

Eastern feast

Event

- **Assays are in.** Results have been received which confirm strike extensions at Rosemary, as well as encouraging results at the newly named Daisy East and Emma structures. We understand mineralisation is similar to narrow high-grade surfaces being mined at DM and remain open at depth, and up/down dip.

Impact

- **Don't underrate the brownfields.** Delineation of repeat structures remains, in our view, the best mechanism to leverage off existing capital development at DM to expand production above the current 1000oz per vertical metre rate. While SLR now has the job ahead to confirm a commercial discovery, early results are encouraging, with at least three intercepts per structure.
- **Not overly concerned with variability.** Reported assays showed significant grade variability which will necessitate extensive infill drilling going forward to mitigate potential resource risk. However, we are also cognisant that variability in existing mine areas at DM is prevalent; yet overall mine grades tend to average-out above 10g/t Au. We are more encouraged by geological similarities which suggest mineralisation is analogous to DM.
- **Where to from here?** We expect an accelerated exploration effort in 2H CY09 to define the limits of mineralisation at all three structures and to better quantify grade continuity. We envisage initial focus will be the up and down dip potential given proximity to existing decline infrastructure. We have increased our FY10 exploration value by A\$1m (to A\$5m) accordingly.
- **No Change to investment thesis.** With confirmation of potential repeat structures at DM, modest production growth in FY10 (PSL f'cast 56koz at A\$545/oz) and a potential mill expansion looming, we retain the BUY recommendation. Our 12 month price target of A\$0.78/sh does not factor in meaningful exploration success east of DM or the potential declaration of maiden dividend which we view as upside catalysts from here.

27 July 2009

12mth Rating

BUY

Price	A\$	0.71
Target Price	A\$	0.78
12m Total Return	%	9.9

RIC: SLR.AX

BBG: SLR AU

Shares o/s	m	153.4
Free Float	%	79
Market Cap.	A\$m	108.9
Net Debt (Cash)	A\$m	-20.1
Net Debt/Equity	%	na
3m Av. D. T'over	A\$m	0.57
52wk High/Low	A\$	0.50/0.13
2yr adj. beta		0

Valuation:

Methodology		DCF
Value per share	A\$	0.65

Analyst:

