



Post 2009 Diggers 'n Dealers Review Buy Silver Lake Resources (SLR)

(by Keith Goode : 19 August 2009)

There were a number of available mine site visits before, during and after this years' Diggers (which was apparently the highest attended so far). Many people remarked that they were surprised by the number of local and large international fund managers at this years' Diggers. The mood was certainly more upbeat, possibly due to the higher share and commodity prices compared to last years' approaching cliff to fall from.

We were part of a group that visited Silver Lake's Daisy Milano during the conference (during most of Tuesday – the 2nd day). This review is based on that visit and SLR's presentation at Diggers.

Silver Lake (SLR) - Buy at A\$0.645

Silver Lake continues to move from strength to strength as SLR's understanding of the Daisy Milano orebody and goldfield continues to evolve. The SLR trip consisted of an open-cut followed by an underground visit. **SLR have started the Christmas Flats open-cut** as shown in Figure 3a.

Figure 3. View to West across Christmas Flats on 4 August 2009

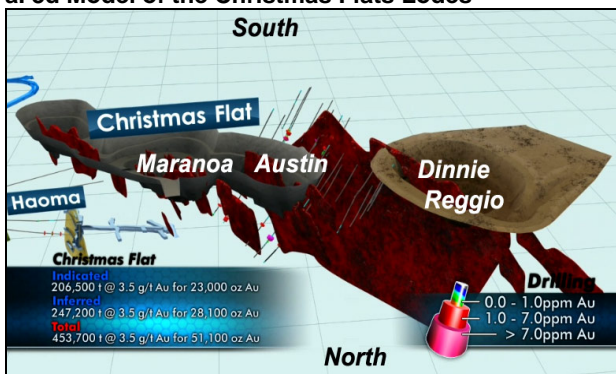
a. View to West across Christmas Flats



In their latest fly-through shown at Diggers, SLR had a revised model for Christmas Flats with the current resources as shown in Figure 4a. The initial grade control is identifying the main ore shoots (where expected) and other shoots that have been apparently missed as shown in Figure 4b.

Figure 4. SLR's Christmas Flats 3d Block Model and Initial Grade Control

a. 3d Model of the Christmas Flats Lodes



b. Grade Control : Section 20020N

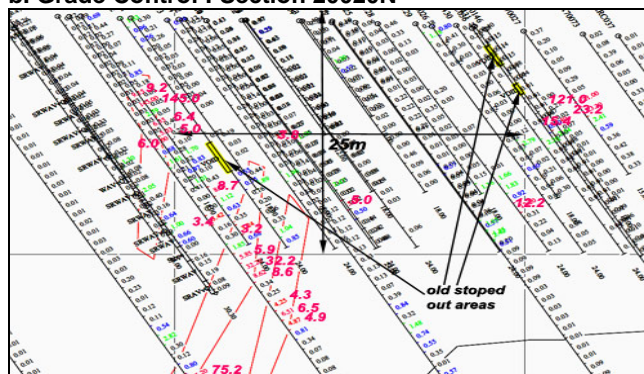
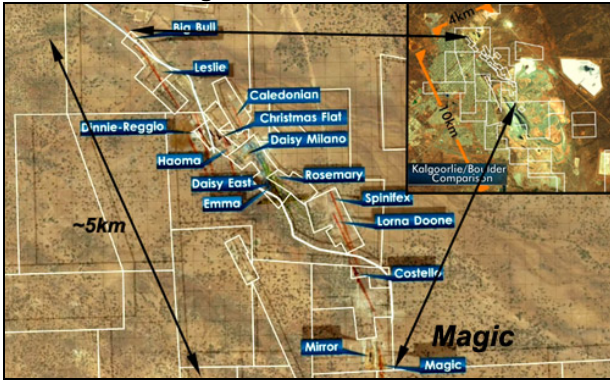
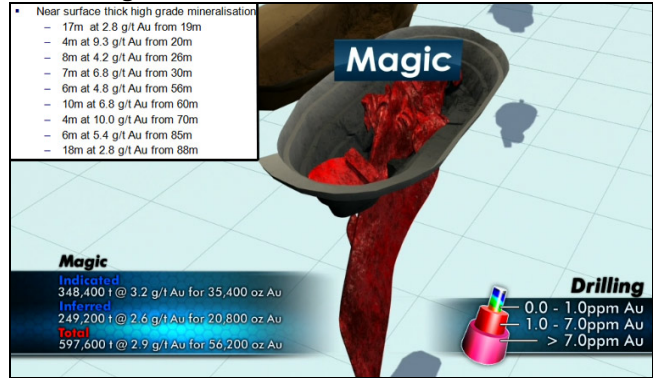


