

SILVER LAKE DEC QTR 08: BACK TO BACK PROFITABLE QUARTERS

	Dec Qtr	Sept Qtr	Change
Production (oz)	9,965	8,670	15%
Head Grade (g/t)	8.80	10.40	-15%
Cash Cost (per oz)	718	687	5%
Development Capital (per oz)	126	-	
Total Cost per Oz	844	687	23%
Average Price (\$)	1,138	985	16%
Margin (\$) per oz	294	298	-1%
Margin (%) per oz	35%	43%	-20%
Cash Balance (\$)	5.8	3.0	92%
Hedging Liability (\$)	-	-	0%
Exploration (\$)	0.5	0.5	-1%
Share Price (A\$)	0.26	0.22	18%

The December 08 quarterly report for Silver Lake (ASX:SLR) saw production of 9,965 oz at an operating cash cost of A\$718/oz including royalties. The total cash cost, including development capital costs, was A\$844/oz. Production challenges presented by the variable nature of the Daisy Milano deposit have been largely overcome through increased productivity on the mineralized structure, whilst maintaining selective mining methods to minimize any dilution. One of the primary goals for the company going forward includes the expected commencement of open pit mining at Christmas flats. This will help better utilize the Lakewood Gold Processing Facility (LGPF) which is running at about half its milling capacity. Open pit mining studies are scheduled to commence shortly at Cosetello, Lorna Doone and Magic (collective resource: 74.8 koz @ 3.8g/t).

The head grade for the quarter was lower with the processing of lower grade stockpiled ore (generally 2g/t) being a contributing factor. This was carried out to take advantage of the spare mill capacity coupled with the higher gold price. The average price received was A\$1,138/oz, an improvement of 16%. This largely negated the increase in the total cost per oz, attributable to development costs of A\$126/oz. No development activity had been undertaken in the September quarter. During the March quarter, work will commence on extending the Daisy Milano decline to provide a drilling platform to test the extent of a significant high grade shoot below the 23 level. Work on a 2m tailings dam lift will also be conducted at the LGPF. SLR has forecast development expenditure of \$0.9m for the March quarter, equating to between \$90 and \$100/oz at similar production levels. The cash balance and hence the financial strength of the company continued to strengthen during the quarter with a \$2.8m increase.

Exploration expenditure was in line with the previous quarter and, as previously mentioned, saw a significant high-grade shoot encountered at depth beyond the dolerite dyke at Daisy Milano. The calculation of a new resource for the Magic deposit (49.4 koz @ 5.3g/t Inferred) helped increase the Mt Monger resource base to 375 koz @ 9.7g/t. An update of the Comet resource at the Murchison goldfield also resulted in an increase to

the district resource base to 965 koz @ 3.8g/t. Silver Lake is currently reviewing the results of a pre-feasibility study into low capital start-up options for the Murchison project and expects to make an announcement during the March quarter.

Silver Lake looks to have had a solid December quarter with increased production validating earlier annual production forecasts of 35,000 – 40,000 oz. The successful increase in resource will help underpin future production. The future development of open pits will give Silver Lake the added flexibility in managing their production and help negate some of the negative effects of grade variability at Daisy Milano. This will also improve the economies of scale at LGPF as spare milling capacity is utilized.

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