Gold : Silver Lake Resources Ltd (SLR)

By : Eagle Research (Keith Goode)	MAY 2010 VISIT TO Mt MONGER & MURCHISON			11 June 2010
Year Low/High:	$0.54 - $1.94	178.8m ords	Recommendation	BUY
Diluted No. Shares	203.1m	24.4m in-money opti	Share Price	$1.73
Diluted Mkt Cap :	A$351m	(incl MUR 5% NPV	Target Price (5%NPV: $2.96)	> $2.20
Net cash (est 31 Dec 09)	$13m	of $0.91/share)	www.silverlakeresources.com.au	T:+618 6313 3800

Silver Lake Resources Limited (SLR) – Establishing Daisy East as the next Daisy Milano Lode to take Production beyond 100,000ozpa for 5 to 10 years, while evaluating its Murchison Project

- ***Silver Lake Resources (SLR) has established that its flagship Daisy Milano orebody at Mt Monger extends to at least 800m below surface and has been partly missed by previous operators at higher levels, and hence appears capable of producing 50,000ozpa to 60,000ozpa for at least the next 10 years.***
- ***SLR's second 50,000ozpa to 70,000ozpa orebody appears to be Daisy East (or variations of it) located ~ 30m to 40m into the hangingwall of Daisy Milano. At this stage, SLR's third 30,000ozpa to 60,000ozpa unit at Mt Monger may come from a combination of sources such as open-cuts followed by underground at Costello and Magic, and the numerous other possible lodes within the Mt Monger goldfield.***
- ***SLR's evaluation of its second gold mining operation in the Murchison near Cue along the Tuckabianna to Moyagee line of strike appears to be initially focusing on the Caustons and Lena areas delineating a number of new orebodies adjacent to older open-cuts at both of those prospects.***
- ***Caustons appears to consist of a clump of at least 5 separate orebodies being the 3 old Caustons pits and SLR's new discoveries of Genesis and Exodus immediately adjacent and up to ~200m east of Caustons. The Caustons mineralisation consists of a series of east dipping lodes, and hence may pass under the old camp, mill and ROM pad – all of which have yet to be drilled.***
- ***When combined with a number of historic parallel lodes at Lena, and SLR's nearby new discoveries there, SLR is working towards re-establishing a 1.2mtpa operation near the old Tuckabianna plant area at Caustons within about 2 years. The aim is to produce ~100,000ozpa from open-cuts grading ~3g/t from DH 2012 at all inclusive capex of ~A$30m to A$50m (which can be financed from cashflow).***
- ***SLR appears to be evolving into one of those rare companies that is successful in exploration and yet has the capability to efficiently mine what they find, with a track record so far of achieving more than what they say they expect to do.***

FINANCIAL ESTIMATES : (Note : This ERA scenario is just one of a number of possible scenarios for Mt Monger)

Year end June		2009a	DH09a	JH10f	2010f	2011f	2012f	2013f
Gold Sold	koz	48	21	39	60	106	137	133
Gold Price Received	US$/oz	874	1030	1150	1090	1200	1200	1200
Operating Cost	US$/oz	440	644	470	538	377	358	352
Cash(flow) Cost	US$/oz	557	910	639	746	537	505	502
NPAT	A$m	10.6	1.6	8.7	10.2	46.1	63.7	61.9
EPS	c	7	1	5	6	26	31	30
DPS	c	0	0	0	0	10	15	15
No Shares	M	153	179	179	179	179	203	203
P/E ratio @ A$1.73	x				30.2	6.7	5.5	5.7

OTHER KEY POINTS:

- **SLR has a 5%NPV of A$2.96,** (being $2.05 for Mt Monger and an initial $0.91 for the Murchison). Based on Mt Monger, the NPV **rises by ~A$0.15 per US$50/oz** increase in the US$ Gold Price**.**

:

- **SLR has been applying geophysics** as an aid to target potential mineralisation / orebodies on its tenements with some success. A number of further programmes are planned for the Murchison region.

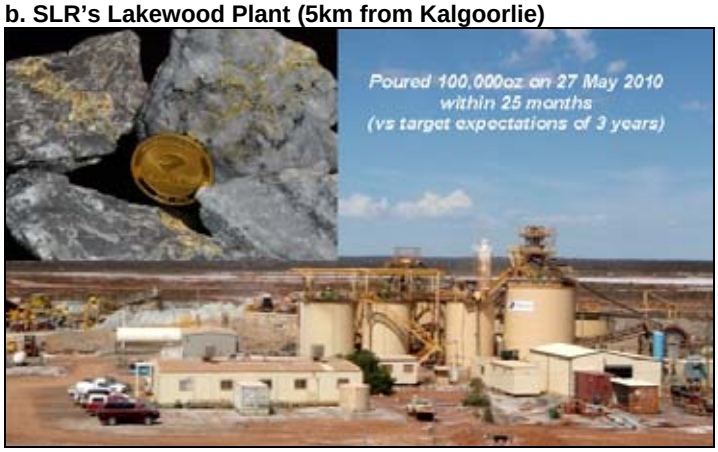
Corporate Overview

Since our last report dated 29 May 2009 on Silver Lake Resources Limited (SLR), SLR raised ~A$18m for exporation purposes from a placement of 23.2m shares at $0.79/share in October 2009, resulting with the exercise of various options in the current **178.8m ordinary shares** in issue with **24.4moptions** (all in-the-money, at 30Ac on 31 December 2012 (24m) or 29 January 2013).

SLR has two main project areas both in WA, being the Mt Monger operational goldfield and the Tuckabianna to Moyagee goldfields (which are being evaluated) as shown in Figure 1a.

Figure 1. Locations of SLR's Two Main Projects (Source : Google Earth), **and SLR's Lakewood Plant**

a. Locations of SLR's Two Main Projects **b. SLR's Lakewood Plant (5km from Kalgoorlie)**



SLR's Daisy Milano mine has continued to exceeded all expectations currently having an operating profit of ~A$1000/oz (gold price ~A$1470/oz) at the time we visited the Mt Monger Mine in late May 2010. The drillhole intersection of 11m @ 59.4g/t (including 1.5m @ 243g/t) was encountered mostly in the form of blebby sulphide mineralisation ~250m below surface at Magic. While at Daisy Milano, SLR commonly sees visible gold vein samples >1kg/t (1000g/t) on such a regular basis (almost daily) that consideration is being given to increase the top-cut from 350g/t to 1000g/t for better reconciliation. During our visit to SLR, four consecutive vein samples from stoping at the 2601 position of the Daisy Milano orebody on 26 Level assayed ~3300g/t, ~2800g/t, **9420g/t (yes almost 10kg/t or ~1%gold),** and ~1800g/t.

SLR has **been achieving an incredible success record from spending up to $18m on exploration**, through a combination of using geophysical methods in the Murchison to identify possible "plates" to drill which has partly resulted in the discovery of the Genesis and Exodus orebodies adjacent to (~200m east of) the existing Caustons pits. Extensive exploration in the vicinity of Lena has also discovered new orebodies there, plus further extensions on strike to the south. While a recent geophysical programme has identified possibly targets in the gaps between the orebodies "one of which does not have a drillhole with 500m of it". And then there are the Mt Monger discoveries extending Costello and Magic while delineating Daisy Milano and Daisy East, plus extensive planned further deeper drilling.

Lakewood Plant (SLR : 100%)

SLR's Lakewood plant was also upgraded in the past year through the addition of two tanks, a thickener and cyclones which have resulted in the plant literally "humming" along at a rated 600,000tpa of blended ore (300,000tpa hard/300,000tpa soft), or 400,000tpa of hard ore. Consideration is being given (and appears likely to occur) to undertake a further mill upgrade for ~A$4m by installing the spare 300,000tpa mill that SLR has already acquired, which would **increase the mill capacity to 600,000tpa of hard ore.** (Although the **key question** is what can it achieve on a blended rate of 50,000tpa to 100,000tpa of oxide).

The current plant is shown in Figure 1b with the main new large tank on the right of the figure and inset one the new 1oz gold coins (amongst some visible gold from the mine) celebrating achieving 100,000oz of gold production on 27 May 2010 (after 25 months, compared to the target of within 3 years). There was also abundant available oxide ore on stockpiles at the Lakewood plant on the day of our visit and a growing scats pile of ~15,000t (SLR lets the scats pile build up to ~20,000t, and then brings in a contract crusher to crush them finer so that they can be re-fed into the milling circuit).

