



Gold : Silver Lake Resources Ltd (SLR)

By : Eagle Research (Keith Goode)	JUNE 2011 VISIT TO Mt MONGER & MURCHISON		12 July 2011
Year Low/High:	\$1.57- \$2.69	178.8m ords	Recommendation BUY
Diluted No. Shares	203.1m	24.2m in-money opti	Share Price \$2.08
Diluted Mkt Cap :	A\$422m		Target Price (5%NPV: \$3.44) > \$2.70
Net cash (est 31 Dec 10)	\$10.5m		www.silverlakeresources.com.au T: +618 6313 3800

Silver Lake Resources Limited (SLR) – Unravelling the Secrets behind the Formation of the Gold Mineralisation at SLR's Mount Monger as Production heads towards ~250,000ozpa by 2014.

- Silver Lake Resources (SLR) became oversold, falling from \$2.20 per share to ~\$1.60 mostly by a fund offloading ~8.5m shares to meet a redemption, and the price subsequently recovered back up to \$2.20/share. There are many examples of the damage done to share prices by fund redemption sales, and the share's later price recovery.
- SLR's market cap consequently fell below \$300m, but SLR still appears to be on-track to achieve a production target of >250,000ozpa by 2014. It may be able to reach 300,000ozpa (the level of the A\$1bn market cap companies) depending on the average underground grades and annual treatment rates at Mt Monger, with the recent spectacular intersection of 17.6m @ 23.6g/t in Daisy Deeps, possibly inferring that our ~7g/t grades are too low.
- SLR's Mt Monger operation has been founded on the ~200ktpa, 50,000ozpa to 70,000ozpa Daisy Milano lode that appears capable of supporting the mine for at least another 10 years. The recent completion of the new ventilation shaft enables production from the Daisy Milano mine to increase from 250ktpa to 400ktpa (on 50% of the vent fan's capacity), by stoping the pre-developed parallel Daisy East lode, through the current ball mill. SLR also announced it expects to be developing Haoma in July 2011 as its possible 3rd source
- SLR has been in a "chicken and egg" situation, needing to establish multiple ore sources, before it could justify expanding its Lakewood plant, and to do that also needed sufficient tailings dam capacity (also now done to ~700ktpa), and hence the Stage 1 expansion using one of the mills from Tarmoola can increase treatment to 700ktpa, which is expected to be achieved in Dec Qtr 2011.
- This is expected to be followed by the Stage 2 expansion to ~1mtpa (there are a number of potential ore sources), but which needs an additional tailings dam to be constructed (already delineated and designed) and then the expansion granted, with production expected ~SQ 2012, and taking production up into the 150,000ozpa to 200,000ozpa area.
- And then there's SLR's second operation (being the Murchison) which appears to be on-track for approval by Dec 2011 / Jan 2012, with construction during 2012 and production ramping up to an expected 1.2mtpa and ~100,000ozpa rate during the 1st Half of 2013, and hence SLR then possibly realising ~250,000ozpa from 2014.

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

Year end June		2010a	DH10a	JH11f	2011f	2012f	2013f	2014f
Gold Sold	koz	55	30	35	65	110	154	230
Gold Price Received	US\$/oz	1091	1297	1448	1372	1500	1500	1500
Operating Cost	A\$/oz	595	651	532	632	495	456	462
Cash(flow) Cost	A\$/oz	801	1040	857	981	694	703	711
NPAT	A\$m	11.8	6.0	8.5	14.5	49.6	66.1	95.7
EPS	c	7	3	5	8	28	33	47
No Shares	M	179	179	179	179	179	203	203
P/E ratio @ A\$2.08	x				25.7	7.5	6.4	4.4

OTHER KEY POINTS:

- SLR has a 5%NPV of A\$3.44. The NPV rises by ~7c per \$10/oz increase in the US\$ Gold Price, or ~6c per 1% increase in Mt Monger's (MM) recovered grades. The question for SLR is what MM grades are achieved because of visible gold.
- SLR has completely re-interpreted Wombola Dam exposing its upside potential as multiple stacked lode mineralisation.
- The ore lodes at Daisy Milano appear to be coalescing near or below the 36 Level.

Corporate Overview

Since our last report dated 11 June 2010 on Silver Lake Resources Limited (SLR), SLR has not raised or placed any further shares, resulting with the exercise of some options in the current 178.9m ordinary shares in issue with 24.2m options (all in-the-money, at 30Ac on 31 Dec 2012 (24m) or 29 Jan 2013).

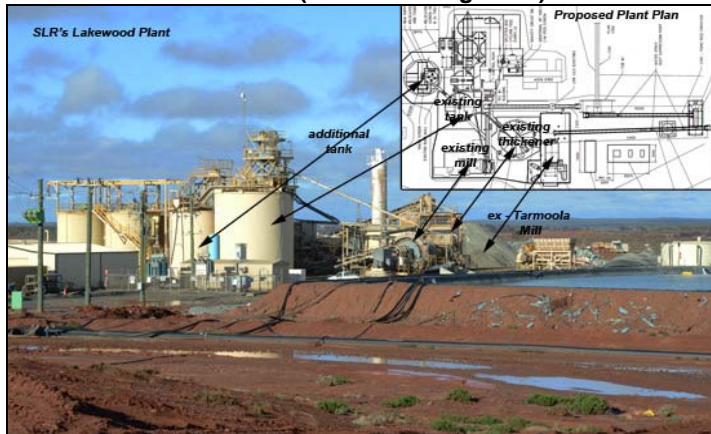
SLR has two main project areas both in WA, being the Mt Monger operational goldfield and the Tuckabianna to Moyagee goldfields (which are being evaluated) as shown in Figure 1a. SLR's ore from Mt Monger is trucked to its Lakewood plant about 5km SE of Kalgoorlie.

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)



Lakewood Plant (SLR : 100%)

SLR's Lakewood plant was upgraded in 2010 through the addition of two tanks, a thickener and cyclones which resulted in the plant literally "humming" along at a rated 400,000tpa of hard ore or theoretically 600,000tpa of blended ore (300,000tpa hard/300,000tpa soft), although the licensed (+/- 10%) rate of 450,000tpa due to the size of the tailings dam.

Production in the FY to June 2011 was disrupted mostly in the March Qtr due to replacing the secondary cone crusher and the mill feed end white metal bearing, along with the wet weather. Such that SLR mined but did not treat ~92kt containing ~9.5koz, which consequently affected the production forecast. SLR has recently completed a major cell TSF (tails storage facility) extension which is expected to allow its rated capacity to increase to 700,000tpa, as shown in Figure 2a.

Figure 2. New Tailings Storage Facility at Lakewood, and one of the Ball Mills being removed from Tarmoola

a. New TSF Tailings Storage Facility at Lakewood



b. The Two remaining Ball Mills at Tarmoola (one was sold)



At the time of the Diggers conference in August 2010, SLR bought the old Tarmoola plant from St Barbara Mines (SBM) for ~\$3m cash. We visited the Tarmoola plant site in June 2011, and saw some of the equipment being removed for refurbishment prior to being transported and used at Lakewood.