Figure 5. Location of Magic, 3d Model and Intersections

a. Location of Magic



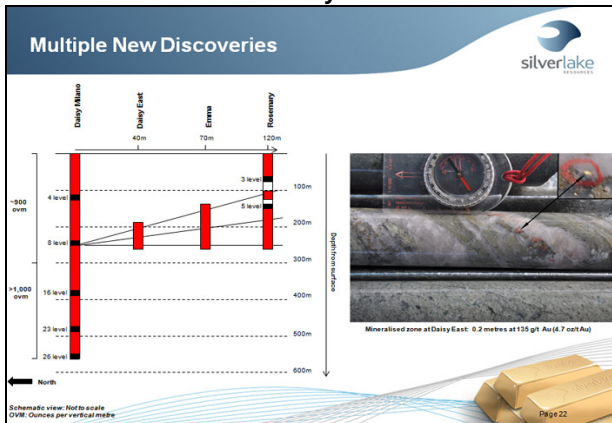
b. The Magic 3d model and intersections



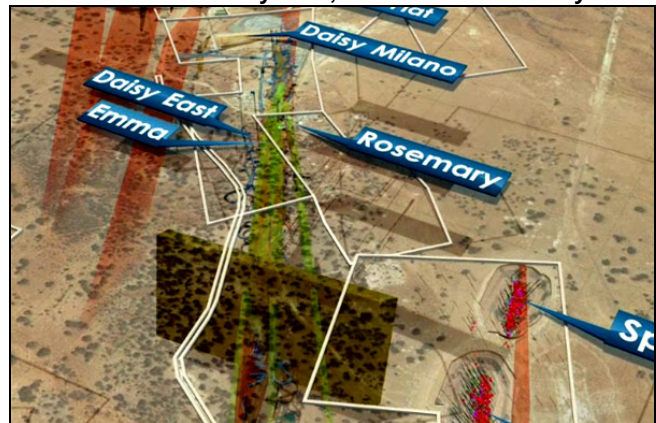
On the underground visit, we initially went to 8 Level, where Silver Lake has already developed a cross-cut intersecting the Daisy East and Emma lodes and was developing on them. Daisy East and Emma were initially intersected on the way to Rosemary in May 2009 as shown in Figure 6a. It may well be that the historical perception of the Daisy and the Milano (on the footwall) merging on the 8 Level is partly incorrect, and they instead remained separate at their southern ends as inferred in Figure 6b.

Figure 6. Initial Intersection of Daisy East and Emma, and their 3d locations

a. Initial Intersection of Daisy East and Emma



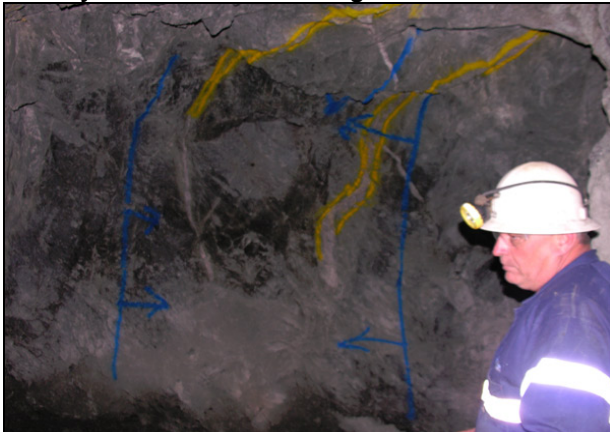
b. 3d Location of Daisy East, Emma and Rosemary



