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Miner sets big targets

LAST November's \$30 million gold float, **Silver Lake Resources**, has some big ambitions. A resource base of 5 million ounces of gold and annual production of 500,000 ounces a year is the plan. That its market cap on Friday was \$57 million (37.5¢ a share compared with the float price of 30¢) tells you that it has got some serious work to do before it joins the ranks of our biggest gold producers.

But last month's first gold pour from high-grade ore won from the Daisy Milano mine and processed at the refurbished Lakewood treatment plant near Kalgoorlie tells you that Silver Lake is on its way.

There has been a lot of disappointment with the Western Australian gold sector recently, when new operators have come in and promised the world by reworking assets discarded by others. View Resources' crash and burn comes to mind.

So, more than ever, a company like Silver Lake will be judged by it meeting its targets. The first gold pour means the first target has been reached. Success in meeting its other targets could be expected to lead to a market rerating.

The group's immediate objectives are to produce 10,000-15,000 ounces of gold by the end of June and lift this to an annual rate of 35,000-40,000 ounces by July next year, with cash operating costs of no more than \$A490 an ounce (spot gold is \$A960 an ounce).

That is very much the base case. The Lakewood plant is only 25% utilised and the betting is that the Mount Monger goldfield - home to Daisy Milano - has a lot more to offer. Apart from anything else, there are more than a dozen historic high-grade goldmines yet to be tested for their potential below 100 metres (Daisy Milano is at 400 metres). Little wonder then that \$9.2 million from the float is earmarked for an aggressive exploration program over three years.

Another \$5.7 million is to be spent on exploring for 1 million ounce deposits at Silver Lake's Murchison goldfield near Cue. Included in its holdings are the former Tuckabianna, Comet, Moyagee and Rothsay operations.

Confidence in the region's potential for a rebirth in the higher gold price environment, and the potential below depths of 100 metres, is enough to begin feasibility work on processing options.