Josh Welch

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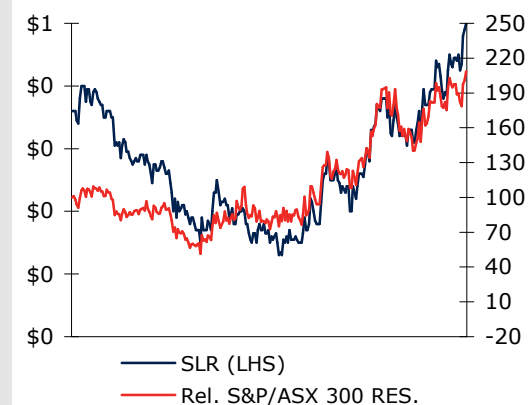
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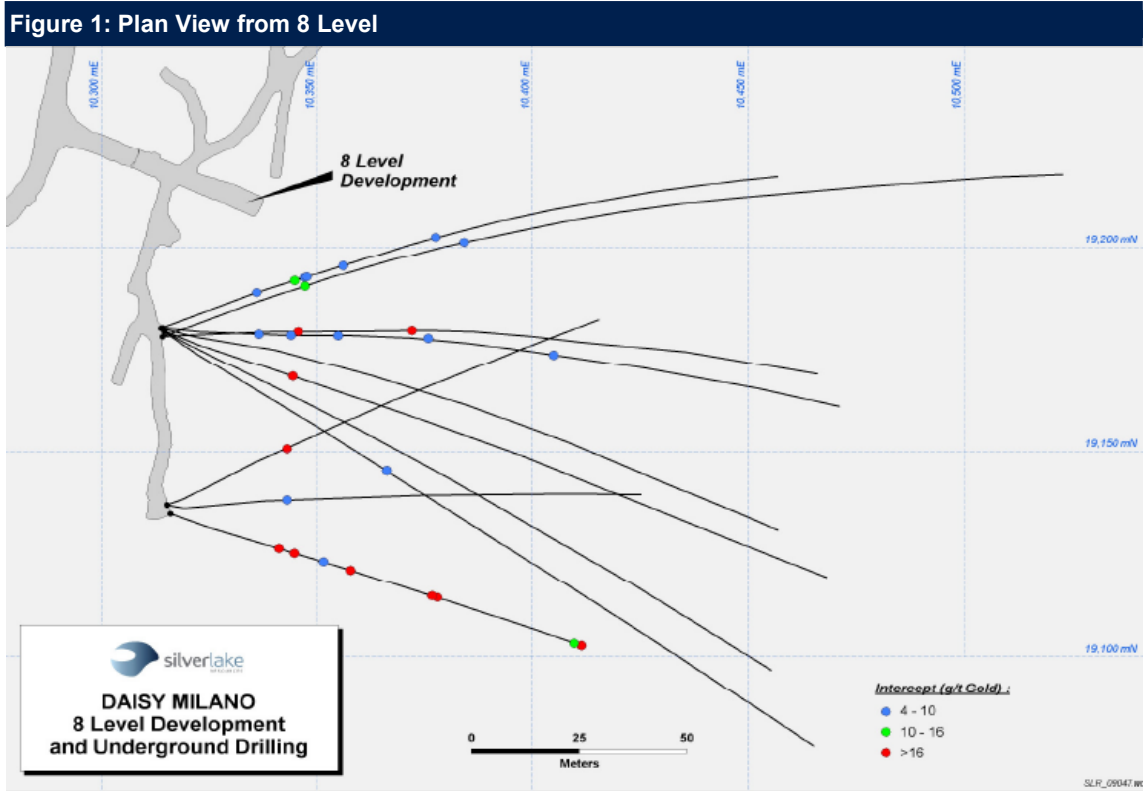
Disclaimer: Patersons Securities Limited was Lead Manager for Silver Lake Resources' Initial Public Offering in November 2007 that raised \$30m at A\$0.30/sh. Patersons received a fee for this service.

