of 171,362,789 (2009: 153,409,424).

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Weighted Average Number of Ordinary Shares		
Issued ordinary shares at 1 July	153,409	153,409
Issue of shares pursuant to fund raising	16,404	-
Issue of shares on exercise of options	1,550	-
Total	171,363	153,409

Diluted earnings per share

The diluted earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of \$11,782,000 (2009: \$10,650,000) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 189,279,315 (2009: 154,243,000).

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Weighted Average Number of Ordinary Shares		
Basic weighted average number of ordinary shares	171,363	153,409
Effect of share options on issue	17,916	834
Total	189,279	154,243

14. Cash and Cash Equivalents

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Cash at bank and on hand – unrestricted	29,503	16,564
Total	29,503	16,564

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

15. Reconciliation of Cash Flows From Operating Activities

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Cash Flow From Operating Activities		
Profit after tax	11,782	10,650
Adjustments for:		
Depreciation	3,325	2,127
Amortisation	4,231	3,076
Net finance expenses	(603)	(36)
Exploration impairment	134	-
Equity-settled share-based payments	2	290
Income tax expense	4,900	2,937
Operating profit before changes in working capital and provisions	23,771	19,044
Change in trade and other receivables	(1,341)	1,052
Change in inventories	(5,344)	1,797
Change in trade and other payables	2,631	2,711
Change in prepayments	42	5
Change in provisions	110	108
Interest paid	(42)	(39)
Total	19,827	24,678

16. Trade and Other Receivables

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Current		
Bullion sale receivable	1,196	-
Other receivables	708	562
	1,904	562
Non-Current		
Environmental bonds on deposit*	2,376	1,976
	2,376	1,976
Total	4,280	2,538

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

17. Inventories

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Materials and supplies – at cost	473	533
Ore stocks – at cost	2,286	818
Gold in circuit – at cost	2,771	251
Gold bullion – at cost	2,272	857
Total	7,802	2,459

18. Exploration, Evaluation and Mining Assets

During the twelve months ended 30 June 2010 the Group incurred and capitalised the following on exploration, evaluation and mining assets:

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Exploration and Evaluation Assets		
Cost brought forward	11,889	7,328
Capitalised during the year	11,476	5,280
Expenditure impairment	(134)	-
Transferred to mine development	(90)	(719)
Balance at 30 June	23,141	11,889

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

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Mine Development	-	-
Transfer from exploration and evaluation assets	90	719
Expenditure during the year	-	654
Transferred to mine properties	-	(1,373)
Balance at 30 June	90	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Mine Properties	16,852	15,466
Transfer from development phase	-	1,373
Expenditure during the year	6,240	3,007
Amortisation expense	(4,231)	(2,994)
Balance at 30 June	18,861	16,852
Total	42,092	28,741

There are no other material items arising from Exploration, Evaluation and Mining Assets which give rise to liabilities, income and expenses or operating cash flows.

19. Property, Plant and Equipment

	GROUP					
	Land & Building	Plant & Equipment	Motor Vehicles	Office Furniture & Equipment	Capital Work In Progress	Total
Cost						
Balance 1 July 2008	168	8,931	183	215	294	9,791
Additions	10	451	216	7	1,487	2,171
Disposals	-	-	-	-	-	-
Balance 30 June 2009	178	9,382	399	222	1,781	11,962
Balance 1 July 2009	178	9,382	399	222	1,781	11,962
Additions	304	7,028	125	107	137	7,701
Transfers	28	1,748	-	5	(1,781)	-
Disposals	-	(519)	-	-	-	(519)
Balance 30 June 2010	510	17,639	524	334	137	19,144
Depreciation						
Balance at 1 July 2008	10	249	24	25	-	308
Depreciation expense	15	1,998	63	51	-	2,127
Disposal	-	-	-	-	-	-
Balance 30 June 2009	25	2,247	87	76	-	2,435
Balance at 1 July 2009	25	2,247	87	76	-	2,435
Depreciation expense	37	3,087	129	72	-	3,325
Disposal	-	(115)	-	-	-	(115)
Balance 30 June 2010	62	5,219	216	148	-	5,645
Carrying Amount						
At 1 July 2008	158	8,682	159	190	294	9,483
At 30 June 2009	153	7,135	312	146	1,781	9,527
At 1 July 2009	153	7,135	312	146	1,781	9,527
At 30 June 2010	448	12,420	308	186	137	13,499

