



Participant of the ASX Group
AFSL 247100

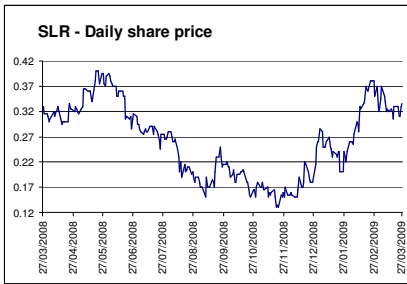
ABN 95 092 989 083

Silver Lake Resources (SLR)

A Great Value, Well Managed,
Profitable Gold Mining Company

Speculative Buy – Price Target \$0.67

27th March 2009



Investment Data	SLR
Share Price (cents)	33
Ord Shares fully diluted (m)	153
Market Cap (\$'m)	50.6
Enterprise Value (\$'m)	39.6
Options (m) (ex avg +30c)	26.1
Net Cash (\$'m)	11.0
52 week Low/High (cents)	15/41

Company Officers

Les Davis	Managing Director
Paul Chapman	Chairman
Chris Banasik	Executive Director
Peter Johnston	Non Exec Director
Brian Kennedy	Non Exec Director
David Griffiths	Non Exec Director

Major Shareholders

Directors	16.25%
Eye Investment Fund Ltd	9.87%
Perilya	8.38%

State One Stockbroking Ltd

Head Office
Level 14, State One House
172 St George's Terrace
Perth WA 6000
Perth Tel: (+61 8) 9288 3388
Sydney Tel: (+61 2) 9024 9105
Email: broker@stateone.com.au
Web: www.stateone.com.au

Analyst

Sam Berridge
Tel: +61 8 9288 3302
Email: sberridge@stateone.com.au

Investment Case

- Currently generating **\$1.5 to \$2.0 million in free cash flow per month** from the Daisy Milano gold mine.
- Cash and bullion up from \$6.7 million at 31st of Dec to approximately \$11 million at the time of writing.
- Forecast NPAT CY2009 of \$21 million versus current enterprise value of \$39 million.
- Continued improvements at Daisy Milano Mine and Lakewood Processing Facility to lower cash costs and increase gold production.
- Additional tonnes from open pit operations expected to commence in the 2H 2009 will result in an increase in gold production to +50,000 ounces per annum and reduce cash costs from ~\$680/oz to ~\$570/oz.
- Under ground mining at Daisy Milano is currently occurring in regions outside the existing resource, indicative of resource expansion potential.
- Growing cash reserves could enable a maiden dividend in 2H 2009 at management's discretion.
- The performance of SLR's management team is exemplified in producing its first tonne of gold at a cash profit just 13 months after IPO.
- Management results to date and prior experience support the expectation that SLR will grow into a solid mid tier gold producer (see page 6).
- SLR is unhedged.

Summary of Company Operations

SLR is producing 35,000 to 40,000 ounces of gold per annum from the Daisy Milano underground mine, located 50km south east from Kalgoorlie. High grade (~10g/t) ore is trucked 45km to the 300ktpa Lakewood gold processing facility located 5km south east of Kalgoorlie.

The Daisy Milano Mine is part of the greater Mount Monger Project which includes eight recognised gold deposits, all of which have been previously mined for high grade (circa 20g/t) gold ore.

Led by Managing Director, Les Davis, Silver Lake acquired the Daisy Milano assets from Perilya prior to floating the company in late 2007. Perilya had attempted mining at Daisy Milano via bulk under ground methods unsuccessfully. Silver Lake's scalpel-like mining approach preserves the high grade mineralisation and has been shown to be a viable and profitable approach in a sinewy, high grade (figure 1, page 2) and under explored mineral field.