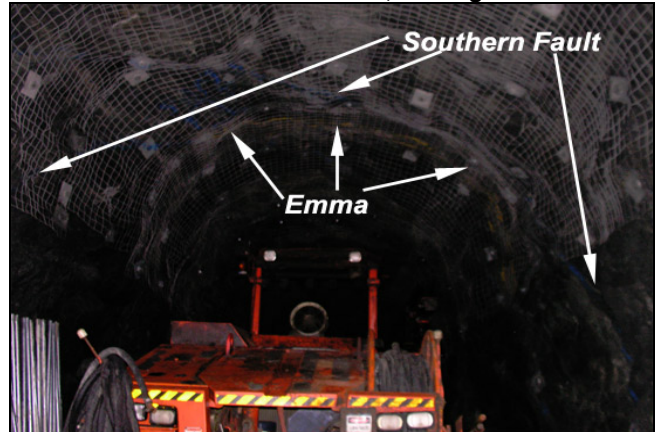
As shown in Figure 7a, Daisy East appears to be a conventional Daisy Milano type lode (interestingly also with another currently separate lode as part of its mineralisation). Emma, where intersected in the cross-cut, is in fact located just beyond the position of the west-dipping Southern fault (shown in blue) which was historically perceived to be a bounding structure (well, that's wrong, Emma's there and Rosemary is on the other side too).

Figure 7. Daisy East and Emma as Viewed Underground

a. Daisy East as Viewed Underground



b. Emma near the Southern Fault, Underground

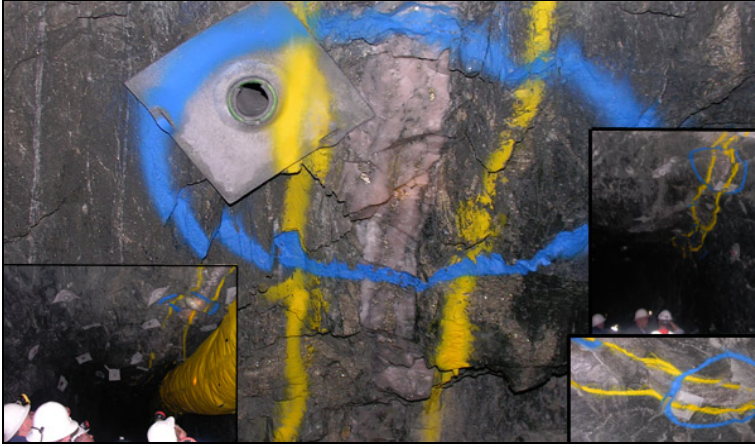


Silver Lake were developing towards Emma on the southern side of the cross-cut so as not to develop along the fault, and are going to drill ahead of the cross-cut to intersect Rosemary and decide on the best position to continue with the cross-cut to Rosemary.

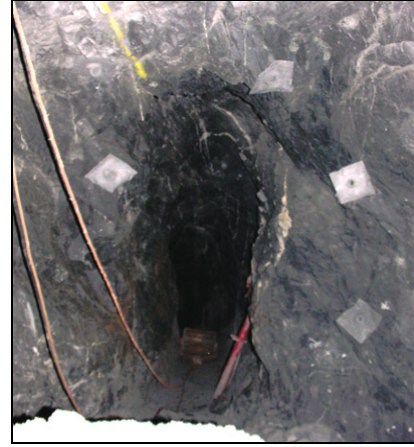
We walked along **the newly developed 24 level**, south of the dyke (it may be recalled that on the higher levels of 21 and 23 is where the ~6kg/t of visible gold could be seen south of the dyke), where SLR has circled the visible gold with blue circles on the roof (making the vg easily identifiable) as shown in Figure 8a.