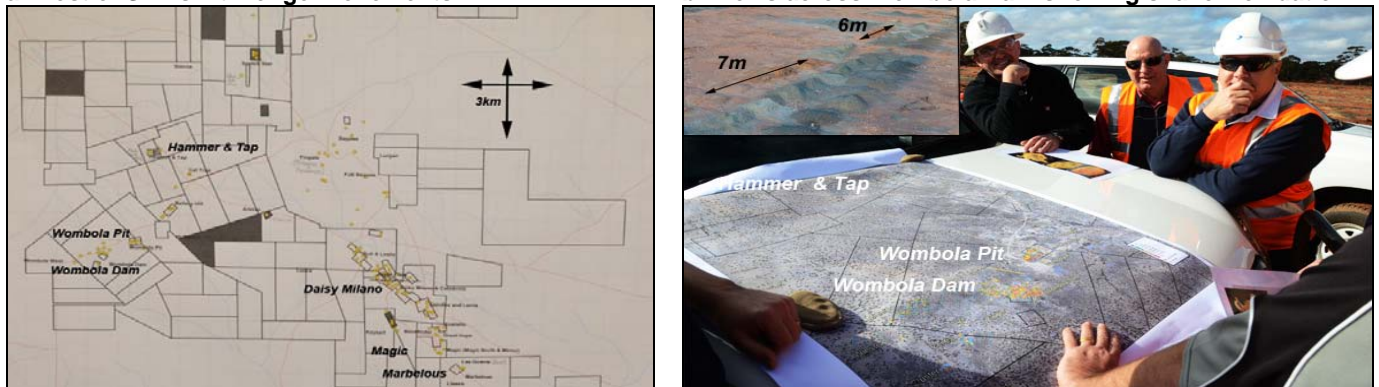
Silver Lake's intention in June 2011, was to build up stockpiles ahead of installing the ball mill from Tarmoola. The design allows for the 700ktpa (rated hard) circuit to be constructed without interfering with the existing circuit, until a point in Dec Qtr 2011 when the plant lines are switched over within possibly 9 or 10 days.

SLR then intends to build a new tailings dam storage area as shown inset in Figure 2a, to enable the Lakewood plant to increase its capacity to ~1mtpa (its Stage 2 expansion) of hard ore, by using the existing mill as a regrind circuit. The rough estimate for costing a tailings dam is \$3/t for the base/first lift, then \$1/t per year afterwards, so for 700ktpa, the initial cost is ~\$2.1m, then \$0.7mpa. For 1mtpa it is \$3m, then \$1mpa per lift etc.

Mount Monger Project (SLR : 100%)

With the acquisition of Wombola from Cortona for ~\$3m in 2010, SLR's tenement area at Mt Monger has increased to that shown mostly in Figure 3a. The current main open-cut sources are north and south of Daisy Milano, being respectively Wombola and Magic.

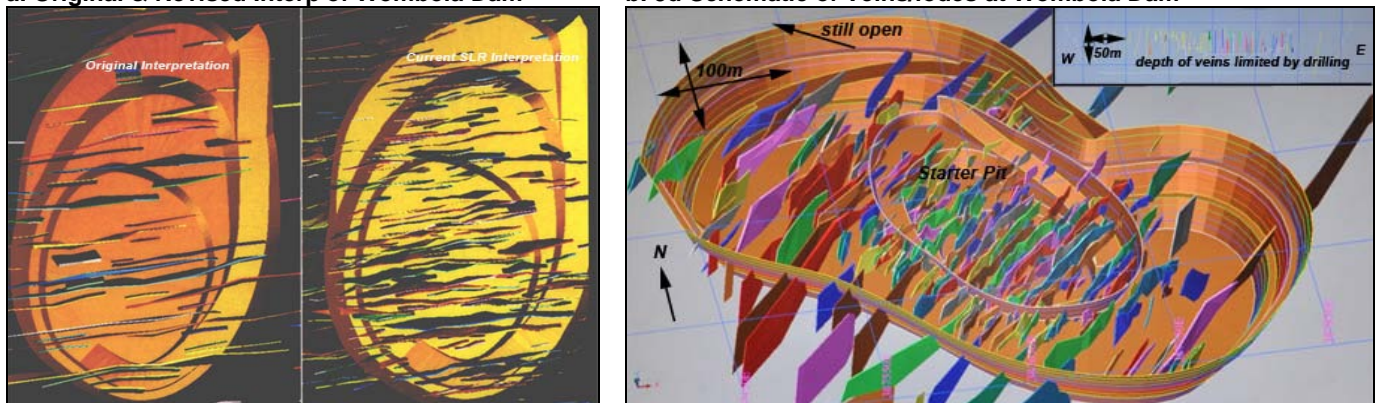
Figure 3. Most of SLR's Mt Monger Tenements, and Views across Wombola Dam showing shallow oxidation
a. Most of SLR's Mt Monger Tenements **b. Views across Wombola Dam showing shallow oxidation**



Open-Cut Sources : Wombola Area

Since its acquisition, SLR has undertaken a detailed review and drilling programme of Wombola Dam and to a lesser degree (so far) of Wombola Pit. Drilling between the Dam and the Pit failed to encounter any material mineralisation which confirmed the interpretation of the mineralisation in the Dam & the Pit as consisting of a series of broadly NW/SE trending units, some of which are more mineralised. The mineralisation in the Dam had already been delineated as shown on the left hand side of Figure 4a.

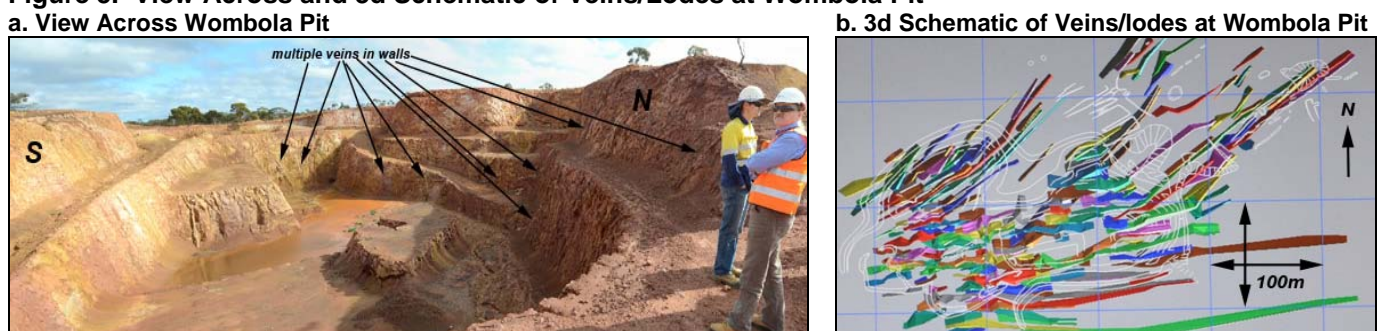
Figure 4. Revised Geology Interpretation and 3d Schematic of Veins/Lodes at Wombola Dam
a. Original & Revised Interp of Wombola Dam **b. 3d Schematic of Veins/lodes at Wombola Dam**



However infill drilling by SLR has shown that there are multiple stacked lodes that appear to be bound/limited on strike (either side of the pit's long axis) by larger structures. Figure 4a shows the outline of the designed starter pit, with its containment inside a possible main pit shown in Figure 4b.

Wombola Dam had a JORC resource under Cortona of 557kt @ 3.0g/t for 53.5koz, which has yet to be revised upwards by the infill drilling (effectively grade control) by SLR to a depth of ~30m, that includes a number of intersections ranging from 3g/t to 76g/t as per the March and May 2011 ASX releases by SLR, and more assay results yet to come. As shown inset in Figure 3b the oxide depth (denoted by the brown RC piles) appears to be shallow at less than 8m, further necessitating the hard rock mill expansion at Lakewood. Depending on the cut-off grade, the SR may be less than 4.5 to 1 in the starter pit, and there is a trial sorting process being tested too, to further upgrade the average grade of the ore to be trucked. Mining of the starter pit is currently scheduled to possibly start around Sept/Oct 2011.

