

Silver Lake Resources Ltd

SLR

Thursday, 16 October 2008

Production reaches target levels at Daisy Milano

Recommendation Speculative Buy

Overview

Ore production at SLR's Daisy Milano underground mine within the Mount Monger project achieved target levels in the September quarter. Gold in ore hoisted totalled 9,725 ounces and fell within the company's target range of 35,000 to 40,000 ounces per year. Ore hoisted totalled 25,315 tonnes at an average grade of 12.0 g/t gold. Ore milled at the Lakewood treatment plant, including low grade stocks from the June quarter, totalled 27,620 tonnes and averaged 10.4 g/t gold. Gold poured totalled 8,670 ounces. Cash production costs were A\$687 per ounce, slightly higher than forecast due to the production of additional lower grade development ore during August and a lower utilisation level at the treatment plant.

SLR has implemented measures to improve unit costs through further refinements to selective mining methods, stope sequencing and therefore high grade ore productivity at Daisy Milano. Also, utilisation of the Lakewood treatment plant will be increased including the commencement of open pit mining at Christmas Flats which, subject to regulatory approvals, is scheduled to commence in the March 2009 quarter. This deposit has a total resource of 453,700 tonnes averaging 3.5 g/t gold and containing 51,000 ounces of gold. Daisy Milano has a total resource of 251,000 tonnes averaging 30.8 g/t gold and containing 249,000 ounces of gold. Total Mount Monger project resources are 909,800 tonnes averaging 11.1 g/t gold and containing 325,500 ounces of gold.

Gold sales by the company in the September quarter totalled 9,800 ounces at an average realised price of A\$985 per ounce. Net operating cash flow was A\$1.457 million after exploration and evaluation expenditure of A\$0.544 million. The company has launched a 3 year A\$9.2 million exploration program at the Mount Monger project targeting high grade, quartz reef hosted mineralisation where grades over 10 g/t gold can be expected. The project area represents a contiguous lease package covering a strike length of approximately 10 kilometres of prospective greenstone stratigraphy. Other historic workings within the project include Caledonian, Rosemary and Haoma.

The Mount Monger gold project is located 50 kilometres south east of Kalgoorlie and was acquired by the company in 2007 after having been placed on care and maintenance after a period of 18 consecutive years of operation by private and public concerns. The company subsequently acquired the Lakewood treatment plant that is located 5 kilometres south east of Kalgoorlie. Following refurbishment and the installation of a gravity circuit, the first gold was poured in late April 2008. The plant has a throughput capacity of 300,000 tonnes per year.

The company has a potential second gold mining centre within the Murchison region of Western Australia. The company holds the Tuckabianna, Comet and Moyagee projects which have a combined resource of 7.4 million tonnes averaging 3.8 g/t and containing 906,500 ounces of gold. In April 2008 SLR commenced a pre-feasibility study to determine development strategies for the Murchison projects and this study is expected to be completed in the December 2008 quarter. The company will also commence a targeted program of surface RC and diamond drilling at Tuckabianna aimed at testing for depth and strike extensions to the existing resources.

SLR also holds the Rothsay gold project that is located 300 kilometres north north east of Perth and 70 kilometres east of the wheat belt town of Perenjori. The project area covers 25 square kilometres and is situated on the eastern margin of the Mount Gibson – Golden Grove greenstone belt. Total resources at the project are 591,200 tonnes averaging 7.0 g/t gold and containing 132,900 ounces of gold. In addition the company holds the Copper Lakes exploration project that is located 520 km south east of Port Hedland. The project covers 520 sq km and surface rock chip sampling has returned 26.5% copper and 5.2 g/t gold at the Leons Find prospect.

Snapshot

Last Price	\$0.20
Market Cap (m)	\$30.7
52 Week High	\$0.495
52 Week Low	\$0.15
Sector	Metals & Mining

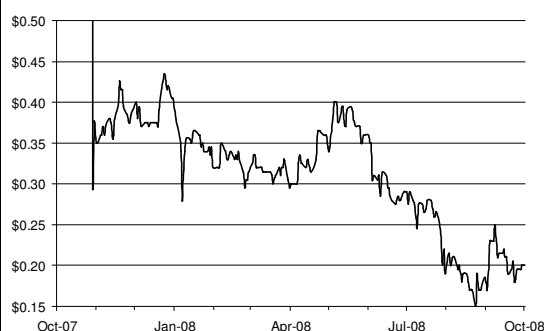
Investment Fundamentals

Cash reserves	\$3.0 million
Shares on issue	153.4 million
Options on issue	27.1m unlisted options

Directors	Paul Chapman (Chairman) Les Davis (Managing) Chris Banasik (Exploration) David Griffiths (Non exec) Peter Johnston (Non-exec) Brian Kennedy (Non-exec)
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Major shareholders	Eye Investment Fund 9.87%
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Price Chart



Business Description

SLR is a mineral exploration and gold production company with assets in the Kalgoorlie and Murchison regions of Western Australia. Total gold resources are 1.364 million ounces.

Analyst: Paul Goody

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