Recent Developments

- The gold price in Australian dollar terms will average approximately A\$1,300/oz for the March quarter.
- Mid and low cost producers are set to return excellent quarterly results, although this has already been factored in for a number of stocks in the mid-tier gold sector.
- SLR is definitely under-priced relative to current earnings. While investors tread water until some direction is discernable in the gold price, **SLR continues to accumulate cash and lower its enterprise value.**

1. Company Strategy

Silver Lake acquired the Mount Monger Project from Perilya for \$7.5 million in cash, \$6 million in SLR shares and a \$5/oz production royalty on the first 50,000oz produced (approximately 36,000 ounces produced to date). Acquisition of the Mount Monger Project was contingent upon a successful IPO which was completed in November of 2007. SLR's strategy from listing has been two fold;

- To establish consistent and moderate cost gold production from the Daisy Milano Mine.
- With the support of cash inflows from Daisy Milano, to seek to expand its production base both organically and via acquisition to achieve an initial gold production target of 100,000oz p.a.

Silver Lake is well on the way to achieving this first goal with a current net cash position of approximately \$11 million. There are no non-maintenance capital expenditure requirements foreseen or expected in CY2009.

1.1. Avenues for Growth

In growing the company's production profile SLR has several organic options available via (a) development of a number of discrete oxide resources totalling 658,700t at 3.62g/t for 76,600 oz, and (b) the expansion of underground operations pending continued exploration success.

- The softer oxide mineralisation will allow this ore to be blended with higher grade hard rock material to increase plant throughput and gold production while lowering cash costs per ounce produced. The Christmas Flats deposit of 453,700t at 3.5g/t for 51,000 oz has been slated as a likely starting point for oxide-hosted-gold production.
- The expansion of underground mining operations from the development of additional high grade deposits along strike from Daisy Milano operations appears likely (figure 1). Exploration results announced in July 2008 indicate additional high grade (+20g/t) gold lodes within 200m of the Daisy Milano decline (figure 5).
- In addition to organic growth, SLR's growing cash reserves will allow for an expanding range of options for growth via joint venture or acquisition during a period of tight capital availability.

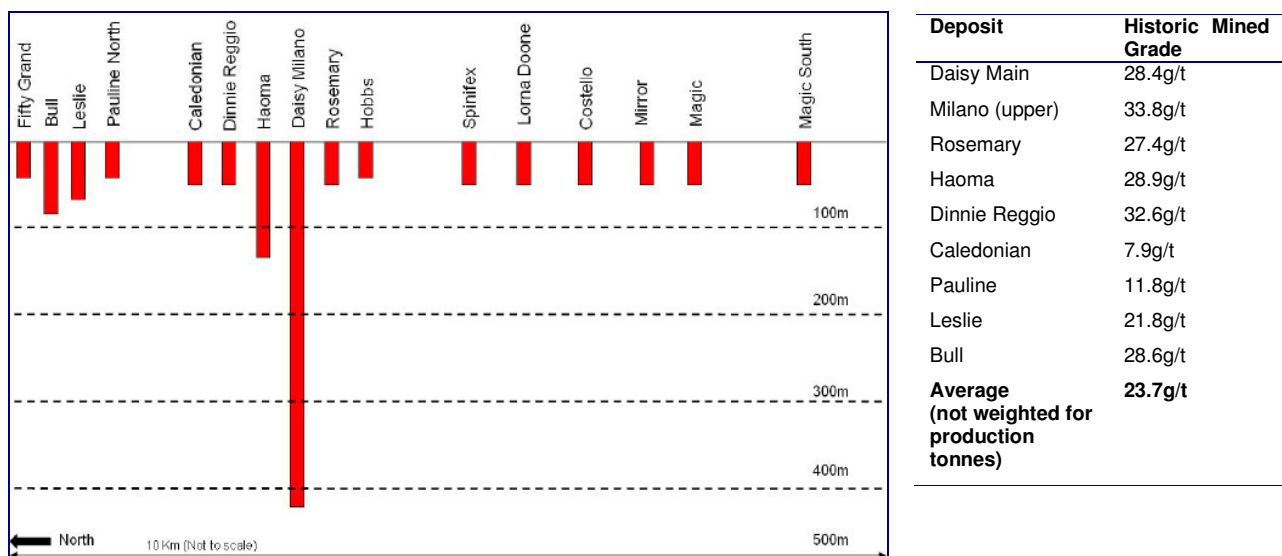


Figure 1. Historical workings along strike from the Daisy Milano mine highlighting potential at depth for mineralisation extensions. Note horizontally not to scale. Source – Company.

