

RECOMMENDATIONS

Rating	Buy ▲
Risk	Medium
Price Target	\$4.42
Share Price	\$3.65

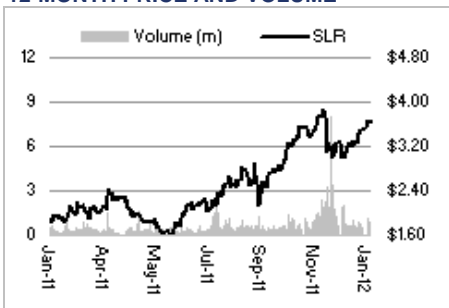
SNAPSHOT

Monthly Turnover	\$48.2mn
Market Cap	\$800mn
Shares Issued	220.3mn
52-Week High	\$3.87
52-Week Low	\$1.57
Sector	Materials

BUSINESS DESCRIPTION

Silver Lake Resources (SLR) is a gold producing and exploration company with resources in the prospective regions including Mount Monger and the Murchison goldfields of WA. As at September 2008, its overall resource base was 8.86 million tonnes at 4.8 g/t

12-MONTH PRICE AND VOLUME



RESEARCH ANALYST

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Disclosure

The author owns no shares in SLR.

Recommendations

Buy: The stock's total return is expected to increase by at least 10-15 percent from the current share price over the next 12 months.

Hold: The stock's total return is expected to trade within a range of ±10-15 percent from the current share price over the next 12 months.

Sell: The stock's total return is expected to decrease by at least 10-15 percent from the current share price over the next 12 months.

Silver Lake Resource (SLR)

COMPANY REPORT

A third leg in gold

- Silverlake Resources has agreed to purchase a gold equivalent resource of 1.6 million ounces (moz) from a private company for shares worth \$19.8 million. The acquisition cost per gold equivalent ounce is \$13.00 (!!) with consummation of the transaction expected in May 2012.
- Silverlake Resources has indicated that development of its new assets (to be known at the Great Southern Gold Project) will follow the completion of the Mount Monger expansion and its new Murchison production base. Once these are in place, the company will seek to secure annual gold production in excess of 300,000 ounces per annum in 2014 and will look to develop its Great Southern Gold Project.
- The acquisition comprises two major prospects:

Kundip Mining Centre. Contains a JORC resource of 1 million ounces (moz) of gold, 10 moz of silver and 95,000 tonnes of copper in two ore bodies. A Definitive Feasibility Study (DFS) has been completed.

Munglinup Project. Is a large exploration package (1,600 square kilometres) located within the Albany/Fraser Belt which is the southern extension of the area that hosts the Tropicana gold project (6 moz).

The existing owners of the two assets did complete a DFS where the plan was to mine the polymetallic Trilogy gold deposits however the Base Case involved a large up front capex, complicated processing and a long payback period.

- **The Silverlake approach.** Trilogy will be put on the 'back burner' while an aggressive exploration program (infill and extensional drilling) will be initiated at the Kundip deposits. The present JORC resource is 8.9 mt grading 2.7 gpt gold for 0.8 moz with a probable reserve of 2.8 mt grading 3.4 gpt gold for 307,000 ounces. The probable reserve is based on three open pits with grades of 3 - 4 gpt gold. An underground operation is set to follow. Silverlake Resources expects it will take 12 to 18 months to 're-define' the gold project and will involve more processing and less capex. Once established, the company will seek to utilise internally generated cash flow to fund the Trilogy development with a processing circuit to recover both copper and silver.

Post merger details

JORC resource base:

- 4.3 moz (includes 0.442 moz of reserves); an upgrade is due shortly.
- 10 moz of silver and 95,000 tonnes of copper.

Projects:

- Mt Monger: ramping up to 200,000 ounces per annum in 2014.
- Murchison: ramping up to 100,000 ounces per annum in 2014.
- Great Southern: Potential for 75,000 to 100,000 ounces per annum.

Consideration for Great Southern:

- 0.0882 Silverlake Resources shares for every one Phillips River share.
- At Silverlake's present share price, the transaction value is \$19.8 million.
- Scheme Booklet to be dispatched in March 2012.
- Scheme meeting to be held in May 2012.
- Implementation scheduled for May 2012.

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