Mount Monger Project (SLR : 100%)

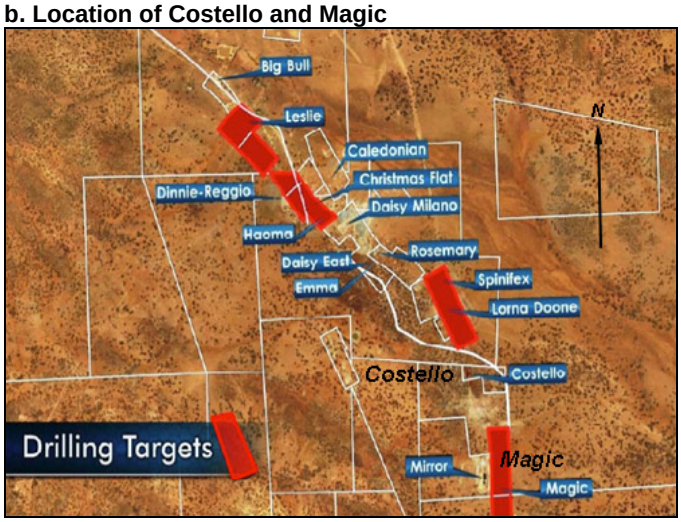
Open-cuts

During the past year, the Christmas Flats open-cut has been completed as shown in Figure 2a, with apparently most of the grade coming from the Central Lode. Drilling is still in progress at depth on Haoma and Dinnie Reggio to establish if they have any underground potential, while Leslie does not appear ro have any potential. Most of the success for possible open-cut feed has been further south in the Costello/Magic area shown in Figure 2b.

Figure 2. Completed Christmas Flats Open-cut, and Location of Costello and Magic

a. Completed Christmas Flats Open-cut

b. Location of Costello and Magic

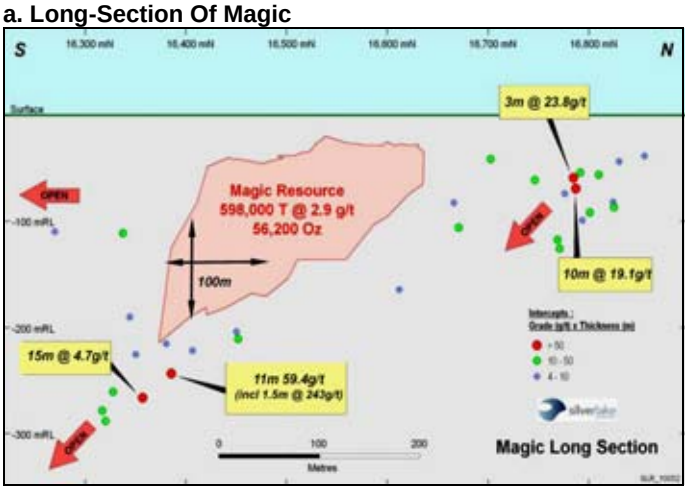


Geology

There is a difference in host rock domain as shown in Figure 2b with the gold mineralisation such as at Daisy Milano being usually associated with a porphyry within an andesite host, while at Costello and Magic the mineralisation is also within a porphyry, but in an ultramafic host. This difference may account for why the mineralisation (although very high grade with that intersection of 11m @59.4g/t shown in Figure 3a) is different (no visible gold) at Magic, being blebby (pyrite/pyrrhotite ?) as shown In Figure 3b.

Figure 3. Long Section of Magic, and Drill Intersection at Magic of 11m @ 59.4g/t

a. Long-Section Of Magic

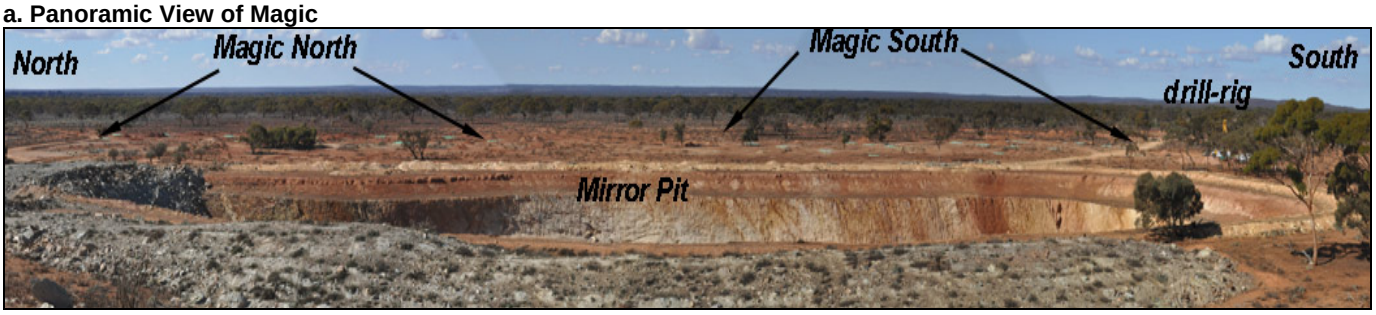


b. Drill Intersection at Magic of 11m @ 59.4g/t

The Magic orebody can currently be delineated in two parts, being Magic South and Magic North, of which the resource shown shaded in Figure 3a, was the July09 resource. However, as shown in the Figure, SLR has extended the resource at depth and also identified another area further north on strike (Magic Nth).

Figure 4. Panoramic View of Magic

a. Panoramic View of Magic



These areas are more clearly shown when viewed east from the Mirror waste dump as in Figure 4a. Further drilling is being undertaken to see if the mineralisation links between the north and south orebodies and extends further north on strike. Drilling is also being undertaken as shown in Figure 4a to see if there are any depth extensions at Mirror, otherwise the Mirror pit can be used for dumping waste.

The resource table for Mt Monger as at July 2009 is shown in Table 1, and ore stocks at the end of March 2010 were 120,000t @ 3.3g/t for 12,700oz with the Christmas Flats open-cut completed. However, based on the recent reported Magic drill intersections (25 May 2010) and including Figures 5a for Magic, and

Figure 5b for Costello (in which the July 2009 ~11,000oz resource is shown in yellow and green), it can be seen that significant increases should be expected at both Costello and Magic.

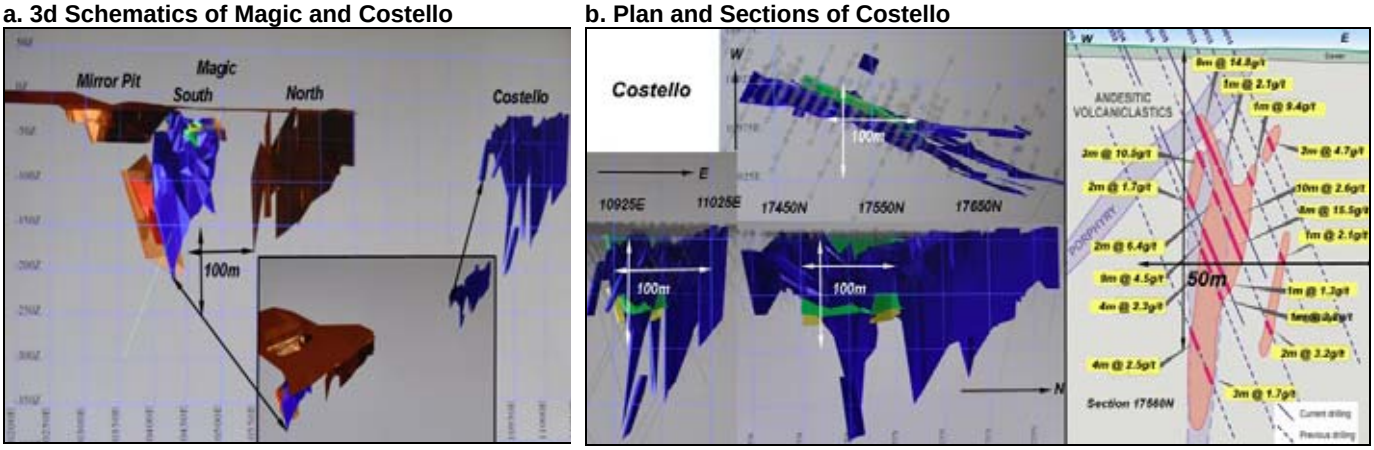
Table 1. Ore Reserves and Resources for SLR's Mount Monger (as at 30 June 2009)

Resources	Indicated Resources			Inferred Resources			Total Resources		
as at 30 June 2009	Tonnes 000t	Grade g/t	Gold 000oz	Tonnes 000t	Grade g/t	Gold 000oz	Tonnes 000t	Grade g/t	Gold 000oz
Mt Monger	Note (1) : Daisy Milano's Measured Resources of 117,100t @ 41.3g/t for 155,700oz are included in the totals								
Daisy Milano (1)	37	32.6	39	44	44.7	63	198	40.5	257
Christmas Flats	207	3.5	23	247	3.5	28	454	3.5	51
Costello				94	3.7	11	94	3.7	11
Magic	348	3.2	35	249	2.6	21	598	2.9	56
Lorna Doone				111	4.0	14	111	4.0	14
Total	**592**	**5.1**	**97**	**745**	**5.7**	**138**	**1454**	**8.3**	**390**

Infill drilling is occurring at Costello, aimed at filling in the deeper gaps in the mineralisation.