2. Operational changes optimise asset returns

There are two main reasons for SLR’s successful recommissioning of the Daisy Milano mine.

- i. The acquisition of the proximal Lakewood processing facility.
 - o Previous owners, Perilya, were trucking ore to surrounding plants for toll treatment.
 - o Long trucking distances and lumpy cash flows resulting from fickle toll treatment availability resulted in a high cost of production and the project was eventually sold off as Perilya focussed on its zinc operations.
- ii. Optimisation of mining methods.
 - o Perilya tried to turn Daisy Milano into a bulk underground mining operation by developing wide drives and stopes (+3m) drilled out via jumbo as opposed to air-leg miners.
 - o SLR has restricted jumbo use primarily to decline development, and focussed on air-leg mining of much narrower stopes such that mineralised zones are not diluted.

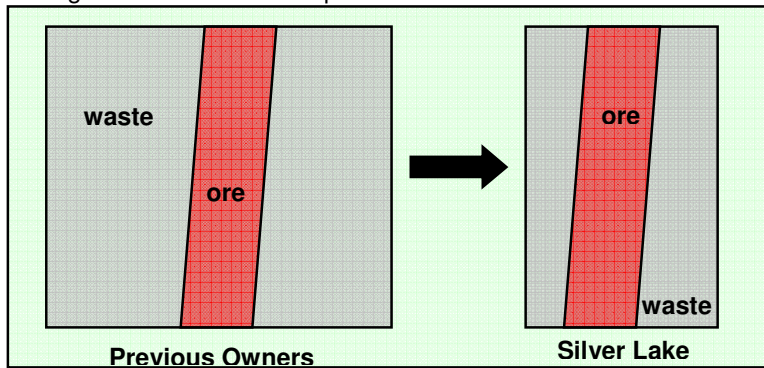


Figure 2. A schematic diagram indicating the difference in stoping widths employed by Silver Lake Resources and the previous owners of the Mount Monger Project.

The result of this change in operational approach is that dilution is much decreased and the high grades are preserved. This in turn results in lower transport (trucking) and milling costs on a cost per ounce basis.

3. Production performance to date

Production from the Daisy Milano Mine and the Lakewood processing facility has been steadily increasing since commissioning with a corresponding reduction in cash costs of production. Ore hoisted in the December quarter was 31,986t. We note that if December quarterly production in annualised to 127,944tpa, it is still a long way short of the Lakewood Mill capacity of 300,000tpa. That said, underground operations have continued to be optimised in the March quarter, continuing the steady increases in production from March 2008 until now (figure 3). Thus, we are expecting improved production figures (and a corresponding fall in cash costs) in the March 09 quarterly report.

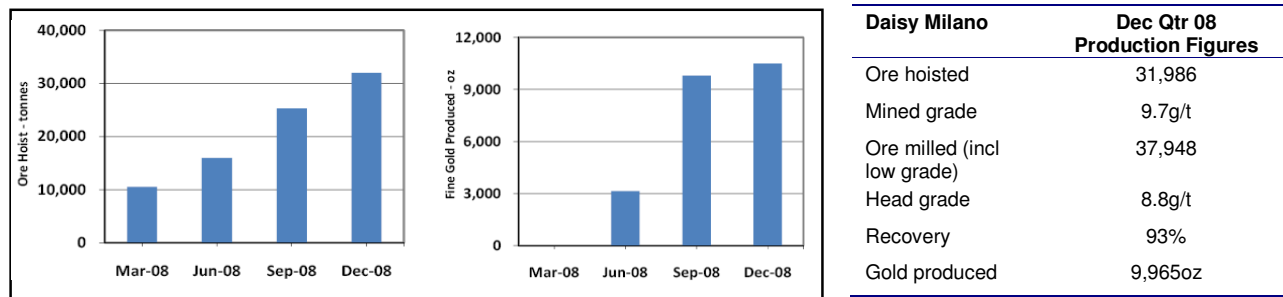


Figure 3. Mine production tonnes (left) and ounces produced (right). (Source – Company)

To achieve its initial stated target cash cost of \$500/oz in the near term we anticipate that SLR will need to supplement underground material with additional oxide ore produced from either Christmas Flats, Lorna Doone or Spinifex oxide deposits. To this effect metallurgical test work and geophysical studies are currently being carried out on the Christmas Flats deposit.

