

# Plenty of glitter for Silver Lake

Recently listed junior gold producer Silver Lake Resources has delivered an outstanding first half result, moving from concept to cash in the incredibly short timeframe of six months.

By **Wally Graham**



Silver Lake Resources managing director Les Davis.

When Silver Lake Resources announced the first ore had been trucked from its Daisy Milano mine in December last year, even the most dedicated of market watchers could have been forgiven for missing it.

Many would have still been typing the company name into their watchlists after it listed on the Australian Securities Exchange (ASX) at a near 60% premium of its issue price less than one month earlier.

It is hard to describe Silver Lake's introduction to the market. Usually people

say that a company has hit the ground running, but in this case it could be said that the company concerned had already hit full stride with the wind at its back.

The Silver Lake strategy is simple enough. That is to build a significant resource base with a view to becoming a high margin gold producer. To achieve this goal the company has established a portfolio of assets that have dominant positions in highly prospective regions and sound economic indicators such as relatively low entry cost, good widths/grades, locations

that are close to existing infrastructure with potentially low discovery costs and near term production potential.

So far Silver Lake has secured four healthy project areas in its portfolio. These are the Copper Lakes Project, the Lakewood gold processing facility, the Murchison Goldfield and the Mt Monger Goldfield, which encapsulates the Daisy Milano mine the company acquired from Perilya in November 2007.

Another important factor the company looks for when considering projects is existing JORC resources with significant potential to be extended - that the projects have not been subjected to previous systematic exploration (particularly at depth) but possess potential to discover new deposits.

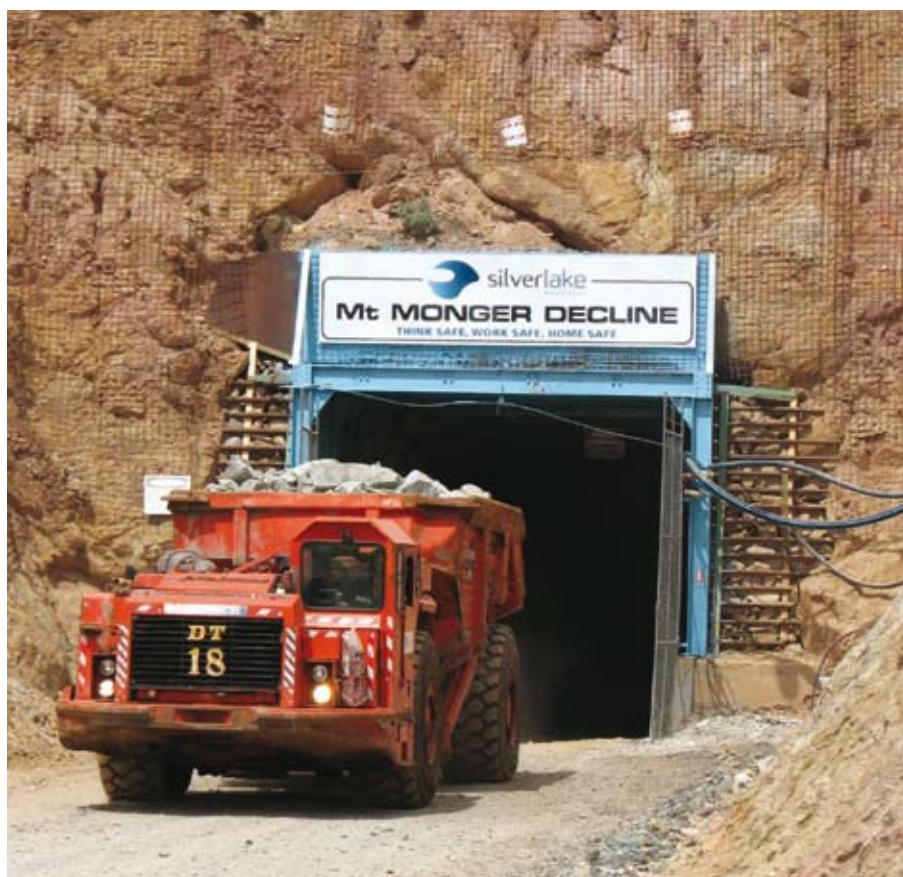
"If you look at the drill intensity at both our Mt Monger and Murchison projects very few holes have been drilled below 100 metres from the surface," Silver Lake Resources managing director Les Davis told *RESOURCESTOCKS*.

"Ours is a story that is very similar to Avoca, where they went down to Higginsville and looked at all the data and lo and behold, their success story is based on the under-drilled nature of what they purchased.

"We are following the same mentality in that right across our entire portfolio and it is evident that it is also certainly under-drilled at depth."