Figure 5. 3d Schematics of Magic and Costello, and Plan and Sections of Costello

a. 3d Schematics of Magic and Costello **b. Plan and Sections of Costello**



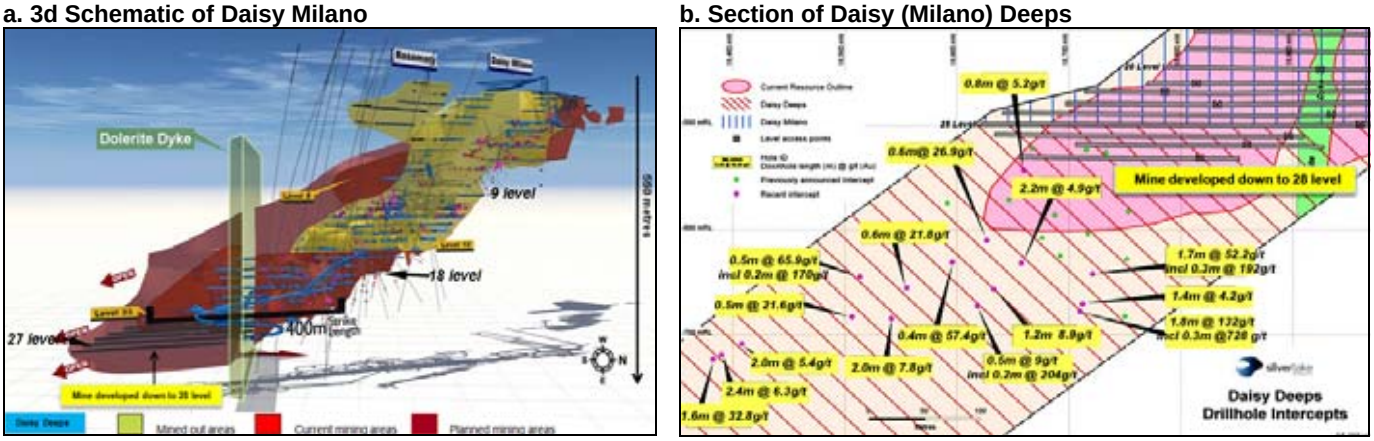
At a possible blended oxide processing rate of 300,000tpa for open-cut material, this infers that there may only to be about 2 or 3 years of feed, before the plant becomes almost 100% fed from hard underground ore.

Underground

During our underground visit to Daisy Milano on 20 May 2010, we visited the Daisy Milano lode on the 9, 26 and 27 Levels; and **Daisy East** on the 750 (between the 7 and the 8), the 9 **(where it had widened out to 5m @ 10g/t)** and its **possible new form on the 18 Level.**

Figure 6. 3d Schematic of Daisy Milano, and Long Section through Daisy (Milano) Deeps

a. 3d Schematic of Daisy Milano **b. Section of Daisy (Milano) Deeps**



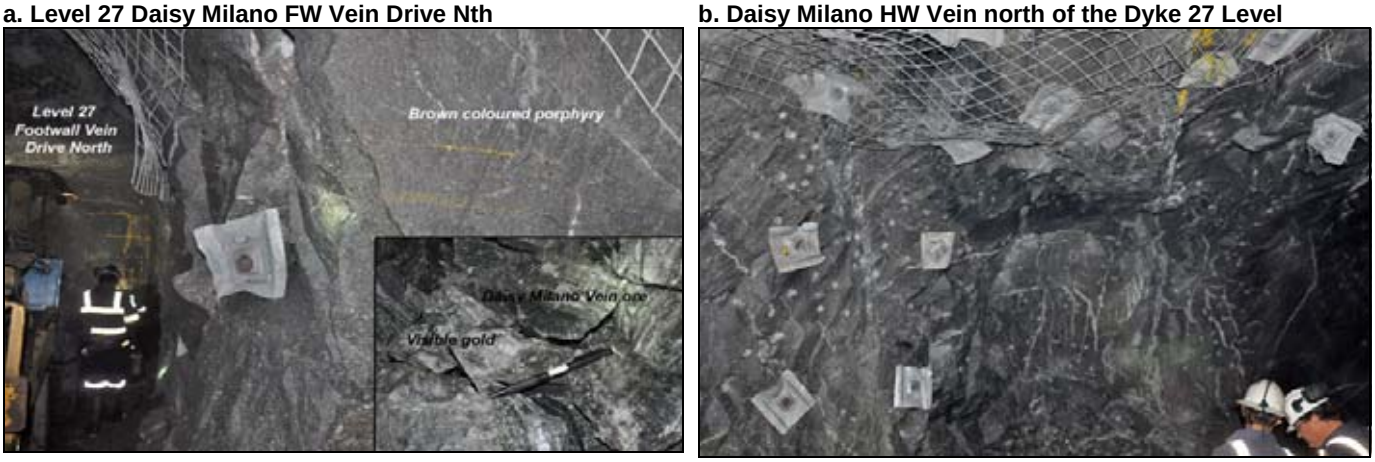
Daisy Milano (DM) Lode

The Daisy Milano (DM) lode usually appears to be associated with a brown coloured porphyry as shown in Figure 7b in andesite host rock. There is usually a footwall and a hangingwall vein which may be separated by the porphyry, and the mineralised veins do not have to be hosted in the porphyry, they can cross the boundary and instead be hosted in andesite, when they are then called andesite veins.

It may be recalled in the *Comment* we wrote after Diggers 2009, that the north end of DM (which had never been historically tested) had divided into about 5 individual veins on 24 Level, and the three highest grade are now being mined separately. SLR had developed northwards through the dyke on 27 level at the time of our visit and exposed the footwall and hangingwall veins. The footwall vein was relatively conventional, with the brown porphyry pillar between the two veins as shown in Figure 7a, (and typical DM vein ore from 26 level stoping inset into it), while the hangingwall vein has become a multiple series of veins again as shown in Figure 7b.

Figure 7. Daisy Milano's (DM's) Footwall and Hangingwall Veins on 26 and 27 Level

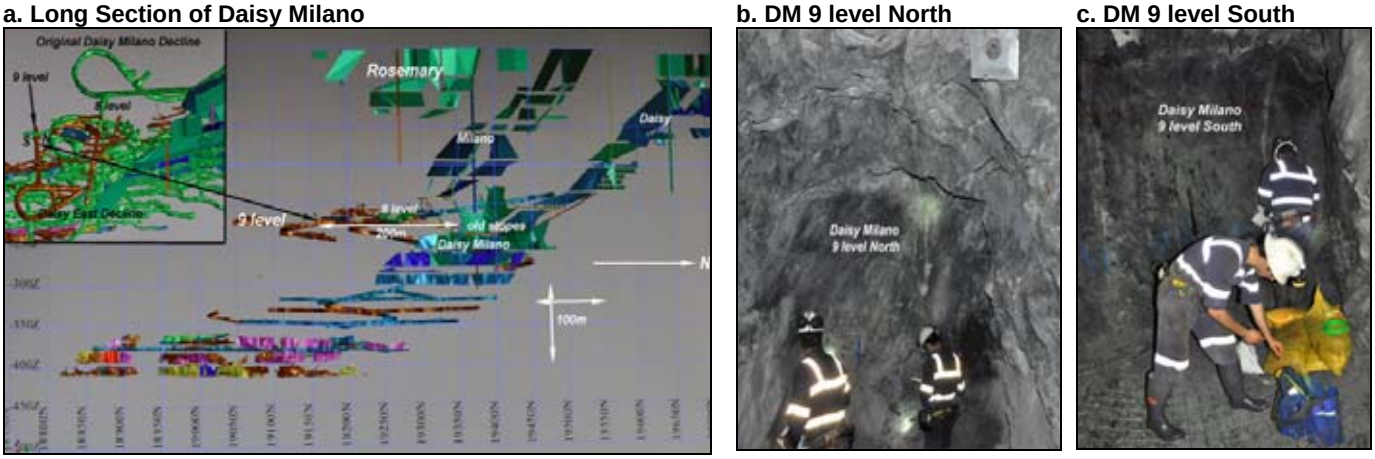
a. Level 27 Daisy Milano FW Vein Drive Nth **b. Daisy Milano HW Vein north of the Dyke 27 Level**



SLR has also started developing DM on the 9 level. The significance of this is that the DM lode between 9 level and 15 level was supposed to have been mined out. However, the discovery of the DM lode adjacent to the decline on 8 level, disproved that in April/May 2009, showing that DM extended further south on 8 level (by possibly 200m). That 8 level discovery cross-cut is shown inset in Figure 8a, and SLR has started a new inner decline in the hangingwall to primarily access Daisy East (because the historical old mined DM stopes are in the way), but also to access the unmined area of Daisy Milano.