An indicated + inferred resource for Christmas Flats of 453,700t at 3.5g/t for 51,100 ounces of gold was announced in July last year. Whilst only modest in size, open pit production would complement underground production to such an extent that the increase in gold production to as much as 70,000oz p.a. and corresponding cash flows would result in a significant spike in the company's profitability to an estimated NPAT of \$30 million for CY2010 based on the stated assumptions (page 7).

4. Underground Resource and Production Expansion

While modest open pit resources provide the opportunity for increased through put in the short to medium term, the potential for significant mine life extension lies in discoveries of narrow high grade mineralisation proximal to existing mining operations.

Zones of immediate interest include the region between the Rosemary and Daisy Milano underground workings (figure 4) as well as zones of mineralisation approximately 200m from the Daisy Milano decline, which are interpreted to be extensions of the Haoma Deposit (figure 5). The historical production grade of Haoma is 28.9g/t.

4.1. Drill for Structure, Mine for Grade

Due to the high proportion of coarse gold present in the Mount Monger field, resource definition invariably becomes difficult due to uncertainties in accounting for the nugget effect.

While the need to define JORC compliant resources will always exist, since SLR does not need bank finance, resources will only be worked up to indicated status before being incorporated into mine development plans.

Rather than embarking on expensive underground drilling programmes to define measured reserves which would require a drill density of up to 10m centres, structural controls and geological modelling are incorporated into development decisions. While this method of mining requires careful monitoring of mill head grade to ensure acceptable reconciliation between mine and mill head grades, the last 14 months have proven this method of development to be reliable and practicable for mineralised systems with a high coarse gold component.

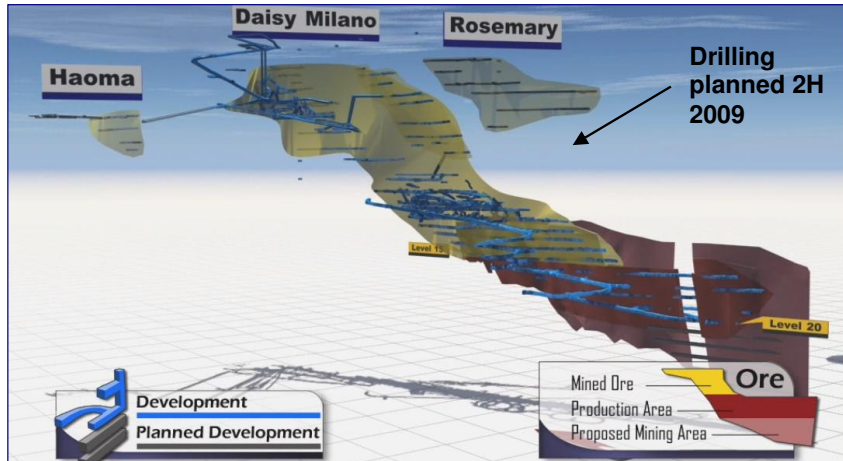


Figure 4. Daisy Milano mine. Reserves in red, stoped areas in yellow. Source – Company.