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

20. Trade and Other Payables

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Trade payables	10,186	7,427
Other payables	1,255	1,383
Total	11,441	8,810

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

21. Interest Bearing Liabilities

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Current Liability		
Equipment loan – Crushing Plant*	233	265
Equipment loan – Motor Vehicles	112	73
	345	338
Non-Current Liability		
Equipment loan – Crushing Plant*	233	243
Equipment loan – Motor Vehicles	105	127
	338	370
Total	683	708

* The original equipment loan for the Lakewood mobile crusher, was repaid with the sale of the crusher during the period. A new loan was arranged for \$700,000 to purchase an electric crushing plant for Lakewood Gold Processing Facility. The loan is a fixed interest loan over three years.

22. Employee Benefits

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Current		
Liability for annual leave	339	229
Total	339	229

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

23. Share Based Payments

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

The terms and conditions of the grants are as follows:

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

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

	Weighted Average Exercise Price 2010	Number of Options 2010	Weighted Average Exercise Price 2009	Number of Options 2009
Outstanding at 1 July	\$0.30	26,506,250	\$0.30	26,771,560
Forfeited during period	-	-	\$0.32	(626,810)
Granted during the period	-	-	\$0.39	361,500
Exercised during the period	\$0.32	(2,141,250)	-	-
Outstanding at 30 June	\$0.30	24,365,000	\$0.30	26,506,250
Exercisable at 30 June	\$0.30	24,365,000	\$0.30	26,144,750

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

24. Provisions

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Closure and Rehabilitation		
Opening balance at 1 July	2,303	1,104
Additional provisions during the year	-	78
Revision to closure costs	-	1,299
Unwind of discount	159	(177)
Rehabilitation Expense	(122)	-
Closing Balance at 30 June	2,340	2,303

25. Operating Leases

The Group leases its office space in West Perth under a non-cancellable operating lease. The lease is for three years from 17 December 2007 at a cost of \$100,000 per annum.

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

26. Share Capital

	COMPANY	
	Number	\$,000
Movements in Issued Capital		
Balance as at 01 July 2008	153,409,424	37,373
Share capital transaction costs	-	660
Balance as at 30 June 2009	153,409,424	38,033
Shares issued on exercise of employee options	2,141,250	684
Shares Issued for capital raising	23,207,164	18,334
Capital transaction costs (net of tax)	-	(827)
Balance as at 30 June 2010	178,757,838	56,224

In October 2009 the Board decided on the issuance of 23,207,164 ordinary shares at a price of \$0.79 per share (2009: nil). All issued shares are fully paid.

Additionally 2,141,250 shares were issued as a result of the exercise of vested options granted to employees under the share option programme (2009: nil). All issued shares are fully paid.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

27. Option Reserves

	COMPANY	
	Number	\$,000
Movement in Options Reserve		
Balance as at 1 July 2008	26,771,560	339
Expensed – 29/01/2008 - Employee options	-	248
Expensed – 14/03/2008 - Employee options	-	48
29/01/2008 – Employee option issue	361,500	47
Options Forfeited	(626,810)	(53)
Balance as at 30 June 2009	26,506,250	629
Balance at 1 July 2009	26,506,250	629
Expensed – 20/08/2009 – Employee option	-	2
Options Exercised	(2,141,250)	(449)
Balance as at 30 June 2010	24,365,000	182

The fair value of options vesting during the period and recognised in the income statement was \$2,000.
The option reserve is established to show the total value of share options vested.