Figure 8. Long Section of Daisy Milano, and Daisy Milano on the New North and South drives on 9 Level

a. Long Section of Daisy Milano **b. DM 9 level North** **c. DM 9 level South**



As shown in Figures 8a to 8c, development has started on the DM lode with the DM North and South drives depicted respectively N and S in the inset figure of Figure 8a and the actual drives in Figures 8b and 8c when we visited them in May 2010. Visible gold could be seen in the face of DM South and apparently in the next cut of DM North. This cross-cut was supposed to be at the expected end of the DM lode, however, it clearly extends further south, as well as being ~200m to drive northwards on the orebody to the old stopes.

It can clearly be seen that when combined with the Daisy Milano Deeps drilling there should be **sufficient ore from Daisy Milano to provide SLR with at least a 10-year life at 50,000ozpa to 60,000ozpa.** However, there appears to be **still further upside potential on Daisy Milano.** SLR are reviewing raise-boring a **ventilation shaft** from surface to the 27 Level. This is a requirement especially as Daisy East ramps up and DM goes deeper. The possible capex is ~A$4m, however, it means that once it is in, the historic old DM stopes will not be required for return ventilation, and consequently all the old pillars that have been left behind in the historic workings could then be mined.

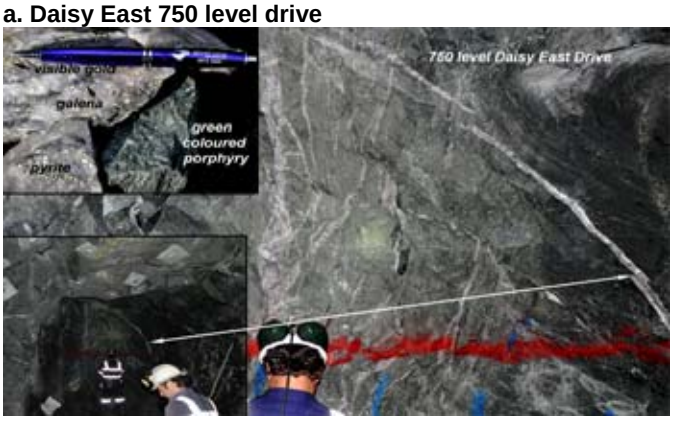
Daisy East (DE) Lode

Significant progress has been made on the Daisy East lode since its discovery only one year ago in May 2009 in a drillhole to define a deeper extension of Rosemary (and no drilling had ever taken place across the tenement boundaries due to different holders). Generally lying about 30m to 40m into the hangingwall of Daisy Milano, DE is characterised by generally appearing to average with ~30% higher grade than DM, as illustrated by the first DE stoping block mined in MQ10 from 8 level of **1,200t @ 41g/t,** which with 809t @ 25.5g/t of ore development on 15 level resulted in the 2,009t hoisted at **34.8g/t** (2,246oz) in the quarter

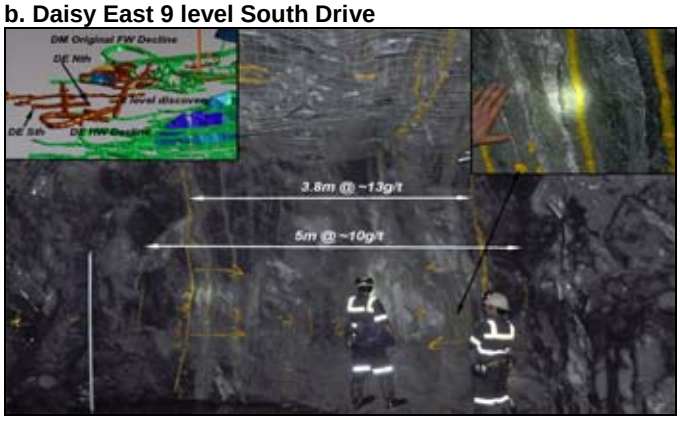
DE is characterised by being contained (so far) within a characteristic green-coloured porphyry as shown inset in Figure 9a, and often with galena (lead – usually a good sign) and visible gold within the multiple quartz veins shown in Figure 9a on 750 level (between the 7 and 8 level).

Figure 9. Daisy East 750 level drive, and Daisy East 9 level South Drive

a. Daisy East 750 level drive



b. Daisy East 9 level South Drive

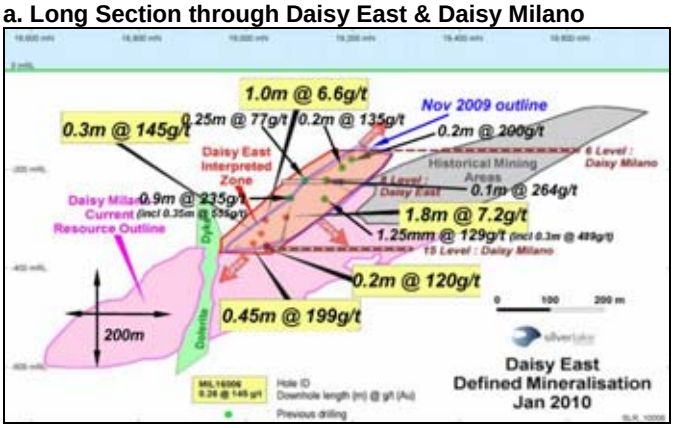


However, it was on level 9, Daisy East South that the DE orebody had widened out to average 10g/t across a 5m wide face, as shown in Figure 9b. The face does in fact currently include ~1.2m of waste, so it is actually ~3.8m @ ~13g/t, (and of that there were 3 narrow veins grading ~ 200g/t, 200g/t, and 100g/t). ***The significance of this 5m width at an average grade of 10g/t is that it is located beyond the perceived southern end*** of the Daisy Milano orebody (as shown inset in Figure 9b).

DE is steadily growing in size as shown in Figure 10a (as at January 2010), and is expected to become SLR's second 200,000tpa operational unit at Mt Monger, capable of producing ~50,000ozpa to 70,000ozpa. An internal hangingwall decline is currently being driven down from 8 level and up from 15 level to access the DE lode, (as it lies in the hangingwall of the partly historically developed Daisy Milano).

Figure 10. Long Section through Daisy East, and New Daisy (Far?) East on 18 level

a. Long Section through Daisy East & Daisy Milano



b. New Daisy (Far?) East on 18 level

We/ERA thought that Daisy East had to be either the Daisy or the Milano, as they were historically perceived to have come together on the 8 Level as shown in Figure 8a (although Daisy Milano does have a hangingwall and a footwall vein). However, it appears that Daisy East may be coming closer to the Daisy Milano lode with depth, and they may be adjacent to each other on the 18 level.

And on the 18 level, another lode ~30m to 40m from Daisy Milano has been intersected (Daisy Far East ?), in the DE position, as shown in Figure 10b. Hence our comment on page one of this report about Daisy East (or variations of it) ~30m to 40m into the hangingwall of Daisy Milano. This new lode also appears to have multiple veins in a greenish tinged host rock, but that is more andesitic than porpyhritic. Grades were unknown as assay results were still pending, because it had only been intersected the day or so before our visit.

SLR's 3rd Underground Unit

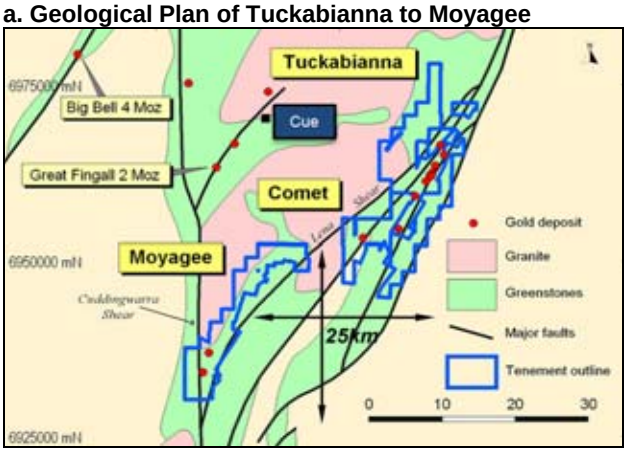
Apart from filling the mill with open-cut ore, SLR's ideally third underground unit that can provide another 50,000ozpa to 60,000ozpa has yet to be defined. There are a number of possibilities such as perhaps Emma or Rosemary in the vicinity of Daisy Milano, at depth in Haoma, or perhaps deeper extensions to Costello or Magic.