Figure 5. View Across and 3d Schematic of Veins/Lodes at Wombola Pit

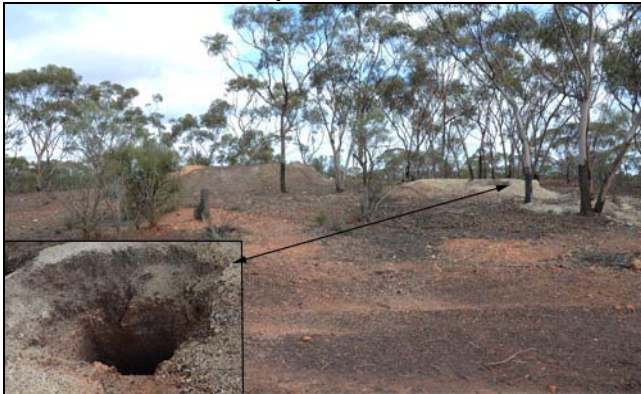


The Wombola Pit shows the numerous mineralised veins/lodes in its walls in Figure 5a which were mined in the 1980s (87kt were mined @ 2.9g/t for ~8koz), leaving a JORC resource by Cortona of 303kt @ 2.9g/t for ~27koz, with a similar upgraded SLR interpretation in Figure 5b, from SLRs drilling so far.

SLR has been gradually rock-chipping the Wombola tenements and has delineated a number of targets. One of the historical areas is **Hammer & Tap**, which as shown in Figure 6a resembles typical old mine workings when viewed from the road, whereas a closer look shows the shafts to have been sunk through a laterite layer, and the prospect having been later mined on a larger scale as shown in Figure 6b.

Figure 6. Views of Hammer & Tap Prospect

a. View of Hammer & Tap from Road



b. View of Hammer & Tap from other side of hill/rise



Open-Cut Sources : Magic Area

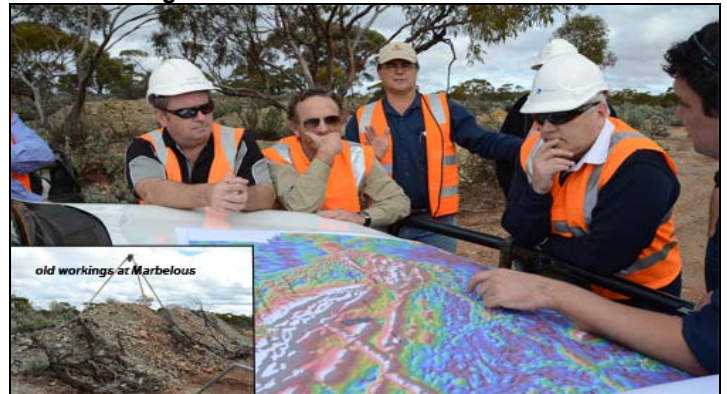
In late 2010/early 2011, SLR had an open-cut on Costello up to its mine boundary, and created a stockpile, some of which is stockpiled in crushed form at Lakewood and the remainder (45kt @ ~2.2g/t) as mined near Costello. At the end of March 2011, SLR had stockpiles of ~106,400t containing 13,600oz, mostly from Costello.

Figure 7. Views of Proposed Magic Pit location and Old workings at Marbelous

a. View of Proposed Magic Pit Location



b. Old workings in the ultramafic at Marbelous



Silver Lake intended to start an open-cut at Magic in the FY to June 2011, but wants to increase its confidence in its geological interpretation of Magic before mining it, and consequently intends to reopen an old drive from the Mirror pit to an old shaft shown in Figure 7a in the Magic location. Magic had an indicated resource of ~750kt @ 4.1g/t for 98koz and an inferred resource of 1.07mt @ 5.2g/t for 178koz, as shown in the resource table of Table 1 below as at 31 December 2010. SLR is also evaluating its other ultramafic prospects, such as the extensive old workings at Marbelous in Figure 7b.

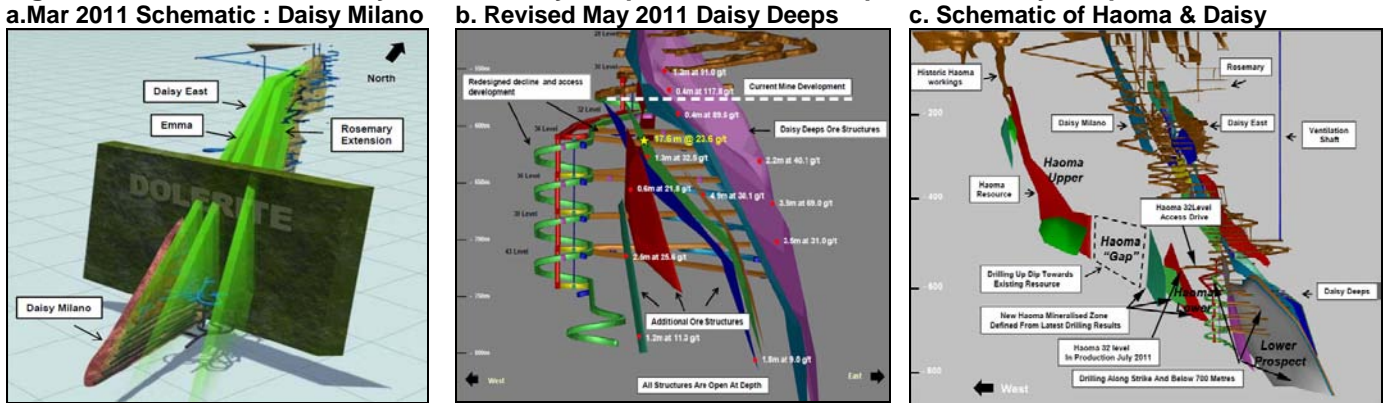
Table 1. Ore Resources for SLR’s Mount Monger (as at 31 December 2010)

Resources as at 31 December 2010	Meas & 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
Mt Monger									
Daisy Milano	495	23.2	370	227	31.3	228	722	25.8	598
Daisy East	82	46.0	121	27.9	15.7	14	110	38.3	135
Christmas Flats	339	4.1	44	449	6.3	91	787	5.4	135
Haoma				109	18.7	66	109	18.7	66
Costello	81	3.3	9	128	3.1	13	209	3.2	21
Lorna Doone				111	4.0	14	111	4.0	14
Magic	749	4.1	98	1071	5.2	178	1820	4.7	276
Wombola Pit	132	2.6	11	171	2.9	16	303	2.7	27
Wombola Dam	125	2.6	10	432	3.1	43	557	3.0	54
Total	2003	10.3	663	2726	7.6	663	4729	8.7	1326

Underground Sources : Daisy Milano Area

Although underground mining is expected to occur at Magic after the open-cut, the main source of Silver Lake's underground ore at Mt Monger is in the vicinity of Daisy Milano. Daisy Milano remains the mainstay of SLR's Mt Monger operation, with the Daisy Milano lode supplying ~200kpa for 50,000ozpa to 70,000ozpa. While the lode itself is open at depth and expected to last for at least another 10 years, drilling and exploration appeared to have established a fairly straightforward orebody as shown in Figure 8a with a Daisy Milano main lode, Daisy East and Emma heading to Rosemary.