12 Month Share Price Performance

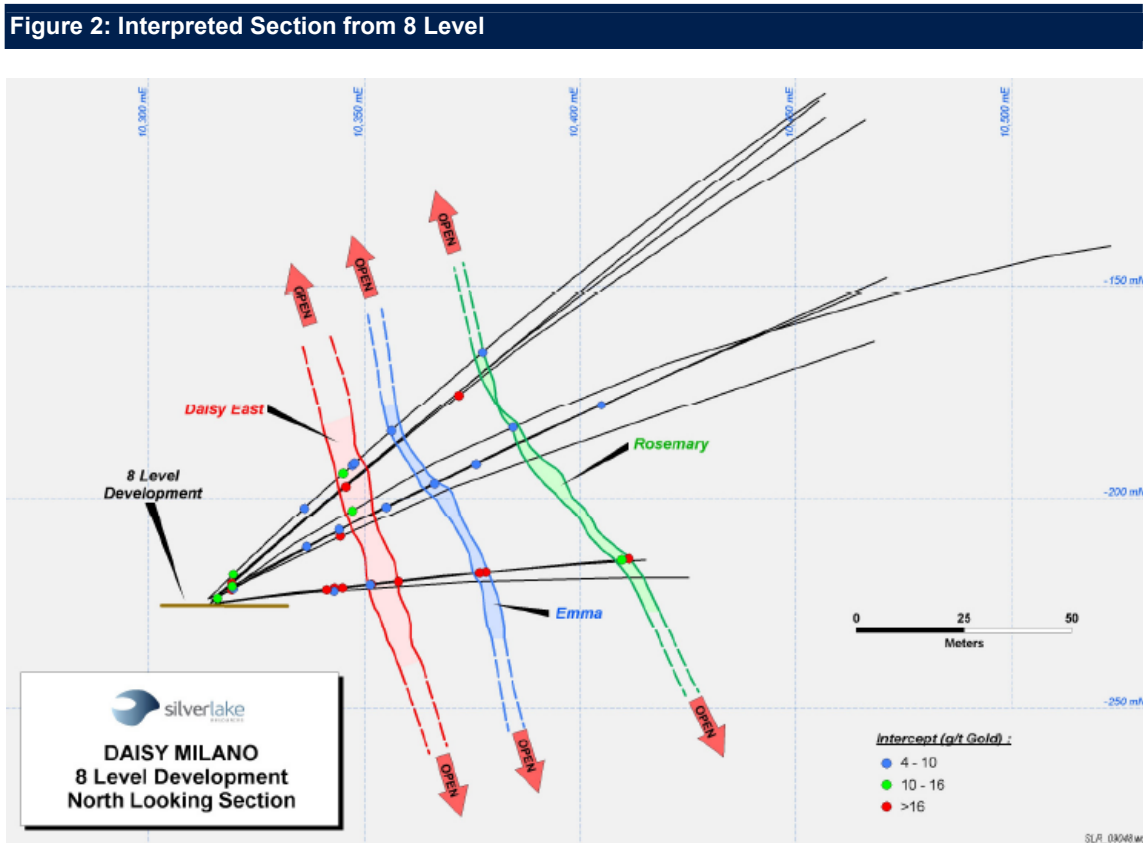


Performance %	1mth	3mth	12mth
Absolute	11.0	70.1	151.9
Rel. S&P/ASX 300	3.7	56.4	216.5

Year End June 30	2008A	2009F	2010F	2011F	2012F
Reported NPAT (\$m)	(8.0)	14.1	12.9	11.3	12.9
Recurrent NPAT (\$m)	(8.0)	14.1	12.9	11.3	12.9
Recurrent EPS (cents)	(4.5)	7.8	7.2	6.3	7.2
EPS Growth (%)	na	na	(8.1)	(12.5)	13.8
PER (x)	(15.9)	9.1	9.9	11.3	9.9
EBITDA (\$m)	(9.4)	21.7	28.5	28.6	30.8
EV/EBITDA (x)	(13.1)	5.0	3.4	3.0	2.4
Capex (\$m)	23.2	9.8	11.5	10.7	10.9
Free Cashflow	(27.1)	16.5	13.4	11.8	13.1
FCFPS (cents)	(15.1)	9.2	7.5	6.6	7.3
PFCF (x)	(4.7)	7.7	9.5	10.8	9.7
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0



Source: SLR

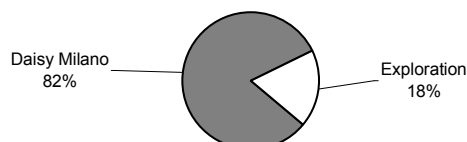
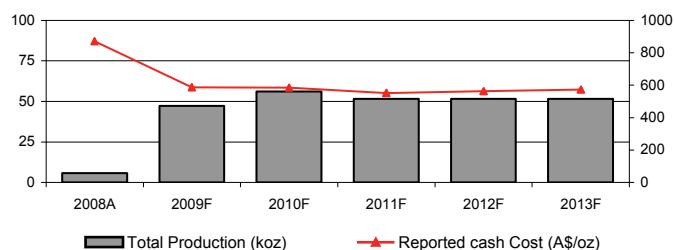


Source: SLR

Sliver Lake Resources (SLR)**\$0.71**

Valuation	A\$m	A\$/sh
Daisy Milano	76.5	0.43
Exploration	17.2	0.10
Unpaid Capital	7.8	0.04
Forwards	0.0	0.00
Corporate Cash (est)	(4.8)	(0.03)
Debt	20.1	0.11
	(0.0)	(0.00)
NPV	116.8	0.65
(@ 8% Discount Rate)		
Price Target		0.78
(1.2x NPV)		

Hedging	koz	1-Year	3-years	% Reserves
Committed Production	nil	0%	0%	0%

Valuation Summary of Operating Assets**Gold Production Summary****Reserves & Resources**