28. Parent Entity

As at, and throughout the financial year ended 30 June 2010 the parent company of the Group was Silver Lake Resources Limited.

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Notes		
Results of the parent entity		
Profit for the period	11,811	10,650
Other comprehensive income	-	-
Total comprehensive income for the period	11,811	10,650
Financial position of parent entity at year end		
Current assets	39,231	19,649
Total assets	97,083	59,775
Current liabilities	12,125	9,377
Total liabilities	21,509	14,128
Total equity of the parent entity comprising of:		
Share capital	56,224	38,033
Option reserve	182	629
Retained earnings	19,168	6,985
Total equity	75,574	45,647

The parent entity has commitments of \$1,430,200 (2009: \$1,403,060) and no other commitments or guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

29. Commitments

The Group holds various mineral titles which require a total minimum exploration expenditure of \$1,609,800 (2009: \$1,575,660) in the next financial year.

30. Related Parties

a) Key Management Personnel Compensation

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

	GROUP	
	30 June 2010 \$,000	30 June 2009 \$,000
Short-term employee benefits	1,138	920
Post employment benefits	115	94
Share based payments	-	38
Total	1,253	1,052

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. The difference between the remuneration report section of the Director's Report and Note 29(a) in 2009 is due to Gavin Cooke's remuneration being excluded from Note 29(a) as he was not considered a key management person.

c) Transactions With Key Management Personnel

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

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

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

	Transaction Value Year Ended		Balance Outstanding as at	
	30 June 2010 \$,000	30 June 2009 \$,000	30 June 2010 \$,000	30 June 2009 \$,000
Expenses				
Gryphon Management – Administrative Services*	-	1	-	-
Total	-	1	-	-

* A company controlled by David Griffiths – non-executive director for consulting services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

d) Movement in Options

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

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

Key Management Person	Held at 1 July 2008	Granted as Compensation	Options Exercised	Options Acquired	Held at 30 June 2009	Vested During The Year	Vested and Exercisable at 30 June 2009
Paul Chapman	4,000,000	-	-	-	4,000,000	-	4,000,000
Les Davis	4,000,000	-	-	-	4,000,000	-	4,000,000
Chris Banasik	4,000,000	-	-	-	4,000,000	-	4,000,000
Brian Kennedy	4,000,000	-	-	-	4,000,000	-	4,000,000
Peter Johnston	4,000,000	-	-	-	4,000,000	-	4,000,000
David Griffiths	4,000,000	-	-	-	4,000,000	-	4,000,000
Peter Armstrong	200,000	-	-	-	200,000	200,000	200,000
David Crockford	240,000	-	-	-	240,000	240,000	240,000
Total	24,440,000	-	-	-	24,440,000	440,000	24,440,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

e) Movement in Shares

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

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

Key Management Person	Held at 1 July 2008	Shares Purchased	Shares Exercised	Shares Sold	Held at 30 June 2009
Paul Chapman	4,606,908	-	-	-	4,606,908
Les Davis	4,000,000	200,000	-	-	4,200,000
Chris Banasik	4,000,000	-	-	-	4,000,000
Brian Kennedy	4,075,377	-	-	-	4,075,377
Peter Johnston	4,318,253	-	-	-	4,318,253
David Griffiths	4,158,377	-	-	-	4,158,377
Peter Armstrong	460,000	-	-	-	460,000
David Crockford	-	-	-	-	-
Total	25,618,915	200,000	-	-	25,818,915

f) Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for capital purchases and continued exploration activities. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2010, such loans to subsidiaries totaled \$2,633,000 (2009: \$5,862,000).

During the year Pericles Resources Pty Ltd was dissolved and assets held (the Lakewood Processing Facility) were transferred to the parent.

