

## ASX ANNOUNCEMENT

15 November 2012

### Annual General Meeting Chairman's Address

Silver Lake Resources Ltd (“**Silver Lake**” or “**the Company**”) is holding its Annual General Meeting this morning 15 November 2013 at 10:00 am WDT.

During the Annual General Meeting the Chairman Mr Paul Chapman will deliver the following address:

Since our last AGM we have seen an interesting year in the gold industry.

The gold price in 2012 saw a low around US\$1,550 and a high of US\$1,800.

In 2013, the high of US\$1,700 occurred in January with a low sub-US\$1,200 in June. Both April and June saw step change decreases in the gold price with US\$200 falls in each month. Since July, gold has seemed range bound between US\$1,250 and US\$1,400.

This has seen significant pressure come to bear on the global gold sector. Indeed many in the resources sector, not just gold, have experienced a difficult year. Mines have closed, companies and our investors have undertaken significant restructures to ensure ongoing viability.

Unfortunately, Silver Lake has not been immune from these pressures either. This year has seen a number of challenges, some that were industry wide and others that were Silver Lake specific.

In April 2013, Silver Lake entered into a protracted commercial dispute regarding a number of matters with the EPC contractor, resulting in delays and a cost overrun on the Murchison Gold Project. The dispute has now been fully resolved between the parties. The dispute coincided with the first step down in gold price. It weakened our balance sheet and our reputation for delivering on time and on budget.

We responded to these dual events by undertaking a major restructuring of our business. Our view is that the gold price will recover and when it does, Silver Lake needs to be there to take full advantage of it. Since our IPO in 2007, we have had a goal of having multiple mines feeding multiple mills rather than relying on a single asset. We believe that this has been the right strategy and when the gold price inevitably improves, we will be well positioned to benefit.

Like many in the industry, our focus shifted from growth to survival and our strategy changed accordingly. Growth options were deferred and maximising cash flow in a lower price environment became imperative. This ensured that Silver Lake could weather a prolonged period of lower gold prices while preserving growth options in the event of a sustained price increase. A number of specific actions were taken:

- Budgets were reworked on an A\$1,350 gold price. That seemed a realistic scenario at the time and we remain comfortable with that parameter.
- Significant operational changes were made at the Mount Monger Operations. This operation is now performing extremely well.

For personal use only

- Capital expenditure was reduced or deferred. This included the deferral of underground development in the Murchison.
- Discretionary investment on exploration projects was deferred indefinitely. Exploration is only focussed on short term high impact outcomes.
- Cost reductions were pursued with vigour. Unfortunately, this saw the departure of a number of employees and contractors. Our existing cost reduction program with suppliers was expanded and accelerated with success.
- More recently we have announced a Small Shareholding Sale Facility, Voluntary Share Sale Facility and Share Top Up Facility. We expect this will reduce our number of shareholders by over 20% but impacts upon 0.22% of all issued shares. Many of our smallest shareholders are not contactable and involve the greatest per unit cost to maintain. We are also encouraging remaining shareholders to opt for electronic communications wherever possible.
- The board took a voluntary 10% remuneration reduction. This was followed by a 7.5% reduction by our employees. This contribution by employees was greatly appreciated. We understand that our people have not only commitments and obligations but also alternatives.

A threat on the cost front remains the Western Australian Government's review of the current state minerals royalty system. Silver Lake through a number of industry bodies opposes any potential increase to the current gold royalty rate of 2.5%. The current royalty is fair and reasonable in light of all relevant circumstances applying to gold metal production.

Upon completing our business restructuring, we decided to strengthen our weakened balance sheet. This involved a \$47.5 million placement to institutional investors and a share purchase program for smaller investors. These capital raising initiatives were implemented in late August 2013 and were completed in October 2013.