There is little doubt Daisy Milano is the core project for Silver Lake at the moment, but the Mt Monger tenements are more than just the Daisy Milano.

The Mount Monger goldfield is located 50km southeast of Kalgoorlie within the Kalgoorlie terrane subdivision of the Eastern Goldfields province. The field is marked by a series of historic workings



The first truck load of ore from Daisy Milano.



Gold Specimens from the Daisy Milano mine.

where it appears the only mineralisation exploited by early miners was of a sub-cropping nature with historic workings in the field typically extending to depths of no greater than 80m below the surface.

Following the success of the initial public offer (IPO) Silver Lake has a \$15 million, fully funded, exploration campaign, \$9.2 million of which is going into Mt Monger.

With that \$9.2 million the company is targeting an increase to its current resource base of 235,000 ounces of gold, at greater than one ounce per tonne, to two million ounces.

"We have really high expectations for the Mt Monger field," Davis said.

"The reason we say that is that there is less than 5% of drill holes drilled below 100 metres at depth in an unconsolidated goldfield that has been there since they discovered gold in the turn of the 1900s.

"The previous mine owners came along to that unconsolidated goldfield and bought out all the independent players and consolidated it all. There simply has been no systematic exploration approach to that field and that is what we are intending to do with our \$9.2 million at Mt Monger.

"We are ramping up Daisy Milano to 35,000 to 40,000 ounces per annum. The strategy now is to sustain that rate and we commenced the surface drilling program in January to add to the resource base.

"We have a target of getting Mt Monger to 150,000 ounces per annum after year three. Then we have a bigger target, which is 300,000 ounces per annum after year five from right across our portfolio."

A major feature of Daisy Milano, where the Mt Monger decline is situated, is that Silver Lake's near mine targets of Haoma, Rosemary and Caledonian, are all within

250m of the main decline infrastructure.

Should these targets prove to hold the resources Silver Lake expects them to, it will be able to get them to the mill quite cheaply and quickly, which then adds to the scale of the operation at Mt Monger.

This means that within the first six months of this year the company should know exactly what the resource base will look like and how much time it is going to take it to grow from the current figure of 35,000-40,000 ounces to its target of 150,000 ounces.

Along its tenement package at Mt Monger Silver Lake has 25 historic gold mines that have produced greater than one ounce per tonne dirt that were basically worked by old time prospectors who would go out and sink a shaft then drive a level simply to earn a bit of cash to spend then go back and do it all again.

"We reviewed all the historic data so we know the plunge direction is to the south along these multiple lines of mineralisation," Davis said.

"We have mineralisation striking north-south, but we also have it stacked east-west and that is the attraction of the package that we have got.

"I honestly believe that we will add to the resource base from the historical workings, but more so, on the southern end of our holdings, we have these isolated open cuts already. There is simply a huge amount of real estate there that is yet to be drilled.

"When we join the dots on all the lines of mineralisation and then target the drilling I have no doubt we will locate a greenfield discovery within our tenement package at Mt Monger."

Silver Lake Resources is very well advanced for a recently listed company. Indeed, a short step taken back in time shows it began the project evaluation process with seed capital in June last year and then listed in November.

"There is a benchmark we are working to," Davis said.

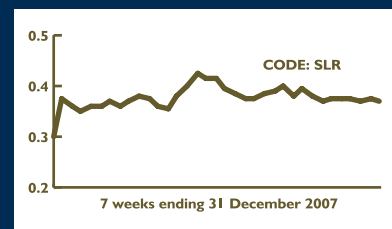
"You should be able to produce at a rate equivalent to one tenth of your resource base. So if you have got a two million ounce resource you should be producing at 200,000 ounces per annum. That is the ratio and internal target that we have set ourselves.

"So, as an example, if we can get to five million ounces after year three; at some stage between year three and year five, or year 10, then we would expect to be producing around the 500,000 ounce per annum rate.

"If we can get to our internal benchmark that we are setting ourselves that would be a great result.

"Daisy Milano is only one very small part of a very big unfinished picture out there. Yes, it is already producing cash, but that is just the beginning of what it could be." **RS**

## silver lake resources at a glance



Source: Iress

### Head Office

31 Malcolm Street  
West Perth 6005

Ph: +61 8 6313 3800

Fax: +61 8 6313 3888

Email: [contact@silverlakeresources.com.au](mailto:contact@silverlakeresources.com.au)

Web: [www.silverlakeresources.com.au](http://www.silverlakeresources.com.au)

### Directors

Paul Chapman, Les Davis,  
Chris Banasik, Peter Johnston,  
Brian Kennedy, David Griffiths

### Market Capitalisation

\$40.85 million (at press time)

### Major Shareholders

Kolmar 9.78%  
HSBC Custody Nominees 5.00%  
Citicorp Nominees 3.39%