Figure 8. Schematics of Daisy Milano, Daisy Deeps, the Lower Prospect and Daisy Deeps



However, the drillhole intersections into Daisy Deeps added an additional series of apparently thicker higher grade lodes (called the Lower Prospect) and required the decline's planned position to change, which also altered the planned production for the current year to June 2011. As shown by the schematic in Figure 8b, released in the post Mar Qtr 2011 presentations, **the lower section of Daisy Milano has become the Lower Prospect** and rolled over to the east and formed **Daisy Deeps**.

That is only part of the picture. Haoma (which is about 200m away from Daisy Milano on 4 Level [near surface]) has been found to be approaching Daisy Milano as shown in Figure 8c such that on 32 Level it is only ~70m away and consequently Silver Lake was developing a drive towards it. Intersections on Haoma contain visible gold and pyrrhotite mineralisation as shown in Figure 9a (the Haoma Link hole shown has yet to be assayed). On the day of our visit the Haoma lode position was still ~20m away, but the drive had intersected another lode (was yet to be blasted and assayed) as shown in Figure 9b, ahead of Haoma. **SLR reported on 22 June 2011, that it expects to be mining/developing on Haoma in July 2011.**

Figure 9. Haoma Lower and Haoma Link Drillholes and New 31 Level Drive West to Haoma

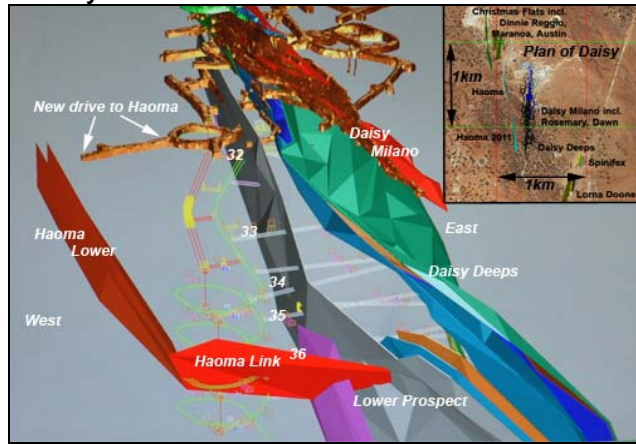


Also shown in Figure 8c is a newly discovered link lode between Haoma and the Lower Prospect/Daisy which is to be further delineated using the planned drilling (also shown in Figure 8c). In addition to the link lode dipping east, an **ultra high grade link lode (grades up to ~1000g/t)** has been found on a number of levels dipping west between Daisy Milano and Daisy East, and a high grade west dipping lode (the Magazine lode with its **0.45m intersection @ 286g/t**) between Daisy Milano and Haoma. The Haoma, Daisy and other lodes appear to be heading for a great congregation about or below 36 Level (which could be developed in about 1 yrs' time (because SLR developed 4 levels since our last visit ~1 year ago).

The discovery of Lower Haoma **means that the ~450m "gap" has yet to be drilled**, and could become the third major ore source (after Daisy East). (Note : Haoma was mined to a depth of ~200m and has a resource of 109kt @ 18.7g/t for 66koz, and was recently "discovered" ~600m below surface). Depending on development progress on the Haoma lode, consideration may be given to drive across to Haoma on the 27 Level and have a decline between the 27 and the 32 Level to extract the Haoma lode. However, the immediate focus is on maintaining the main ore source of Daisy Milano and the **positioning of the decline such that it does not sterilise** Haoma or coalescing of the lodes, as shown in Figure 10a. Particularly after some of the spectacular intersections occurring in Daisy Deeps as shown in Figure 10b.

Figure 10. Daisy and Haoma Connection, and Daisy Deeps Drillhole

a. Daisy and Haoma Connection



b. Daisy Deeps Drillhole (17.6m @ 23.6g/t: true width & topcut)



Although the visible gold is fairly easy to see against the quartz in the Daisy Deeps drillhole, it is not always that simple as in the 58.6g/t section of drill core also shown in Figure 10b.

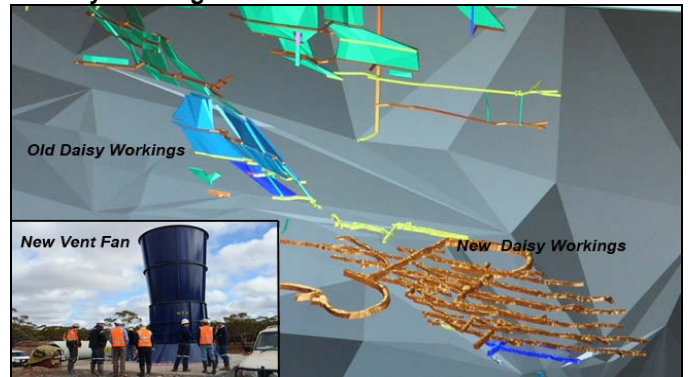
Stoping has started on Daisy East's 9 Level extracting those up to possibly 5m wide stopes that we saw last year as shown with good clean wall conditions in Figure 11a, but production to date was restricted by ventilation which has now been alleviated through the completion of the ~520m deep ventilation shaft and installation of the fan on surface on 11 June 2011 as shown inset in Figure 11b. The ventilation fan's capacity is such that at 50% it allows production to increase from ~250,000tpa up to 400,000tpa, and Daisy East has been mostly pre-developed and hence can provide an additional 200ktpa to Daisy Milano.

Figure 11. Daisy East 9 Level Stopes North and South, and Daisy Workings and New Ventilation Fan

a. Daisy East 9 Level Stopes North and South



b. Daisy Workings and New Ventilation Fan



The installation of the ventilation fan also means that the old Daisy Milano workings can be re-accessed, and some of the pillars removed as indicated by the gaps in the old stopes coloured green and blue in Figure 11b. The old levels may be able to be extended too on strike observing their relatively short lengths compared to what SLR has achieved on the lower levels of Daisy Milano.

Figure 12. 6 Level Lode West of Rosemary, drive going South, and Old Rosemary Workings

a. 6 Level Lode West of Rosemary, drive going South



b. Old Rosemary Workings



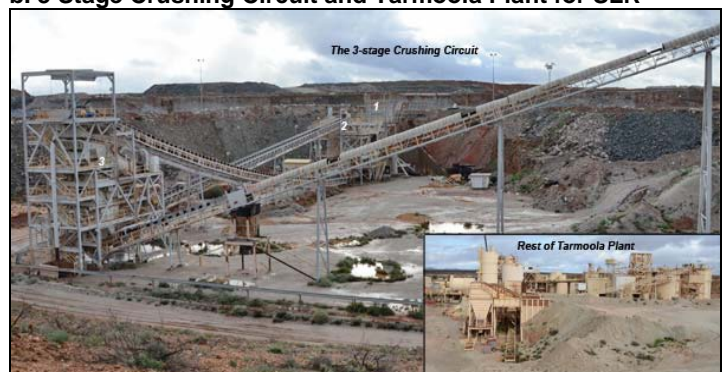
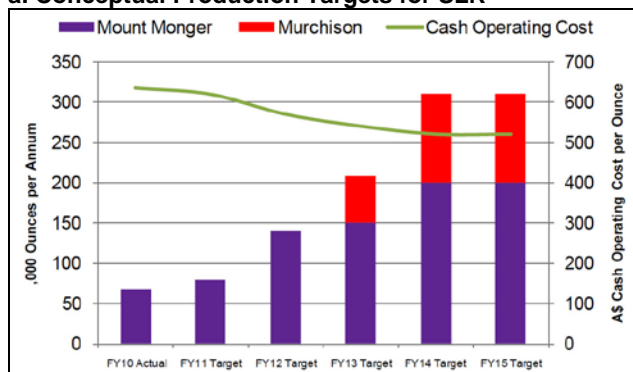
During the past year, Silver Lake mined a drive out to the old Rosemary workings on 6 Level and intersected Rosemary's 5 Level. In what has become a common occurrence with the main lodes in this area is that a secondary lode was intersected before Rosemary, and SLR are currently developing south along that lode horizon as shown in Figure 12a. We also visited the old Rosemary workings, open narrow stopes and rail drives as shown in Figure 12b, and which are being evaluated. **There are clearly no shortage of ore sources, it is more a case of treating the hard rock through the mill to the TSF.**