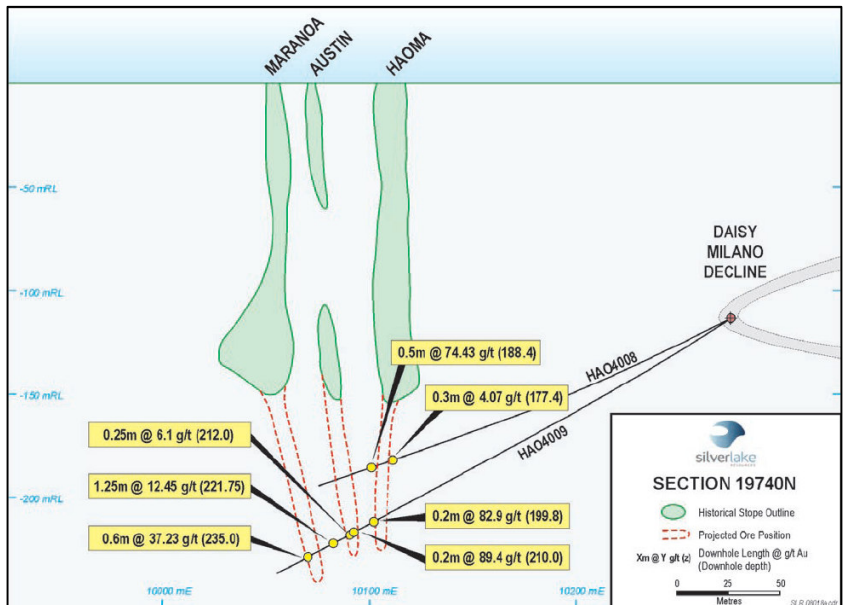


Figure 5. Mineralised extensions to historical workings located proximal to the Daisy Milano decline. Source – Company.

5. Value in the gold sector

There are many different metrics used to compare the relative value of gold mining companies. Some frequently encountered examples include enterprise value (EV) per resource ounce or EV per reserve ounce. These metrics give investors an indication of how much gold they are buying for their investment dollar, assuming that all reserves and resources are eventually exhausted.

However, these metrics give no indication as to the profitability of the company right now. The preferred metric for this task is the enterprise value / (production ounces x cash margin). This metric will give an indication of the profitability of a company relative to its enterprise value, which in turn can be compared to other companies in the sector.

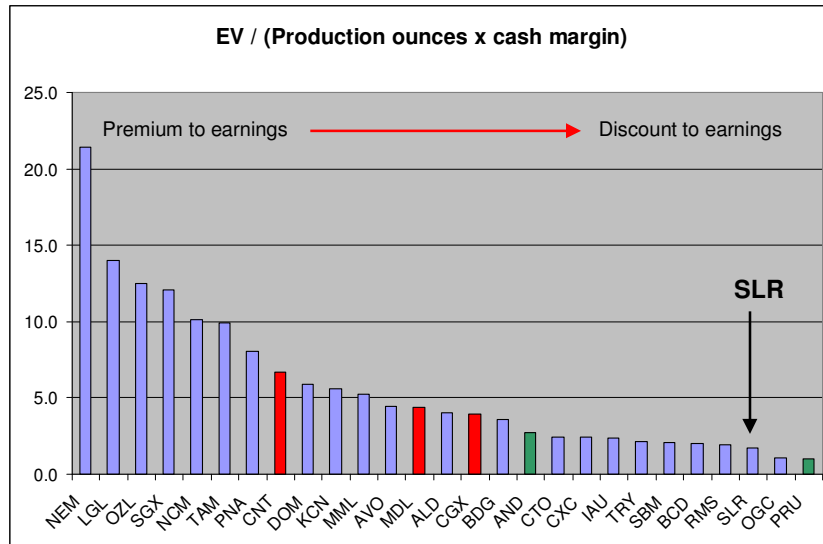


Figure 6. Comparison of value of gold mining companies, exclusive of any adjustment for reserves or resources. Producers in blue, companies in construction phase in red, companies in feasibility stage in green.

Admittedly, SLR doesn't compare well with its peers on an EV / resource ounce basis due to its modest resource inventory. However, we prefer SLR to other companies with a larger resource and reserve inventory because of its profitability relative to its market capitalisation. SLR has ample resources for the next two years and is expected to exploit those resources at a significant profit relative to current share price over that period. Cash generated from operations will open up many opportunities for resource expansion in due course, notwithstanding the brownfields exploration potential of current mining operations.