Murchison Project (SLR : 100%)

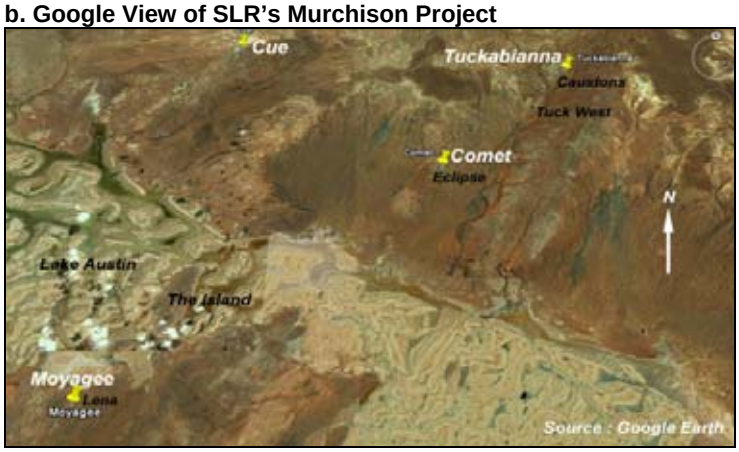
However, SLR has also made significant progress during the past year at its second planned operational project, namely the Murchison near Cue, covering the line of strike from Tuckabianna through to Moyagee as shown in Figures 11a and 11b. This particular package of tenements has never had one owner before. When Newcrest had Tuckabianna, their southern extensions were east of the "island" (in the Lake Austin salt lake) and did not include Moyagee. SLR have been concentrating on 3 main areas, namely Caustons, Lena and Comet, apart from regional and targeted geophysics.

Figure 11. Geological Plan of Tuckabianna to Moyagee, and Google View of SLR's Murchison Project

a. Geological Plan of Tuckabianna to Moyagee



b. Google View of SLR's Murchison Project



SLR's current plan for its Murchison Project is to source a 1.2mtpa mill and relocate the old Tuckabianna plant nearby into a **1.2mtpa operation** producing a targeted ~100,000ozpa from DH 2012, that utilises some of the old Tuckabianna plant infrastructure, such as the very large tailings dam cells.

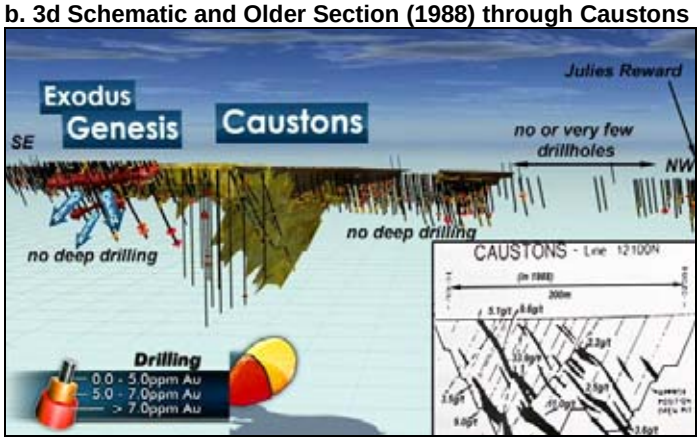
Caustons

One of the reasons for the relocation of the plant has been the progress at Caustons, discovery of Genesis and Exodus by SLR as shown in Figure 12a, and the increased likelihood that mineralisation passes under the plant, under the ROM pad, and probably under the old camp.

Figure 12. 3d Aerial (Google Earth) View of Caustons, and 3d Schematic & Older (1988) Section of Caustons

a. 3d Aerial (Google Earth) View of Caustons

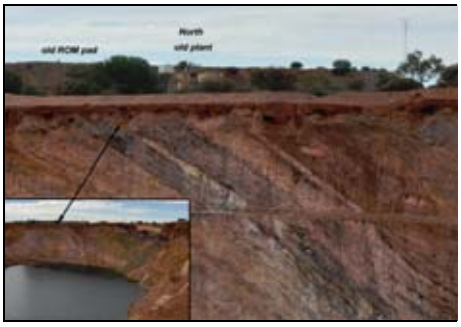
b. 3d Schematic and Older Section (1988) through Caustons



Although it is an optical illusion that the old Tuckabianna plant appears to be on top of the Causton's mineralisation (as shown in Figure 13a), mineralisation probably does pass under the plant.

Figure 13. Views of the Caustons Pits : Caustons, Caustons South, and Caustons Far South

a. Caustons Pit



b. Caustons South Pit

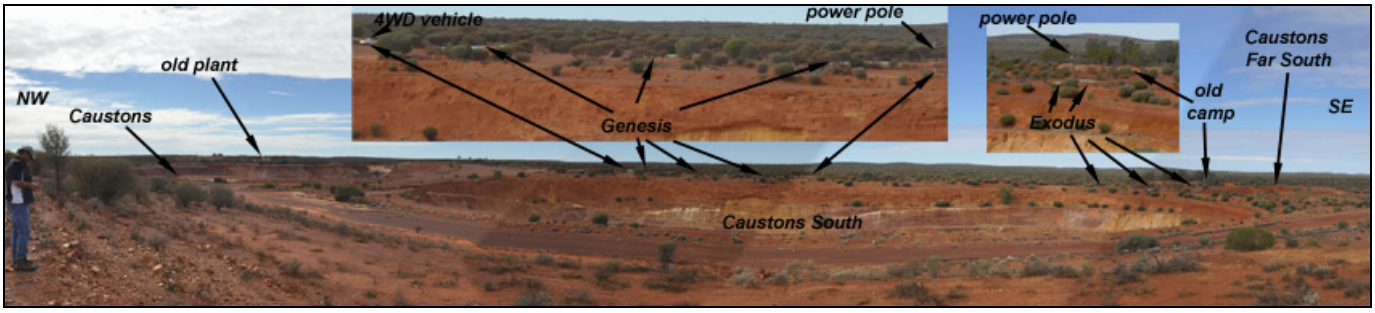
c. Caustons Far South Pit

Australmin after taking over their JV partner CSR's holding in 1988 initially mined Julies Reward (6.9g/t) followed by Caustons (~1mt @ 3.9g/t) based on production of 250,000tpa for 5 years, but was later taken over by Newcrest. Perhaps the inset section in Figure 12b (with the multiple veins) of Caustons in 1988, and apparent negligible mineralisation to the East, accounts for the siting of the plant. However, with the discovery of Genesis and Exodus by SLR and very distinctive dark banded (probably mineralised) BIF units that can be traced through all the Caustons pits, the stacked lode system could extend beyond the line of the camp to the plant.

As shown in Figure 14, the reason why the area was not have been drilled (despite the presence of old workings) may have been that there were two power lines (one of which went to the camp), the camp itself, and the plant. As for Caustons Far South, the state of the pit resembles a "last minute" grab for ore.

Figure 14. Panoramic View of Caustons

a. Panoramic View of Caustons



Caustons does have a resource as shown in Table 1, last calculated in December 2008, but it is currently contained within the total for Tuckabianna, whereas Moyagee is essentially Lena. However, there should be significant increases in the SLR's Murchison resources when they are reported in July 2010.

Table 2. Ore Reserves and Resources for SLR's Murchison Project (as at December 2008)

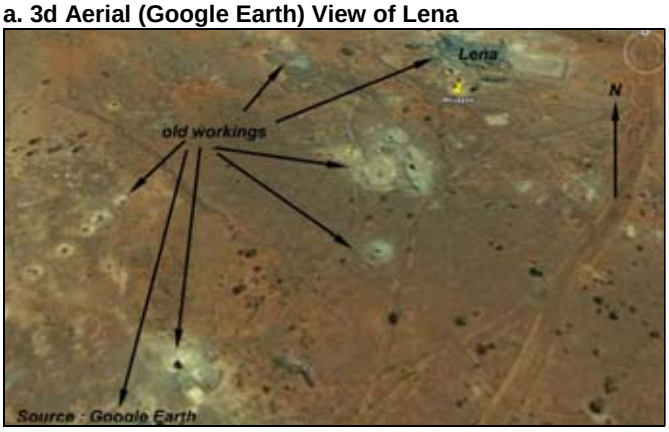
Resources	Indicated Resources			Inferred Resources			Total Resources		
	Tonnes 000t	Grade g/t	Gold 000oz	Tonnes 000t	Grade g/t	Gold 000oz	Tonnes 000t	Grade g/t	Gold 000oz
Murchison									
Tuckabianna	2327	2.8	212	2393	3.1	238	4720	3.0	450
Moyagee				820	8.5	224	820	8.5	224
Comet	1709	3.6	198	572	5.0	93	2281	4.0	291
Total	**4036**	**3.2**	**410**	**3786**	**4.6**	**555**	**7822**	**3.8**	**965**

Lena

Lena is located south of Lake Austin as shown in Figures 15a and 15b. Although there are references in our (ERA's) historical records to "Mainland" there is nothing that we can find on "Lena" despite the size of old workings, numerous shafts, old boiler, possible pump station, headgear footings, old stamp battery footings etc, which implies that it may have undergone a name change – perhaps from Lake Austin Goldfields (and that may have occurred in the 1990s when for example Marrs Forest was renamed Cadia)