31. Subsequent Events

On 5 July 2010 the Company announced that it had reached an agreement to purchase Cortona Resources Limited's 90% interest and Mr Peter van der Borgh's 10% interest in the North Monger Project. Consideration for the transaction is a cash payment of \$3.0m to be funded from cash reserves.

On 4 August 2010 the Company announced that it had purchased a treatment plant, located in Western Australia for \$3,000,000. The payment will occur in the first half of the 2010/11 financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

32. Auditors Remuneration

	2010 \$	2009 \$
Audit and review of the Company's financial statements	106,931	112,000
Taxation services	24,700	33,000
Total	131,631	145,000

33. Group Entities

The Company controlled the following subsidiaries:

Subsidiaries	Country of Incorporation	Ownership Interest	
		2010	2009
Cue Minerals Pty Ltd	Australia	100%	100%
Pericles Resources Pty Ltd *	Australia	0%	100%

* During the year this entity was dissolved and all assets and liabilities transferred to the parent.

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010

At 30 June 2010 the Company had issued the following equity securities:

	Fully Paid Ordinary Shares	Options	Option Exercise	Option Expiry
Quoted Securities:	178,757,838	Nil		
Unquoted Securities:				
Restricted until 14 November 2009		20,999,998	\$0.30	31/12/2012
Other unquoted securities:		3,000,002	\$0.30	31/12/2012
		365,000	\$0.30	29/01/2013
Total all Securities	178,757,838	24,365,000		

Distribution of holders

			Fully Paid Ordinary Shares	Options
1	-	1,000	381	-
1,001	-	5,000	1,126	-
5,001	-	10,000	635	-
10,001	-	100,000	993	1
100,001	-	and over	133	8
Total Holders			3,268	9

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

Voting Rights of Securities

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

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

Options do not carry any voting rights.

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010

Substantial Shareholders

As at 30 June 2010 the substantial holders disclosed to the Company were:

Registered Holder	Beneficial Owner	Number of Shares	Percentage of Issued Shares
RBC Dexia Investor Service Cormark Securities Inc Scotia Capital	Sprott Asset Management Inc.	16,926,822	9.5%
HSBC Custody Nominee (Australia) Ltd National Nominees Ltd	Baker Steel Capital Managers LLP	12,607,395	7.1%
HSBC Custody Nominee (Australia) Ltd	Eye Investment Fund Ltd	12,215,643	6.8%

Top 20 Holders of Quoted Securities

Registered Holder	Number of Quoted Securities	Percentage of Issued Shares
HSBC Custody Nominees (Australia) Limited	28,212,717	15.8%
National Nominees Limited	12,639,258	7.1%
HSBC Custody Nominees (Australia) Limited	11,811,650	6.6%
ANZ Nominees Limited	9,167,480	5.1%
JP Morgan Nominees Australia Ltd	4,050,087	2.3%
BRGM Nominees Pty Ltd (BRGM Unit Account)	4,000,000	2.2%
UBS Wealth Management Australia Nominees PTY Ltd	3,673,798	2.1%
Goldfields Hotel Pty Ltd (Exchange Hotel Unit Trust)	3,000,000	1.7%
Mellett Super Pty Ltd	2,376,185	1.3%
Forbar Custodians Limited	2,084,298	1.2%
Goldfields Hotel Pty Ltd (Exchange Hotel Unit Trust)	2,000,000	1.1%
Citicorp Nominees Pty Limited	1,923,240	1.1%
Bramor Superannuation Pty Ltd	1,000,000	0.6%
Cogent Nominees Pty Ltd	751,904	0.4%
Kenneth Morgan	720,000	0.4%
Pan Aust Nominees Pty Ltd	797,102	0.4%
Kembla No 20 Pty Ltd	658,615	0.4%
NEFCO Nominees Pty Ltd	535,000	0.3%
Bhasin Neelesh	510,502	0.3%
Fare Rosemary Zarina	503,087	0.3%
	90,414,923	50.5%

ASX Listing Rule 4.10.19

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