6. Exploration projects

Outside of the Mount Monger operations, SLR's secondary focus is its Murchison tenements. The total resource for the Murchison project stands at 7,356,900t at 3.8g/t for 906,500 ounces. This is spread between the Comet, Moyagee and Tuckabianna deposits. In 2008 Silver Lake commenced a pre-feasibility study to access various development strategies for the Murchison projects. The results of the pre-feasibility study are yet to be released. While the Murchison projects contain a significant resource endowment, it appears as though there is more scope for the company to add value through the optimisation of its Mount Monger operations. Therefore we expect SLR's efforts will be focussed in areas other than the Murchison for the next 12 months.

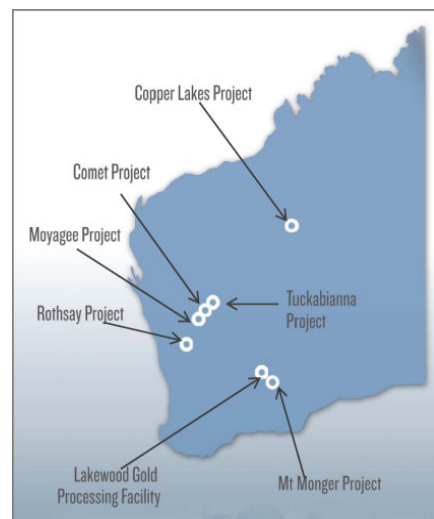


Figure 7. Silver Lake exploration projects. Source – Company.

SLR Resources	Total (M+I+J)		
	Tonnes ('000s)	Grade (g/t)	Ounces ('000s)
Total Mount Monger	1,198,000	9.70	374,900
Total Murchison	7,821,800	3.80	965,000
Rothsay	591,200	7.00	132,900
Total Silver Lake	9,610,900	4.80	1,437,100

7. Summary

SLR is building a sound track record for achieving stated goals on time and on budget. Gold production is increasing and as the utilisation of the Lakewood Gold Plant increases, cash costs will continue to fall. We expect an impressive March quarterly in this regard and this is a key price driver in the short term. Longer term investors should acknowledge that SLR is a single operation gold producing company with no hedging in place and thus is subject to a highly volatility of earnings and associated investment risk.

For investors seeking undervalued mid-tier gold exposure, State One recommends SLR as a speculative buy.

Directors

Non-Executive Chairman – Paul Chapman

Mr Chapman is a chartered accountant with over 20 years experience in the resources sector in Australia and the United States. Mr Chapman has a range of commodity business experience 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 uranium explorer Encounter Resources Ltd, and mineral explorer Rex Minerals Ltd.

Managing Director – Les Davis

Mr Davis has 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 and GM Expansion Projects with organisations including WMC Resources Ltd, Reliance Mining Ltd and Consolidated Minerals Ltd.

Director of Exploration and Geology – Chris Banasik

Mr Banasik's 21 year resource career includes 10 years hands-on experience in mine geology resource and reserve calculation and a history of successful exploration in the Kambalda region of WA. 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.

Non Executive Director – Peter Johnson

Mr Johnston's extensive management career spans 30 years. That time includes senior management roles at WMC Resources Ltd, Alcoa of Australia, Lion Nathan. Mr Johnston has been Chief Executive Officer of Minara Resources since 2001. As Executive General Manager at WMC Resources Ltd for over 8 years, Mr Johnson was at various times responsible for nickel and gold operations, Olympic Dam operations, Queensland Fertilisers Ltd and human resources. Mr Johnston is an Executive Council Member of the Chamber of Minerals and Energy, a Director of the Minerals Council of Australia and the Nickel Institute, and a member of the Australian Mines and Metals Association.