Figure 15. 3d Aerial (Google Earth) View of Lena, & Plan of Moyagee Tenements with new SLR discoveries

a. 3d Aerial (Google Earth) View of Lena

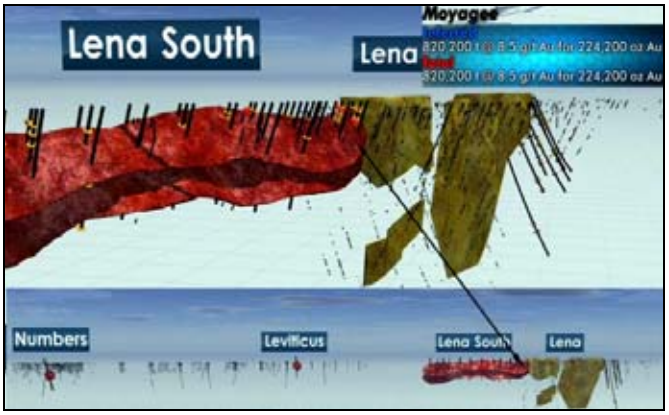


b. Plan of Moyagee with new SLR discoveries

During the past year, **SLR** has also made a number of **discoveries** in the Lena Area such as **Leviticus and Numbers**, plus the parallel southern extension **(Lena Sth)** to Lena as shown in Figure 16a. Located ~45km by road to the Tucka plant, it is expected to use road trains to haul the ore from Lena to the plant.

Figure 16. 3d Schematic of Lena South and View East over the old Lena Workings

a. 3d Schematic of Lena South & the Lena Resource



b. View East of over old Lena workings

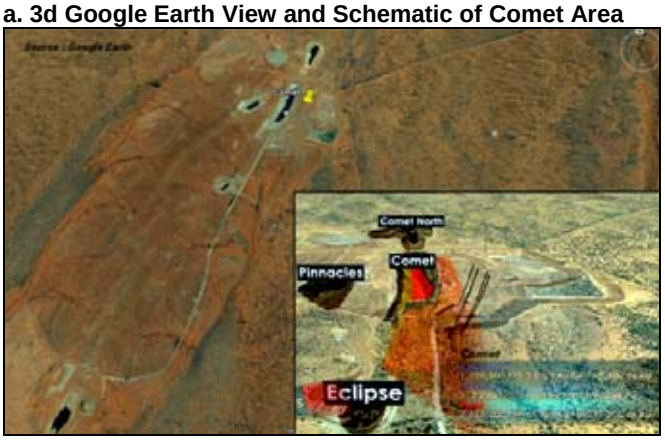
The Lena South discovery is sizeable as shown in the panoramic view of Figure 17, taken from the old Lena workings looking west. **SLR's next drilling programme is to drill through the old Lena workings at depth and their apparent multiple stacked lode system** (based on the number of shafts). Given the number of shafts there is a disparity with the little volume of waste, inferring that some was probably taken and treated elsewhere (the old tailings dam also appears to have been breached and carted away).

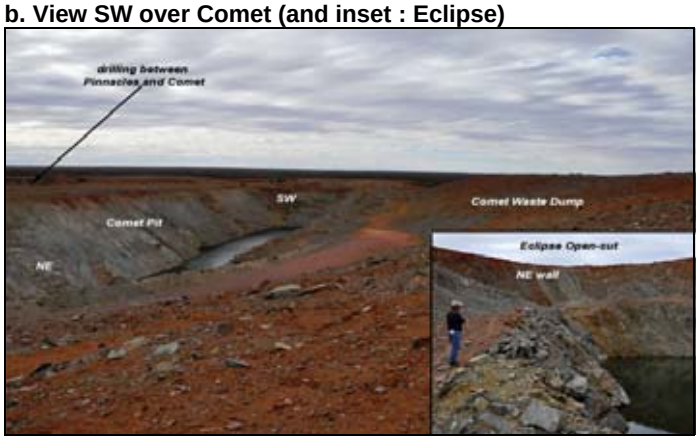
Figure 17. Panoramic View West Towards the Lena Resource and SLR's new Lena South Discovery
a. Panoramic View West Towards the Lena Resource and SLR's new Lena South Discovery

Comet

The Comet Area consists of a cluster of pits in a BIF inlier off the main Tuckabianna structure as shown in Figures 11b and 18a. Although the main Comet pit appears to be a great resource, reasonably good grades, potential higher grade shoot(s) etc, its main drawback to an open-cut extension is that the waste dump is on the hangingwall as shown in Figure 18b.

Figure 18. 3d Google View and Schematic of Comet Area, View SW over Comet (and inset : Eclipse)
a. 3d Google Earth View and Schematic of Comet Area **b. View SW over Comet (and inset : Eclipse)**



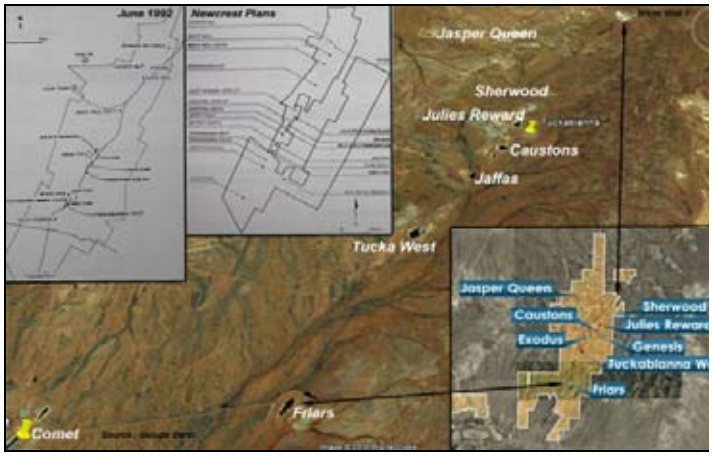


So SLR is evaluating Eclipse as shown inset in Figure 18b, and drilling between Pinnacles and Comet with a view to a possible underground mine at Comet. Comet may still initially start as an open-cut and then decline underground, accessing Pinnacles on the way down to Comet.

Other Areas – Tuck or Tucka West

Besides re-opening Julies Reward (for its high grades, although some of the pit walls appeared to be poor/weak when we reviewed them in 2009) or going further afield to Friars, or Little and Big John (see our/ERA previous report of May 2009); there are a **number of other areas that have potential**, such as Tucka West and possibly the geophysics work.

Figure 19. 3d Google View of Tucka West, and Some of the old workings NW of Tucka West pit
a. 3d Google Earth View of Tucka West **b. SLR's Tuckabianna Line of Strike**



Tucka West appears to be the largest pit in the Tuckabianna line of strike shown in Figure 11b, and had to have used large equipment, yet quite surprisingly although the mineralised BIF units are very clearly visible as in Figure 19a (even on Google Earth), there appears to have been very little drilling NW of the pit, even amongst a number of old workings there. SLR has been using geophysics as an aid to finding mineralisation, with some success and has other programmes planned.

The size of SLR's Tuckabianna tenement holding inset in Figure 19b only becomes apparent when viewed in Google Earth as shown in the main figure. It also appears that there could be a number of other targets according to the ~June 1992 plans that Newcrest issued at that time (from our old notes). As for the huge gap in old workings to the north – it was apparently called Desperation Flat, but may have been a function of thicker cover. Perhaps geophysics can show the way.

It can be seen that SLR has already delineated significant tonnage potential in its Tuckabianna to Moyagee tenements, **that could be capable of feeding a 1.2mtpa plant for 5 to 10 years.** And there appears to be significant further potential ore to be identified. A conceptual valuation gives 91c/share, viz:

Table 3. Production and Cashflow Estimate for Silver Lake Resource's Operations at Murchison

We have assumed that production starts from Oct 2012...

...and have not allowed for the probable u/ground...

..with recoveries at 89% because that is what Newcrest had in 1993..

But they had an old mill...

...so recoveries could be higher

We based some of our costing on Mt Monger...