Reserves	Mt	Au g/t	Au koz
Daisy Milano (optimised resource)	0.23	15.00	111
Total	0.23	15.00	111
Resources	Mt	Au g/t	Au koz
Daisy Milano	0.25	30.80	249
Mt Monger (Open Pit)	0.95	4.10	125
Murchison	7.82	3.80	955
Rothsay	0.60	7.00	135
Total	9.62	4.73	1,464

Directors

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

Substantial Shareholders

	Shares (m)	%
Eye Management	15.1	10%
Sprott Asset Management	12.0	11%
Top 20	83.4	54.4

Year End June 30

Commodity Assumptions	2008A	2009F	2010F	2011F
A\$:US\$	0.90	0.75	0.80	0.81
Gold (US\$/oz)	824	873	951	964
Gold (A\$/oz)	918	1,169	1,196	1,191
Sensitivity	-10%	+0%	+10%	Delta
FX (A\$:US\$)	0.89	0.78	0.69	-12%
Gold Price	0.68	0.78	0.88	13%
Grade	0.68	0.78	0.88	13%
Operating Costs	0.81	0.78	0.74	-5%

Production Summary	2008A	2009F	2010F	2011F
Daisy Milano	6	47	56	52
Total Production	6	47	56	52

Cost summary

Reported cash Cost (A\$/oz)	871	588	584	552
Total Costs (A\$/oz)	1,169	795	854	821
Price Received (A\$/oz)	913	1,183	1,197	1,191

Profit & Loss (A\$m)	2008A	2009F	2010F	2011F
Sales Revenue	2.9	58.0	67.0	61.5
Other Income	0.5	0.6	1.2	1.8
Operating Costs	7.2	32.3	34.4	30.0
Exploration Exp.	3.1	3.0	3.5	2.9
Corporate/Admin	2.5	1.6	1.8	1.9
AIFRS Derivative Adjustment	0.0	0.0	0.0	0.0
EBITDA	(9.4)	21.7	28.5	28.6
Depn & Amort	1.6	8.1	13.5	12.4
EBIT	(11.0)	13.6	15.0	16.2
Interest	0.2	0.0	0.0	0.0
Operating Profit	(11.2)	13.6	15.0	16.2
Tax expense	(3.2)	(0.5)	2.1	4.8
Abnormals	0.0	0.0	0.0	0.0
NPAT	(8.0)	14.1	12.9	11.3
Normalised NPAT	(5.6)	9.8	9.1	7.9

Cash Flow (A\$m)

	2008A	2009F	2010F	2011F
Adjusted Net Profit	(8.0)	14.1	12.9	11.3
+ Interest/Tax/Expl Exp	0.1	2.6	5.6	7.7
- Interest/Tax/Expl Inc	1.1	2.6	7.1	9.0
+ Depn/Amort	1.6	8.1	13.5	12.4
+/- Other	0.0	0.0	0.0	0.0
Operating Cashflow	(7.4)	22.1	24.9	22.5
- Capex (+asset sales)	23.2	9.8	11.5	10.7
- Working Capital Increase	(3.5)	(4.1)	0.0	0.0
Free Cashflow	(27.1)	16.5	13.4	11.8
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	29.0	0.0	0.0	0.0
+ Debt drawdown (repaid)	(0.3)	1.8	0.0	0.0
Net Change in Cash	3.5	16.5	12.0	11.8
Cash at End Period	3.6	20.1	32.0	43.8
Net Cash/(LT Debt)	2.8	20.1	32.0	43.8

Balance Sheet (A\$m)

	2008A	2009F	2010F	2011F
Cash/Bullion	3.6	20.1	32.0	43.8
Total Assets	25.0	43.5	54.9	66.2
Total Debt	0.0	1.8	1.8	1.8
Total Liabilities	3.2	7.6	6.2	6.1
Shareholders Funds	21.8	35.9	48.8	60.1

Ratios

Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	na	na	na	na
Return on Equity (%)	na	39.2	26.5	18.8

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