Non Executive Director – Brian Kennedy

Mr Kennedy has operated a successful resource consultancy for over 25 years and has worked in the coal, iron ore, nickel, gold and fertiliser industries. During this time Mr Kennedy managed large scale mining operations such as Kambalda and Mount Keith on behalf of WMC. Mr Kennedy was a founding shareholder and director of Reliance Mining Ltd. before its takeover by Consolidated Minerals Ltd. Currently Mr Kennedy is the construction manager for the Munali Nickel Project in Zambia.

Non Executive Director – David Griffiths

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 resource strategies and corporate reputation plans.

Year end Dec 31 (figures in A\$ million unless indicated)

Profit and Loss Summary	2008A	2009F	2010F	2011F
Operating Revenue	21.6	61.0	87.1	82.0
Invest & other income	0.0	0.0	0.0	0.0
EBITDA	4.5	36.0	44.2	38.5
Depreciation / Amortisation	(7.5)	(5.6)	(4.2)	(3.2)
EBIT	(3.0)	30.4	40.0	35.4
Net Interest	2.7	0.9	2.9	5.6
Pre-tax profit	(0.3)	31.3	42.9	40.9
Tax expense	0.1	(9.4)	(12.9)	(12.3)
Minorities	0.0	0.0	0.0	0.0
NPAT	(0.2)	21.9	30.0	28.7
Non Recurring Items	0.0	0.0	0.0	0.0
Reported Profit	(0.2)	21.9	30.0	28.7
Adjusted Profit	(0.2)	21.9	30.0	28.7
EPS (A\$ per share)	(0.00)	0.14	0.20	0.19

Ratio Analysis		2008A	2009F	2010F	2011F
Revenue growth	%	n/a	182	43	(6)
EBITDA growth	%	n/a	705	23	(13)
EPS growth	%	n/a	9,215	37	(5)
Tax rate	%	30	30	30	30
Net debt/equity	%	11	50	69	78
Net interest cover	%	n/a	n/a	n/a	n/a
Payout ratio	%	n/a	n/a	n/a	n/a
Capex to deprec'n	%	87	126	240	3,432
NTA per share	\$	0.24	0.38	0.56	0.74
ROA	%	(1)	31	31	23
ROE	%	(1)	37	35	25
EV/EBIT	x	(13)	1.3	1.0	1.1
EV/EBITDA	x	9	1.1	0.9	1.0
P/E	x	(211)	2.3	1.7	1.8

Cashflow Summary	2008A	2009F	2010F	2011F
EBITDA	4.5	36.0	44.2	38.5
Working capital changes	0.0	3.8	0.0	0.0
Interest and tax	2.8	(8.5)	(10.0)	(6.7)
Other operating items	0.0	1.0	2.0	3.0
Operating cashflow	7.3	32.3	36.2	34.8
Required capex	(1.5)	(1.5)	(1.5)	(1.5)
Maintainable cashflow	5.8	30.8	34.7	33.3
Dividends paid	0.0	0.0	0.0	0.0
Acq/Disp on sales	0.0	0.0	0.0	0.0
Other investing items	0.0	0.0	0.0	0.0
Free cashflow	5.8	30.8	34.7	33.3
Equity	0.0	0.0	0.0	0.0
Debt inc/(red'n)	0.0	0.0	0.0	0.0

Key Investment Data		
Shares on issue	m	153
Share price	c	33.0
Market cap	\$m	50.6
Options	m	26.1
Net cash (debt)	\$m	11.0
Enterprise value	\$m	39.6

Production Data		2008A	2009F	2010F	2011F
Tonnes	kt	50	128	300	300
Grade	g/t	10	12	8	8
Recovery	%	93	93	93	93
Gold	oz	14,950	45,927	71,761	71,761