...and our capex is probably too high

Silver Lake Resources		**2010f**	**2011f**	**2012f**	**2013f**	**2014f**	**2015f**	**2016f**
Murchison	**1.73**	1	2	3	4	5	6	7
Gold Spot Price	US$/oz	1090	1200	1200	1200	1200	1200	1200
Exchange Rate	A$/US$	0.881	0.850	0.850	0.850	0.850	0.850	0.850
Est Gold Price Realised	A$/oz	1226	1412	1412	1412	1412	1412	1412
Strip Ratio	x				7	7	7	7
Open-cut Ore Mined & Milled	000t	0	0	0	900	1200	1200	1200
	g/t	0	0	0	3.0	3.0	3.0	3.0
Recovery (nominal)	%	89.0%	89.0%	89.0%	89.0%	89.0%	89.0%	89.0%
Total Gold Produced & Sold	**000oz**	**0**	**0**	**0**	**77**	**103**	**103**	**103**
Revenues								
Total Revenue	**A$m**	**0.0**	**0.0**	**0.0**	**109.1**	**145.4**	**145.4**	**145.4**
Costs (based on ~ mill $20, Transport $4, ocut: SR 7:1 , ~$3/t mined)								
SLR's Costs :								
Operating Cost	A$/oz	0	0	0	318	317	317	317
Waste Component	A$/oz	0	0	0	245	245	245	245
Royalties	A$/oz	0	0	0	42	42	42	42
SLR's Total Cash(flow) Cost	A$/oz	**0**	**0**	**0**	**605**	**604**	**604**	**604**
Total Costs	A$m	0.0	0.0	0.0	46.7	62.2	62.2	62.2
D & A	A$m	0.0	0.0	0.0	12.4	16.5	16.5	16.5
D & A	A$/oz	0	0	0	160	160	160	160
Cost of Sales	A$m	0.0	0.0	0.0	59.1	78.7	78.7	78.7
Gross Profit	A$m	0.0	0.0	0.0	50.0	66.7	66.7	66.7
Corp & other cost	A$m	0.0	0.0	0.0	-1.0	-1.0	-1.0	-1.0
Operating Profit	A$m	0.0	0.0	0.0	49.0	65.7	65.7	65.7
NPBT	**A$m**	0	0	0	49	66	66	66
Tax Provision	A$m	0.0	0.0	0.0	14.7	19.7	19.7	19.7
Tax %	%	0.0	0.0	0.0	30.0%	30.0%	30.0%	30.0%
NPAT	**A$m**	0.0	0.0	0.0	**34.3**	**46.0**	**46.0**	**46.0**
EPS	c	0.0	0.0	0.0	16.9	22.7	22.7	22.7
Simple Cashflow	A$m	0.0	0.0	0.0	37.6	50.4	50.4	50.4
CFPS	c	0.0	0.0	0.0	18.5	24.8	24.8	24.8
No Shares	**M**	**0.0**	**0.0**	**0.0**	**203.2**	**203.2**	**203.2**	**203.2**
MUR Cashflow		**2010f**	**2011f**	**2012f**	**2013f**	**2014f**	**2015f**	**2016f**
Total Receipts / Sales Revenu	**A$m**	**0.0**	**0.0**	**0.0**	**109.1**	**145.4**	**145.4**	**145.4**
- Total Costs	A$m	0.0	0.0	0.0	-46.7	-62.2	-62.2	-62.2
- MUR Tax Paid	A$m	0.0	0.0	0.0	-14.7	-19.7	-19.7	-19.7
- MUR Explorn	A$m	0.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
- MUR Capex	A$m	0.0	-15.0	-20.0	-5.0	0.0	0.0	-2.0
- MUR Sustaining/Other Capex	A$m	0.0	0.0	0.0	-2.0	-2.0	-2.0	-2.0
= Total Expenditures	**A$m**	**0.0**	-19.0	-24.0	-72.4	-87.9	-87.9	-89.9
Net Cash Flow	A$m	0.0	-19.0	-24.0	36.7	57.5	57.5	55.5
		Yrs	A$m	**A$ps**	No Shares			
NPV	**5.00%**	6	184	0.91	**203**			

Financial Considerations

SLR appears to be one of those rare mining companies that is able to find orebodies and have the skill set to mine them too. This is clearly illustrated in the number of new orebodies that have been discovered at both of its operations of Mount Monger and Tuckabianna. SLR raised $18m and stated that it would be spent on exploration and has done so with significant success.

Mount Monger was regarded as a "lemon" and SLR's share price initially suffered from that perception, but currently it has a market cap greater than A$300m and an operating profit margin of ~A$900/oz to $1000/oz (with the A$ gold price in the vicinity of A$1400/oz to A$1500/oz). SLR is currently generating sufficient cash to finance its Murchison Project whether it costs between A$30m and A$50m within the next 2 years, plus have sufficient cashflow to pay for a further expansion at the Lakewood plant to 600,000tpa of hard ore and spend $4m on a ventilation raise.

SLR is not expected to pay any dividends this year (August 2010), but could from August 2011. For our modelling analysis shown in Table 4, we have used a base gold price of US$1200/oz and applied sensitivities of +/- US$50/oz in the sensitivity table. We also estimated an achievable likely scenario for the Murchison Project according to the parameters that SLR has given in various presentations (~5 years @ 1.2mtpa), which results in an additional A$0.91/share. ***It should be recognised that this production scenario is an ERA scenario, and is just one of a number of possible scenarios that could occur.***

Table 4. Production and Cashflow Estimate for Silver Lake Resource's Operations at Mount Monger

We have assumed that Daisy Milano averages 8.5g/t and Daisy East 12g/t through the mill...

...but they could easily be significantly higher at up to ~30% or so

We have brought in the open-cuts at an SR of 10 to 1...

..which is probably too high

Overall we think that our cost estimates are probably too conservative...

...but with the expansions a number of the figures are still being delineated

The modelled Murchison shows that SLR can self-finance it, if required...

...adding another $0.91 (A$184m) for the Murchison *(at US$1200/oz)....*

...increases the NPV to almost $3 per share

Silver Lake Resources		**2009a**	**DH09a**	**JH10f**	**2010f**	**2011f**	**2012f**	**2013f**
Mount Monger	**1.73**				1	2	3	4
Gold Spot Price	US$/oz	874	1030	1150	1090	1200	1200	1200
Exchange Rate	A$/US$	0.748	0.870	0.892	0.881	0.850	0.850	0.850
Est Gold Price Realised	A$/oz	1199	1178	1253	1226	1412	1412	1412
Underground Production								
Underground Ore Mined	000t	151	116	133	249	300	390	370
	g/t	10.3	6.8	8.2	7.6	9.3	9.7	10.1
Open-cut Ore Mined	000t	3	38	77	115	140	150	150
	g/t	2	2	3	2	5	5	4
Total Milled	000t	160	117	187	304	480	540	520
	g/t	9.7	6.3	6.5	6.4	7.3	8.3	8.3
Recovery 95%	%	84.0%	94.2%	94.7%	94.5%	95.8%	96.0%	96.0%
Total Gold Produced	000oz	47	23	38	60	106	137	133
Total Gold Sold	**000oz**	**48**	**21**	**39**	**60**	**106**	**137**	**133**
Revenues								
Total Revenue	**A$m**	**58.0**	**25.0**	**48.4**	**73.4**	**150.3**	**193.0**	**187.1**
Costs (based on mining ~$100/t, mill $30, Transport $7, ocut: SR 10:1 , ~$3/t mined)								
SLR's Costs :								
Operating Cost	A$/oz	589	740	527	611	444	421	414
Waste Component	A$/oz	121	271	152	200	145	130	134
Royalties	A$/oz	36	35	38	37	42	42	42
SLR's Total Cash(flow) Cost	A$/oz	**745**	**1046**	**717**	**847**	**631**	**594**	**591**
Total Costs	A$m	35.9	27.0	28.5	55.5	67.2	81.1	78.3
D & A	A$m	5.2	2.2	3.5	5.7	12.8	16.4	15.9
D & A	A$/oz	110	97	93	94	120	120	120
Cost of Sales	A$m	42.6	22.1	35.0	57.1	82.0	99.5	96.2
Gross Profit	A$m	15.4	2.9	13.3	16.3	68.3	93.4	90.9
Corp & other cost	A$m	-1.9	-1.0	-1.0	-2.0	-2.5	-2.5	-2.5
Operating Profit	A$m	13.5	2.0	12.4	14.3	65.8	90.9	88.4
NPBT	**A$m**	14	2	12	15	66	91	88
Tax Provision	A$m	2.9	0.7	3.7	4.4	19.7	27.3	26.5
Tax %	%	21.7%	29.8%	30.0%	30.0%	30.0%	30.0%	30.0%
NPAT	**A$m**	**10.6**	**1.6**	**8.7**	**10.2**	**46.1**	**63.7**	**61.9**
EPS	c	6.9	0.9	4.8	5.7	25.8	31.4	30.5
Simple Cashflow	A$m	15.8	3.8	12.2	15.9	58.8	80.1	77.8
CFPS	c	10.3	2.1	6.8	8.9	32.9	39.5	38.3
DPS	c	0.0	0.0	0.0	0.0	10.0	15.0	15.0
No Shares	M	**153.4**	**178.8**	**178.8**	**178.8**	**178.8**	**202.8**	**203.2**