Murchison Project (SLR : 100%)

Silver Lake's second project is located in the Murchison, east of Cue in WA, and the current proposed plan to production of ~100,000ozpa from a 1.2mtpa plant by mid-2013, is to **achieve construction approval** (from the board) **by the end of 2011**. This assumes completion of the new ore reserves/resources, project production plan, and receipt of all necessary approvals by December 2011. So that the remainder of the Tarmoola plant can be moved and constructed on the old Tuckabianna plant site during 2012, with ore stockpiling commencing in the second half of 2012, ready for commissioning the plant and ramp up of production in the 1st half of 2013.

At this stage production is expected to come from 3 main areas (or mining centres), being Comet, Tuckabianna and Lena (also called Moyagee). Of which production in the first year is currently envisaged to come from the Venus open-cut and Comet underground, followed in the second year by Caustons underground (at Tuckabianna) and Lena's open-cuts. Should this happen, then the conceptual production forecast shown in Figure 13a (by SLR) could occur.

Figure 13. Conceptual Production Targets for SLR, & 3 Stage Crushing Circuit and Tarmoola Plant for SLR
a. Conceptual Production Targets for SLR **b. 3 Stage Crushing Circuit and Tarmoola Plant for SLR**



Murchison Plant (SLR : 100%)

The Murchison plant to be sited on the old Tuckabianna plant site consists of the "other" ball mill shown in Figure 2b, and the mega 3-stage crushing circuit shown in Figure 13b (currently at Tarmoola). Obviously this circuit is not going to fit in "the gap" between the old Tuckabianna ROM pad and the old tanks, so it is proposed to site it on the SE side of the ROM pad as shown in Figure 14a.

Figure 14. Planned Plant Location at Tuckabianna, and the Julie's Reward open-cut
a. Planned Plant Location at Tuckabianna **b. Julie's Reward open-cut**



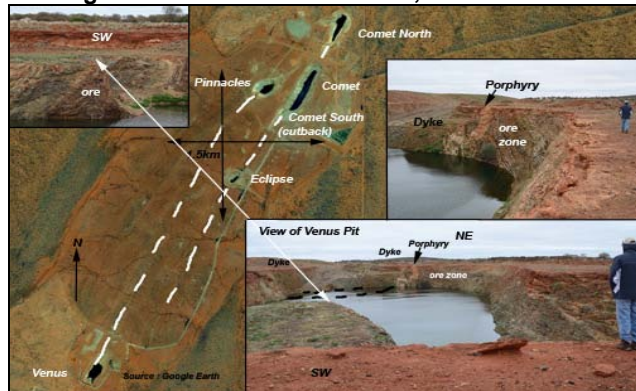
Silver Lake intends to apply to use the Julie's Reward pit as a tailings dam & water storage facility for the plant. Although Julie's Reward does contain a resource, the west wall has weakened further, as has the eastern wall, as shown in Figure 14b. Should SLR be able to use Julie's Reward for tailings, then it estimates that the pit could provide for ~4 to 5 years' of tailings storage, in addition to the relatively unused tailings cell shown in Figure 14a. SLR may also accrue a grade improvement in the same way as Focus does using their 3-mile pit as a tailings dam and water storage facility (increases the grade in the water by up to ~0.3g/t, comparing the grade of the water going in, to the grade of the water coming out).

Comet Area

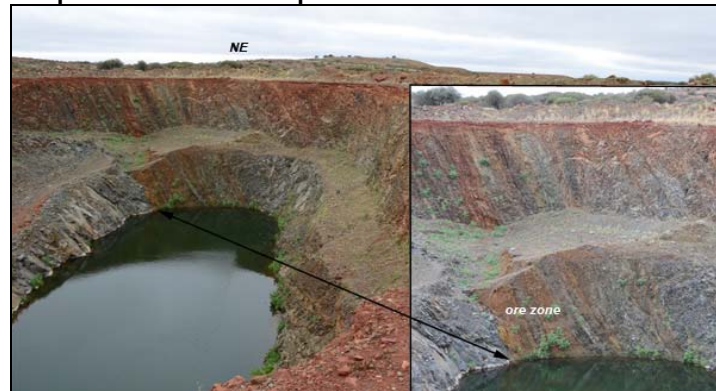
The Comet Area consists of 6 prospects along 2 parallel contacts as shown in Figure 15a. Also shown in Figure 15a are some inset views of the Venus pit which shows an ore zone plunging dipping to the east and plunging towards the north, cut obliquely in the north end of the pit by a cross-cutting dyke and porphyry (the ore zone has been shown to continue on the other side of the dyke). The preliminary pit designs have an SR ~7:1 with grades expected to be in the low 3's g/t. As shown in Figure 15b, the Eclipse pit similarly shows mineralisation plunging to the north against a contact.

Figure 15. Google Earth Plan of Comet Area, with Open-cut views of Venus and Eclipse

a. Google Earth Plan of Comet Area, & Venus Pit Views



b. Open-cut Views of Eclipse

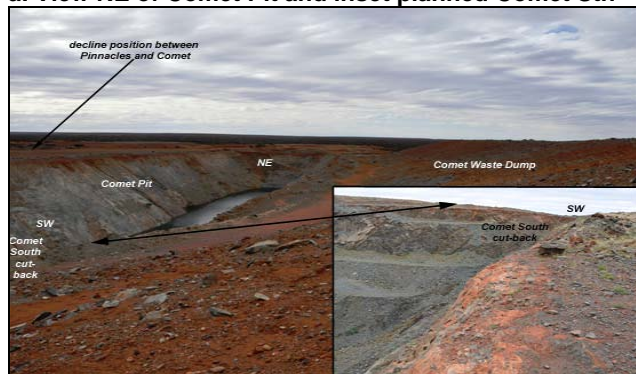


Venus and Eclipse are currently expected to provide the initial feed for the Murchison plant, with underground ore coming from Comet. One of the hindrances to previous owners considering mining Comet has been the waste dump on the eastern wall over the orebody and its removal in order to continue open-cut mining.