Figure 8. Daisy Milano's Visible Gold In the Blue Circles, and Footwall Stringer

a. Daisy Milano's Visible Gold in the Blue Circles



b. Footwall Stringer



We also saw a **footwall stringer** as shown in Figure 8b, about 10m into the footwall that was not theoretically supposed to be there, because it has an andesite/andesite contact. The stringer was being air-legged with a scraper at lode grades typically ranging from 20g/t to 68g/t with a high so far of 112g/t, full face average >7g/t, it was expected to roll back into the main Daisy-Milano (DM) lode.

We also walked **north on the 24 Level where something different has happened to the orebody**. Now this is beyond what was perceived to be the northern limit of the DM orebody and is outside of the resource or even the perceived resource. Historically, the northern end of the DM orebody has never been completely tested, in that when the mineralisation appeared to peter out, a few cuts were taken and that was it. So just how far this extends up and down is (as yet) unknown.

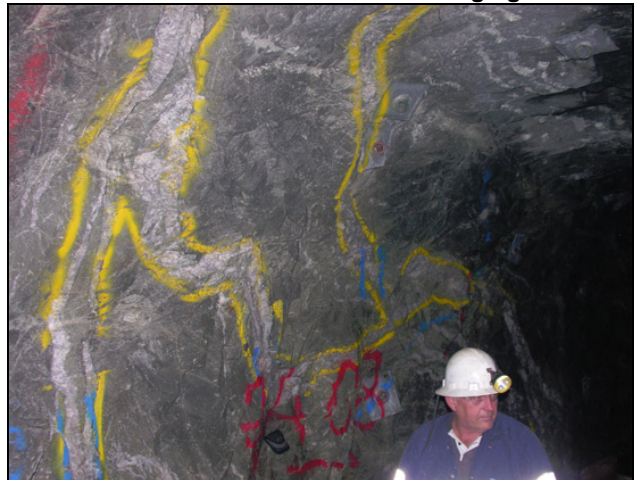
What has happened is that additional mineralisation was intersected near the decline at a cross-cut in the northern end of DM (North of the dyke) and more than one lode was intersected, but being close to the decline, development occurred to the main DM and north along the DM and then a northern cross-cut was made which **found ~ 5 unexpected parallel lodges** as shown in Figure 9a.

Figure 9. Daisy Milano North of the Dyke on 24 Level (Views West and Inset East) and the Lodges

a. View West to DM (and inset East) Nth on 24 Level



b. View of the Lode Structure on the Hangingwall



Also some kind of rollover has occurred on the hangingwall beyond these parallel lodges as shown in Figure 9b. Needless to say, development is progressing further north on 23 Level.

In their presentation at Diggers, Silver Lake covered their expansion options for the Lakewood plant, comprised of Stage 1 for ~A\$4m involving 2 additional CIL tanks, a thickener and other upgrade items for production from January 2010. Stage 1 enables SLR to treat ~0.3mtpa hard @ 10g/t + 0.2mtpa soft @ 3g/t, for 0.5mtpa @ ~7g/t **or ~110,000ozpa**, targeted from July 2010 and based on 0.2mtpa from DM and 0.1mtpa from another lode (of which there are a number of possibilities).

The Stage 2 expansion of Lakewood involves a regrind mill, an additional gravity circuit, electrical upgrade and tailings storage at an estimated cost of ~\$5m, and provides even further flexibility and potentially higher production.

SLR also announced an unaudited NPAT for A\$13.6m for 08/09 with cash and bullion of A\$20m at the 30 June 2009. Coincidentally SLR's NPAT was close to another company that reported their unaudited FY09 NPAT at Diggers, namely Independence (IGO) at A\$13.4m.

Hence continuing to rate Silver Lake (SLR) as a Buy.

Disclosure: Keith Goode, who is a Financial Services Representative of Taylor Collison Ltd ACN 008 172 450, and is a consultant with Eagle Research Advisory Pty Ltd ACN 098 051 677 compiled this comment. At the date of this report Keith Goode and his associates held interests in most of the shares contained in this report. At the date of this report, Taylor Collison Limited or their associates within the meaning of the Corporations Act, held interests in a number of the shares contained in this report.

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