Cashflow		**2009a**	**DH09a**	**JH10f**	**2010**	**2011**	**2012**	**2013**
Sales Revenue	A$m	58.6	25.0	48.4	73.4	150.3	193.0	187.1
+ Equity Raised	A$m	0.0	17.7	0.0	17.7	0.0	0.0	0.0
+ Borrowings	A$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Interest Received	A$m	0.3	0.3	0.3	0.6	1.0	1.0	1.0
Total Receipts	**A$m**	**58.8**	**43.1**	**48.7**	**91.7**	**151.3**	**194.0**	**188.1**
- Total Costs	A$m	-35.9	-27.0	-28.5	-55.5	-67.2	-81.1	-78.3
- Other costs	A$m	2.0	5.7	2.0	7.7	0.0	0.0	0.0
- Operating Costs	A$m	-33.9	-21.3	-26.5	-47.8	-67.2	-81.1	-78.3
Sub-total	A$m	-33.9	-21.3	-26.5	-47.8	-67.2	-81.1	-78.3
- Other	A$m	-0.3	0.0	-0.1	-0.1	0.0	-0.1	-0.1
- Interest Paid	A$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Tax Paid	A$m	0.0	0.0	0.0	0.0	-10.3	-27.3	-26.5
- Divs Paid	A$m	0.0	0.0	0.0	0.0	-17.9	-30.4	-30.5
- MM Explorn	A$m	-7.9	-8.8	-8.0	-16.8	-12.0	-6.0	-6.0
- MM Capex	A$m	-1.8	-6.1	-3.0	-9.0	-8.0	-2.0	-2.0
- MM Sustaining/Other Capex	A$m	0.0	0.0	0.0	0.0	-2.0	-3.0	-3.0
- Loans Repaid	A$m	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
= Expenditures	A$m	-44.0	-36.2	-37.6	-73.7	-117.4	-149.9	-146.4
Total Expenditures	**A$m**	**-44.0**	**-36.2**	**-37.6**	**-73.7**	**-117.4**	**-149.9**	**-146.4**
Net Cash Flow	A$m	14.8	0.0	11.1	18.0	33.9	44.1	41.8
Effective Cashflow	A$m	14.8	0.0	11.1	18.0	33.9	44.1	41.8
Add divs	A$m					17.9	30.4	30.5
Underlying Cashflow	A$m							
Net cash for NPV	**A$m**	**0.0**	**12.6**	**11.1**	**23.7**	**51.7**	**74.5**	**72.3**
		Yrs	A$m	**A$ps**				
NPV	**5.00%**	10	417	**2.05**				

Table 5. Sensitivity Analysis of Silver Lake Resources

SLR has a very high sensitivity to its mill grades which could easily be >10% or 20% higher

The NPV rises by ~20c per 5% increase in grades

Sensitivity Analysis	**Year**	**NPV**	**2010e**	**2011e**	**2012e**	**2010e**	**2011e**	**2012e**
Gold Price (at A$/US$0.85)		**A$**	**A/tax Profit (A$m)**			**Earnings per Share (Ac)**		
US$1200/oz (A$1410/oz)	1200	2.05	10.2	46.1	63.7	5.7	25.8	31.4
US$1250/oz (A$1470/oz)	1150	1.90	10.2	41.8	58.2	5.7	23.4	28.7
US$1150/oz (A$1350/oz)	1250	2.21	10.2	50.3	69.1	5.7	28.1	34.1
Gold Grade (g/t)		**A$**	**A/tax Profit (A$m)**			**Earnings per Share (Ac)**		
Grades unchanged	0%	2.05	10.2	46.1	63.7	5.7	25.8	31.4
Grades + 5%	+5%	2.24	10.2	50.7	69.6	5.7	28.4	34.3
Grades + 10%	+10%	2.43	10.2	55.4	75.6	5.7	31.0	37.3
Grades + 15%	+15%	2.62	10.2	60.0	81.6	5.7	33.6	40.2
Operating Costs		**A$**	**A/tax Profit (A$m)**			**Earnings per Share (Ac)**		
	0%	2.05	10.2	46.1	63.7	5.7	25.8	31.4
	-10%	2.17	10.2	49.4	67.7	5.7	27.6	33.4
	+10%	1.93	10.2	42.8	59.6	5.7	23.9	29.4
Sensitivity Analysis	**Year**	**NPV**	**2010e**	**2011e**	**2012e**	**2010e**	**2011e**	**2012e**

Management

Board of Directors

Paul Chapman – Executive Chairman. Paul is a chartered accountant with over 20 years' resource industry experience in Australia and the US. Paul has worked in a number of commodity businesses including gold and nickel. Paul holds and has held other chairman, managing director and director roles.

Les Davis – Managing Director. Les has over 30 years' mining experience, 17 years' of which were hands on in mine development and narrow vein mining. For the past 13 years, Les has held senior mine management positions such as Mine Manager, Technical Services Manager, Concentrator Manager, Resident Manager and GM Expansion Projects, with WMC, Reliance Mining and Consolidated Minerals.

Chris Banasik – Director (Exploration and Geology) Chris is a geologist with over 20 years' experience including senior management positions up to Chief Geologist with WMC, Reliance Mining, Goldfields Mine Management and Consolidated Minerals.

Peter Johnston – Non-Executive Director. Peter has over 30 years' experience, mostly in senior management positions and is currently CEO of Minara Resources. Peter holds and has held a number of other directorship positions, and has had an extensive management career mostly with WMC and Minara.

Brian Kennedy – Non-Executive Director. Brian is a general engineer with over 25 years' experience in coal, iron ore, nickel, gold and fertilisers, and was Construction Manager for Munali Nickel in Zambia.

David Griffiths – Non-Executive Director. David has over 30 years' strategic communication experience in human resources and employee relations. David is currently Managing Director of Gryphon Management – a communications strategy and public relations company.

Peter Armstrong – Company Secretary and CFO. Peter has over 25 years' industry experience including senior commercial management roles with Normandy Mining, WMC and Newcrest. Peter has experience across a range of commodity businesses including gold, nickel, copper, coal and iron ore.

Senior Management

David Crockford – Resident Manager - Mt Monger Operations. David is a mining engineer with extensive experience in narrow vein mining methods and contract mining.

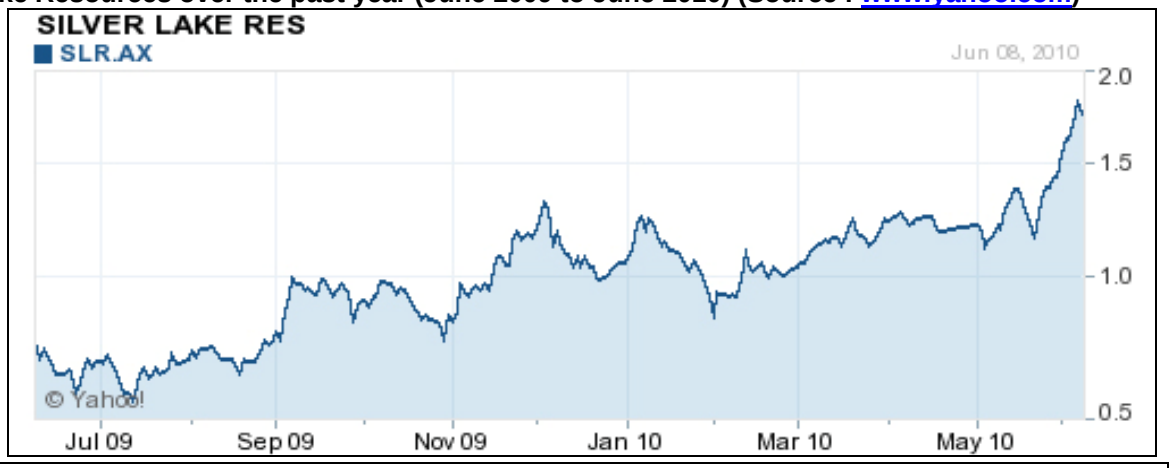
Gareth Solly – Chief Geologist - Mt Monger Operations. Gareth is a geologist with extensive experience in underground and open pit mining across a range of commodities. Gareth held senior management positions with Onesteel & was recently Geology Manager for Norilsk at Black Swan Nickel.

Adrian Hall – Mill Manager. Adrian is a metallurgist with extensive experience in R & D, and the commissioning and optimisation of milling operations and concentrators in gold, copper, nickel etc.

Chart of Silver Lake Resources over the past year (June 2009 to June 2010) (Source : www.yahoo.com)

SLR has broken out through $1.40/share to the $300m market cap level...

...and ideally needs to consolidate before moving further ahead



Disclosure

Silver Lake Resources Limited commissioned Keith Goode (who is a Financial Services Representative with Taylor Collison Ltd ACN 008 172 450, and is a consultant with Eagle Research Advisory Pty Ltd ACN 098 051 677) to compile this report, for which Eagle Research Advisory Pty Ltd has received a consultancy fee. At the date of this report Keith Goode and his associates held interests in shares issued by Silver Lake Resources Limited. At the date of this report, Taylor Collison Limited or their associates within the meaning of the Corporations Act, may hold interests in shares issued by Silver Lake Resources Limited.

Disclaimer

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