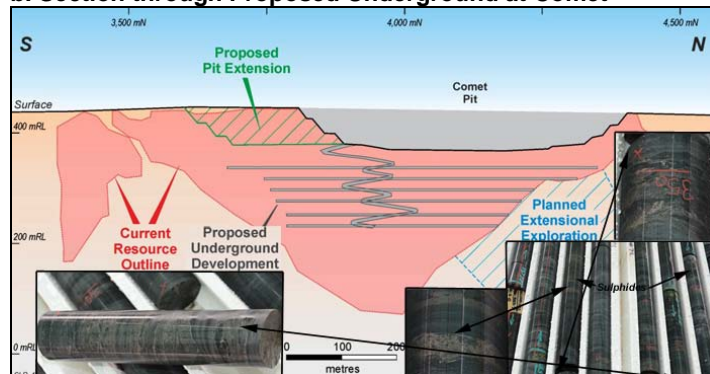
Silver Lake are not going to remove the waste dump, instead they expect to have a small cut-back extending the open-cut to the south (which is the direction the high grade appears to plunge), though that may only occur after the underground. The underground concept for Comet has not changed since 2010, with a box-cut expected to be located between Comet & Pinnacles and a decline going to Comet and then driving NE and SW along the orebody. Current drilling through the waste dump has confirmed the depth extent of the ore zone (although assay results were still to come) as shown in the drill core inset in Figure 16b, showing characteristic sulphide mineralisation in the projected position of the orebody.

Figure 16. View NE of Comet Pit and planned Comet South, and Proposed Underground at Comet

a. View NE of Comet Pit and inset planned Comet Sth



b. Section through Proposed Underground at Comet

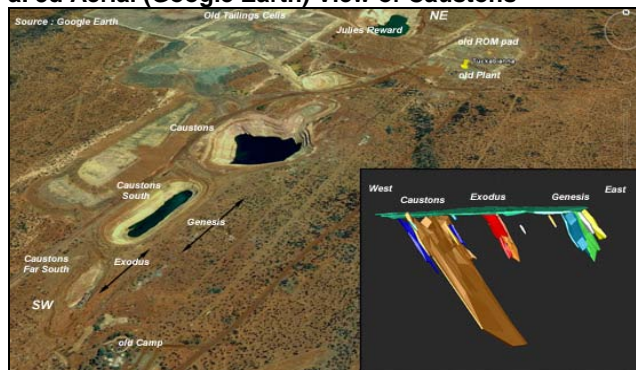


Tuckabianna Area - Caustons

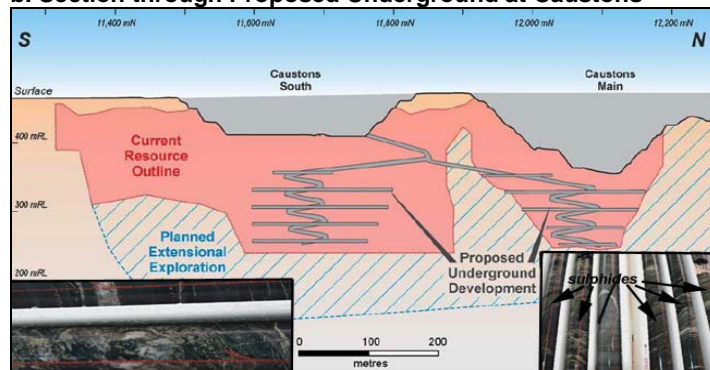
The Caustons Area of Tuckabianna consists of Caustons and Caustons South and the parallel structures to the east, containing Genesis and Exodus as shown in Figure 17a. The current intention is to have a portal in the north wall of the Caustons South pit, then loop east and drive north and south to establish underground stoping along the Caustons line of mineralisation, while open-cuts are taken on Genesis and Exodus. Drilling has intersected the Causton's mineralisation (yet to be assayed as shown inset in Figure 17b), in the position of the orebody ~ 300m below surface.

Figure 17. 3d Aerial (Google Earth) View of Caustons, and Proposed Underground at Caustons

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



b. Section through Proposed Underground at Caustons



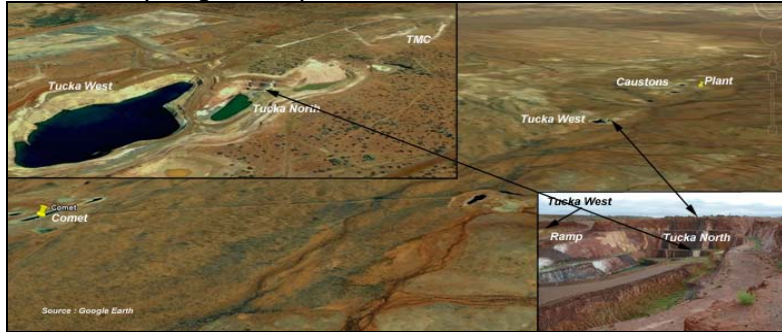
Caustons has to be dewatered (ideally to Julie's Reward for the plant) and the south wall stabilised before mining underground, and hence mining and then stoping may occur from ~year 2 (~2014/15).

Tucka(bianna) West

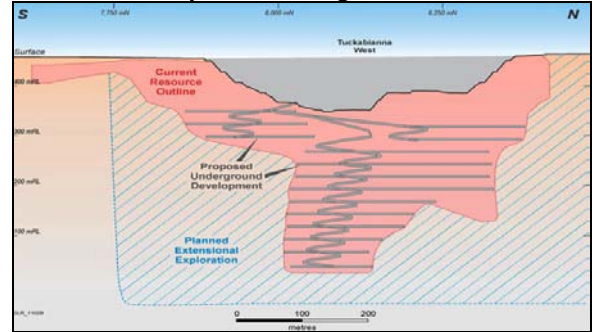
After Caustons the next development at Tuckbianna is currently expected to be the Tucka West underground, as Silver Lake does not intend to re-mine the Tucka West pit. The portal for the underground has been designed to be in Tucka West, near the ramp between Tucka West and Tucka North as shown in Figure 18a, and then develop north and south along the Tucka mineralisation. Currently drilling is occurring north and south on strike along the Tucka North structure. Although the water inflow is relatively low at 2l/s, the water in Tucka West is deep at ~70m, which will take time to pump dry.

Figure 18. 3d Aerial (Google Earth) View of Tucka West, and Proposed Underground at Tucka West

a. 3d Aerial (Google Earth) View of Tucka West



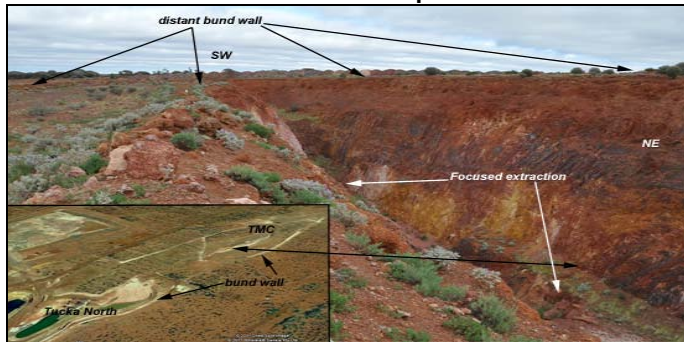
b. Section : Proposed Underground at Tucka West



However, mining at Tucka West may be delayed, depending on the drillhole results from TMC/Katies. As shown in Figure 18a, TMC (Tucka Mining Centre ?) lies north on strike of Tucka North and was mined in the last stages of Tucka's life (by the previous operator - Westgold 1996? or NCM 1994?, see our SLR May 2008 report when SLR was A\$0.34 on www.eagleres.com.au for more detail), with intriguing focus on the selected mostly oxidised zones in the floor of the pit as shown in Figure 19b.