Balance Sheet	2008A	2009F	2010F	2011F
Cash & Deposits	3.9	29.6	59.6	88.3
Inventories	1.9	1.9	1.9	1.9
Trade debtors	1.2	5.0	5.0	5.0
Other current assets	0.0	0.8	0.8	0.8
Total current assets	7.0	37.3	67.3	96.0
PP&E	8.6	4.5	1.8	0.1
Non-current intangibles	24.5	24.5	24.5	24.5
Non-current investments	2.0	2.0	2.0	2.0
Other non-current assets	1.9	1.9	1.9	1.9
Total assets	44.0	70.2	97.5	124.5
Trade creditors	(6.1)	(6.1)	(6.1)	(6.1)
Current borrowings	0.3	0.0	0.0	0.0
Other current liabilities	0.2	(4.0)	(4.0)	(4.0)
Total current liabilities	(5.6)	(10.1)	(10.1)	(10.1)
Borrowings	(0.0)	(0.0)	(0.0)	(0.0)
Other non-current liabilities	(1.2)	(1.2)	(1.2)	(1.2)
Total Liabilities	(6.8)	(11.3)	(11.3)	(11.3)
Net cash / (debt)	4.2	29.6	59.6	88.3
Minorities / Convertibles	0.0	0.0	0.0	0.0
Shareholders Equity	37.2	58.9	86.2	113.2

Assumptions		2008A	2009F	2010F	2011F
US\$/A\$		0.75	0.70	0.70	0.70
Inflation	%	2.0	2.0	2.0	2.0
Gold price (A\$/oz)	US\$/oz	900.0	930.0	850.0	800.0

Price Target Methodology		2008A	2009F	2010F	2011F
DCF (10%)			\$ 0.63		
EV/EBIT	4.0x		\$ 0.79		
PE	4.0x		\$ 0.57		
Average			\$ 0.67		

Advisory Team

Graeme Johnson
Equities & Derivatives Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Martin Jones
Equities Advisor
Phone: +61 8 9288 3326
mjones@stateone.com.au

Phillip Wan
Equities Advisor
Phone: +61 2 9024 9128
pwan@stateone.com.au

Sam Berridge
Resources Analyst
Phone: +61 2 9288 3302
sberridge@stateone.com.au

Alan Hill
Executive Chairman
Phone: +61 8 9288 3388
ahill@stateone.com.au

George de san Miguel
Equities Advisor
Phone: +61 8 9288 3334
gmiguel@stateone.com.au

Jason Fung
Equities Advisor
Phone: +61 8 9288 3328
jfung@stateone.com.au

Ryan Davis
Equities & Derivatives Advisor
Phone: +61 2 9024 9106
rdavis@stateone.com.au

Alex Beer
Analyst
Phone: +61 2 9288 3340
abeer@stateone.com.au

Karen Tan
Dealers Assistant
Phone: +61 8 9288 3303
ktan@stateone.com.au

Brett Walker
Equities Advisor
Phone: +61 8 9288 3337
bwalker@stateone.com.au

Kenny Siew
Executive Director
Phone: +61 8 9288 3318
ksiew@stateone.com.au

Eugene Loy
Equities & Derivatives Advisor
Phone: +61 2 9024 9109
eloy@stateone.com.au

Matthew Drew
Dealers Assistant
Phone: +61 8 9288 3341
mdrew@stateone.com.au

Charles Thomas
Equities & Derivatives Advisor
Phone: +61 8 9288 3308
cthomas@stateone.com.au

Peter Wong
Equities Advisor
Phone: +61 8 9288 3330
pwong@stateone.com.au

Ric Heydon
Equities & Derivatives Advisor
Phone: +61 8 9288 3307
rheydon@stateone.com.au

Article 1.

General Advice Warning

The contents of this document have been prepared without taking account of your objectives, financial situation or needs. You should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

Whilst State One Stockbroking Ltd believes information contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One Stockbroking Ltd or any officer, agent or employee of State One Stockbroking Ltd.

If applicable, you should obtain the Product Disclosure Statement relating to the relevant financial product mentioned in this document (which contains full details of the terms and conditions of the financial product) and consider it before making any decision about whether to acquire the financial product.

Disclosure

The directors and associated persons of State One Stockbroking Ltd. may have an interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products.

This research at all times remains the property of State One Stockbroking Ltd. And as such cannot be reprinted, distributed, copied, posted on the internet, in part or whole, without written prior approval from the Executive Director of State One Stockbroking Ltd.