We understand some shareholders prefer rights issues to placements. In the end, we decided that the interests of all shareholders were best served by strengthening the balance sheet promptly and with certainty. Volatility in the gold price and gold equity markets was an influencing factor. Accordingly, we proceeded with the certainty of a timely placement.

The capital raising was one aspect of our balance sheet restructure. Like others, we also dealt with some significant impairment charges. Our impairments totalled \$351.6 million pre-tax and \$279.2 post-tax. These were largely triggered by gold price reductions. This mainly involved the impairment of goodwill and stocks relating to the Integra acquisition, carrying value write downs at the Murchison and business combination expenses.

This raises the question of the decision to acquire Integra. Obviously the gold price has reduced significantly post the all scrip acquisition. Rather than just judging the acquisition on the back of unfavourable gold price movements, it must also be viewed in the context of the quality of assets acquired.

We remain convinced that the assets are of good quality. We have realised the synergies that we expected to realise. The Maxwells pit has been reinterpreted and is now performing well. The potential to go underground at Maxwells is real and encouraging. Availability at the Randalls mill has seen significant improvement. Small scale mining at Cock-eyed Bob is providing invaluable information in respect of the geology of our numerous prospective banded iron formations. We also have a first class exploration portfolio in the area.

So, notwithstanding the fall in gold price there are many positives from Integra. The acquisition remains a cornerstone for growth once we see a sustained improvement in gold price.

The Murchison remains a challenge for us although in recent months we have seen progress towards expected performance levels. A number of operational changes are in progress as we target further cost reductions and increased production. However, the Murchison remains under constant monthly review.

Because of the factors I have mentioned above and notwithstanding our personal desire to pay a dividend, the Company is not in a dividend paying position. We will do so as soon as we consider a dividend is prudent and sustainable. We also note the desire for a production linked dividend model that may even be payable in gold. These are models that we will definitely consider as we come closer to paying a sustainable dividend. In the current environment, it remains too early to predict when a dividend may commence.

Our business restructuring finally involved adding to our management depth. It has been quite a coup for us to secure the services of Luke Tonkin as an Executive Director. Luke is a highly experienced mining professional who will add strength to the current executive management team.

I note from the proxies that shareholders recognise that executives of Luke's ability are not available every day. Also, some shareholders prefer performance rights to options. However, the remuneration and options as proposed allowed us to secure Luke's services, to incentivise him and to ensure that his services are retained. The option terms align Luke in a simple and objective way.

So even though we had a challenging year we also had a number of real positives too. It would be remiss not to reflect on some of those before I close.

- From a safety perspective, we have seen a steady decline in the total number of all injuries reported, across the business. This was an outstanding achievement particularly considering the amount of activity during the period.
- Construction of the Murchison Gold Project was completed during the year with the successful commissioning of the processing facility and maiden gold pour in February 2013. Commercial production was declared in June 2013. The processing facility has been operating above name plate capacity of 1.2 million tonnes per annum since commissioning.
- The Integra acquisition was completed in January 2013 and the two businesses are now fully integrated with significant synergies captured. The Lakewood and Randalls mills have a combined capacity of 1.9 to 2.1 million tonnes per annum and are being fed ore from multiple mines and large surface stockpiles.
- We adopted the World Gold Council all-in-sustaining-cost methodology and this has been well received. This is positive in the sense of transparency and consistency throughout the industry. On the other hand, unit costs are a point in time measure and are only one metric to look at in assessing any resources company, not just gold producers.

In closing, I can say that your board is confident that the business has been restructured to protect against the downside of a weaker gold price while maintaining flexibility to capture the upside through a number of growth projects. We have a strong committed team who will see us through this next phase and who remain committed to growing shareholder value.

On behalf of the Board, we would like to thank the Company's employees for their efforts and achievements during the year and we appreciate the support of our suppliers and contractors. We would also like to acknowledge the support of our shareholders for their confidence throughout a challenging period.

*For further information please contact*

Les Davis  
Managing Director

+61 8 6313 3800

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