Figure 19. Views of the TMC pit

a. View of Southern end of the TMC pit



b. View of the Northern end of the TMC pit



It can also be seen inset in Figure 19a and visibly in Figures 19a and 19b, that the bund wall is distant from the edge of the narrow pit, whereas as also seen of Tucka North, usually the bund wall marks near the edge of the final pit, inferring that a much larger pit was planned and the mine quickly tried to "grab" some high grade before mine closure.

There are other possible sources of ore in the Tuckabianna area as shown in the ore resources table (Table 2 on page 10), however, the above (from Caustons to the TMC) covers where SLR's current main focus appears to be.

Lena Area

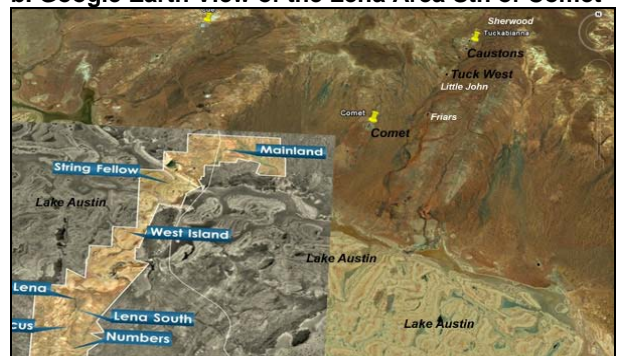
The Lena Area is currently scheduled to be mined in year 2 (ie ~2014/15). It is based initially on open-cuts at Lena South and Lena as shown in Figure 20, and then looking at going underground.

Figure 20. 3d Schematic of Lena Area and Google Earth View of the Lena Area, south of Comet

a. 3d Schematic of Lena and Panoramic View of Lena Area



b. Google Earth View of the Lena Area Sth of Comet



Exploration at Lena has indicated that the mineralisation extends north on strike under the salt / islands lake of Lake Austin, as shown in Figure 20b. Located ~45km by road to the Tucka plant, it is expected to use road trains to haul the ore from Lena to the plant.

Table 2. Ore Resources for SLR’s Murchison Project (as at 31 December 2010)

Resources as at 31 December 2010	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									
Caustons	626	3.9	78	462	3.3	49	1088	3.6	127
Caustons Sth	425	2.0	28	297	4.2	40	721	2.9	67
Exodus	457	1.6	24	101	2.8	9	559	1.8	33
Friars				402	1.9	25	402	1.9	25
Genesis	354	1.8	20	12	2.4	1	366	1.8	21
Gilt Edge	63	3.0	6	33	5.2	6	96	3.7	12
Jaffas Folly	6	4.1	1	202	1.4	9	208	1.5	10
Jasper Queen				175	2.6	15	175	2.6	15
Julies Reward	461	3.1	47	255	3.4	28	716	3.2	75
Little John				1201	1.8	70	1201	1.8	70
Sherwood				349	2.2	25	349	2.2	25
TMC/Katies	476	2.1	32	626	2.4	48	1102	2.3	80
Tucka West	1658	2.2	117	1822	2.9	170	3480	2.6	287
Total Tuckabianna	4526	2.4	353	5937	2.6	492	10462	2.5	845
Moyagee				1088	7.0	246	1088	7.0	246
Comet	2812	3.6	326	1150	2.5	92	3963	3.3	418
Total Murchison	7338	2.9	679	8175	3.2	830	15513	3.0	1508
Other - Rothsay				591	7.0	133	591	7.0	133

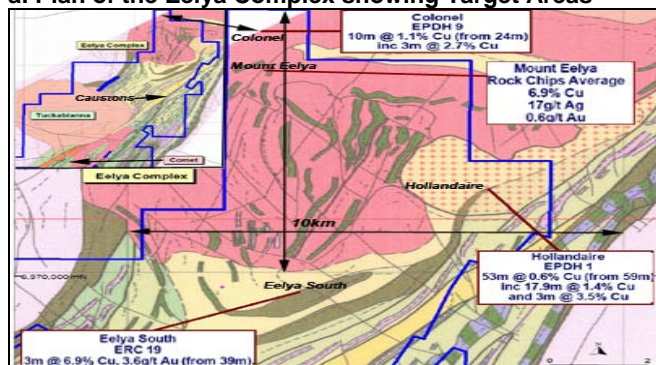
The resources as shown in the above table do appear to consist of a number of small deposits, but with the drillhole intersections, they are expected to increase.

Other Possibilities - Copper, Copper - Gold and/or VMS

A review of historical records revealed a number of copper intersections north of the Caustons area, in the Eelya Complex vicinity (as shown in Figure 21b), with a number of **7m to 18m** intersections of **~1.4%Cu**, with the highest being **3m @ 6.9%Cu & 3.6g/tAu** from 39m. SLR were conducting geophys at the time of our visit and reported on 27 June 2011 that four electromag anomalies have been identified at: Mt Eelya, Colonel, Eelya South & Hollandaire, and two gossans. SLR intend to drill the targets in the Sept Qtr 2011 and then decide on the next stage, with a number of possible scenarios, depending on discovery sizes.

Figure 21. Plan of the Eelya Complex showing Target Areas, View of Hollandaire & Copper - stained gossan

a. Plan of the Eelya Complex showing Target Areas



b. View of Hollandaire & Copper - stained Gossan at Mt Eelya



Financial Considerations

Silver Lake has a conservative accounting method, in that its cash costs are more like cashflow costs, and include waste development expenditure, however, SLR believes that they reflect a more realistic picture of what the mine/company is achieving, and **provide a detailed breakdown of their cost calculations in their quarterlies**. SLR also believe in using their cash generated to further grow the company for which they have an extensive exploration programme (has been ~\$18mpa), and the possible ~\$40m to ~\$50m to move and re-commission the plant from Tarmoola to the Murchison at Tuckabianna. Hence we do not expect SLR to pay a final dividend in August 2011, but they may do so in August 2012.

We have estimated a possible scenario for the Murchison Project, based mostly on : the above resource table, the expectation of having a plant running at 1.2mtpa, and the conceptual forecast given in Figure 13a, allowing for production from underground and open-cuts. Currently all the areas to be mined appear to have open-cuts and underground, for example the Genesis and Exodus orebodies are initially mined as open-cuts with Caustons underground. The current expectation is that production could mostly come from a lower cost more bulk mining underground method, (possibly **~60% underground**, 40% open-cut). We accept that the ore resources are expected to increase with the current and ongoing drilling.

For our modelling analysis shown in Table 3, we have used a base gold price of US\$1500/oz and applied sensitivities of +/- US\$50/oz in the sensitivity table. **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 3. Production and Cashflow Estimate for Silver Lake Resource's Operations at Mount Monger

We have conservatively assumed that Daisy Milano averages 7g/t, Daisy East 9g/t and Haoma /other other ~7g/t through the mill...

...but they could easily be 10% or even 20% higher because of the visible gold distribution

Throughput from Haoma may also be higher

We assumed broad estimates for the Murchison...

...taking the open-cuts to 450ktpa with underground at 750ktpa

The modelled Murchison shows that SLR can self-finance it, which it currently intends to...

...even with reasonably onerous capex and exploration provisions

We have provided for tax in 2011 but do not expect it to actually be paid

Silver Lake Resources		2010a	DH10a	JH11f	2011f	2012f	2013f	2014f
	2.08							
Gold Spot Price	US\$/oz	1091	1297	1448	1372	1500	1500	1500
Exchange Rate	A\$/US\$	0.882	0.926	1.034	0.980	1.050	1.050	1.050
Est Gold Price Realised	A\$/oz	1257	1367	1408	1401	1429	1429	1429
Mt Monger Production								
Underground Ore Mined	000t	225	146	140	286	390	420	470
	g/t	8.0	7.1	7.8	7.4	7.9	7.8	7.7
Open-cut Ore Mined	000t	115	62	42	104	100	250	400
	g/t	2.4	1.8	2.7	2.2	3.5	3.5	3.5
Total Milled	000t	315	168	179	347	582	670	870
Recovered Grade	g/t	9.7	6.3	6.2	6.2	5.5	6.2	5.9
Recovery	%	95.4%	94.7%	95.0%	95.0%	95.0%	95.0%	95.0%
Total Gold Produced	000oz	60	28	34	62	110	127	154
Total Gold Sold	000oz	55	30	35	65	110	127	154
Murchison Production								
Underground Ore Mined	000t							350
	g/t							3.5
Open-cut Ore Mined	000t						300	450
	g/t						3.0	3.0
Total Milled	000t						300	800
Recovered Grade	g/t						2.8	3.0
Recovery	%						92.5%	92.5%
Total Gold Produced & Sold	000oz						27	77
TOTAL Gold Sold	000oz	55	30	35	65	110	154	230
Revenues								
TOTAL Revenue	A\$m	69.1	40.7	49.2	89.9	157.7	219.5	328.9
Mt Monger Costs								
Operating Cost	A\$/oz	595	651	532	632	495	482	469
Royalties	A\$/oz	38	48	49	49	43	43	43
Waste Cost	A\$/oz	168	409	275	337	156	186	200
MM Total Cash(flow) Cost	A\$/oz	801	1040	857	981	694	711	712
Murchison Costs								
Operating Cost	A\$/oz						336	449
Royalties	A\$/oz						43	43
Waste Cost	A\$/oz						287	217
MUR Total Cash(flow) Cost	A\$/oz						666	709
TOTAL Costs	A\$/oz	801	1040	857	981	694	703	711
D & A	A\$m	7.6	4.5	4.9	9.4	16.1	22.5	33.9
D & A	A\$/oz	137	152	140	146	146	146	147
Cost of Sales	A\$m	50.8	31.3	34.1	65.4	83.7	121.5	188.5
Gross Profit	A\$m	18.3	9.4	15.0	24.5	73.9	98.0	140.4
Corp & other cost	A\$m	-2.2	-1.3	-1.7	-3.0	-3.0	-3.6	-3.6
Operating Profit	A\$m	16.1	8.1	13.3	21.5	70.9	94.4	136.7
NPBT	A\$m	17	9	12	21	71	94	137
Tax Provision	A\$m	4.9	2.6	3.9	6.5	21.4	28.3	41.0
Tax %	%	29.4%	30.1%	31.5%	30.9%	30.2%	30.0%	30.0%
NPAT	A\$m	11.8	6.0	8.5	14.5	49.6	66.1	95.7
EPS	c	6.6	3.4	4.7	8.1	27.7	32.5	47.1
Simple Cashflow	A\$m	19.3	10.6	13.4	23.9	65.6	88.6	129.6
CFPS	c	10.8	5.9	7.5	13.4	36.7	43.6	63.8
DPS	c	0.0	0.0	0.0	0.0	0.0	0.0	0.0
No Shares	M	178.8	178.8	178.8	178.8	178.8	203.2	203.2
Cashflow								
Sales Revenue	A\$m	67.9	41.9	49.2	91.1	157.7	219.5	328.9
+ Equity Raised	A\$m	17.9	0.0	0.0	0.0	0.0	7.3	0.0
+ Borrowings	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Interest Received	A\$m	0.8	0.6	0.6	1.1	1.0	1.0	1.0
Total Receipts	A\$m	86.5	42.5	49.7	92.2	158.7	227.8	329.9
- Total Costs	A\$m	-48.1	-27.5	-30.2	-57.7	-76.6	-108.0	-163.7
- Other costs	A\$m	0.0	-0.2	0.0	-0.2	0.0	0.0	0.0
- Operating Costs	A\$m	-48.1	-27.8	-30.2	-58.0	-76.6	-108.0	-163.7
Sub-total	A\$m	-48.1	-27.8	-30.2	-58.0	-76.6	-108.0	-163.7
- Other	A\$m	0.0	-0.2	0.0	-0.2	0.0	0.0	0.0
- 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	-21.4	-28.3	-41.0
- Divs Paid	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- MM Explorn	A\$m	-17.8	-18.6	-10.0	-28.6	-15.0	-10.0	-10.0
- MUR Explorn	A\$m	0.0	-2.5	-2.5	-5.0	-5.0	-5.0	-5.0
- MM Capex	A\$m	-7.7	-4.2	-4.0	-8.2	-5.0	-5.0	-5.0
- MUR Capex	A\$m	0.0	0.0	0.0	0.0	-30.0	-20.0	0.0
- Sustaining/Other Capex	A\$m	0.0	0.0	-2.0	-2.0	-3.0	-5.0	-5.0
- Loans Repaid	A\$m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Expenditures	A\$m	-73.6	-53.3	-48.7	-102.0	-156.0	-181.4	-229.7
Total Expenditures	A\$m	-73.6	-53.3	-48.7	-102.0	-156.0	-181.4	-229.7
Net Cash Flow	A\$m	13.0	-10.7	1.0	-9.8	2.6	46.5	100.2
Effective Cashflow	A\$m	13.0	-10.7	1.0	-9.8	2.6	46.5	100.2
Add divs	A\$m							
Underlying Cashflow	A\$m							
Net cash for NPV	A\$m				11.5	2.6	46.5	100.2
NPV	Yrs	10	A\$m	698	A\$ps	No Shares	203	

Table 4. Sensitivity Analysis of Silver Lake Resources

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

The NPV rises by ~30c per 5% increase in grades

Sensitivity Analysis		Year	NPV	2011e	2012e	2013e	2011e	2012e	2013e
Gold Price (at A\$/US\$1.05)			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
US\$1500/oz (A\$1429/oz)	1500	3.44		14.5	49.6	66.1	8.1	27.7	32.5
US\$1450/oz (A\$1380/oz)	1450	3.07		14.5	44.3	58.8	8.2	21.8	28.9
US\$1550/oz (A\$1476/oz)	1550	3.81		14.5	54.8	73.4	8.2	27.0	36.1
US\$1600/oz (A\$1524/oz)	1600	4.19		14.5	60.1	80.7	8.1	33.6	39.7
MM Gold Grade (g/t)			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
Grades unchanged	0%	3.44		14.5	49.6	66.1	8.1	27.7	32.5
MM Grades + 5%	+5%	3.74		14.5	57.4	75.1	8.2	28.3	37.0
MM Grades + 10%	+10%	4.05		14.5	65.3	84.2	8.2	32.2	41.4
MM Grades + 20%	+20%	4.66		14.5	81.1	102.3	8.2	40.0	50.4
Operating Costs			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
Costs unchanged	0%	3.44		14.5	49.6	66.1	8.1	27.7	32.5
Costs - 10%	-10%	3.66		14.5	55.0	73.1	8.2	27.1	36.0
Costs + 10%	+10%	3.21		14.5	44.1	59.1	8.2	21.7	29.1
Sensitivity Analysis		Year	NPV	2011e	2012e	2013e	2011e	2012e	2013e

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 (July 2010 to July 2011) (Source : www.yahoo.com)

**SLR was oversold down to \$1.60...
...mostly due to a fund redemption...
...and has since recovered**



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.

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