

ASX ANNOUNCEMENT

24 JANUARY 2012

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Managing Director

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ASX CODE

PRH



Note 1¹ Certain "foreign" Phillips River shareholders may be ineligible to receive the share consideration and they will instead receive the net proceeds of the sale of the share consideration to which they would otherwise be entitled.



Phillips River

Proposed Merger with Silver Lake Resources

Transaction Summary

- Phillips River Mining Limited (ASX: PRH) ("Phillips River" or "the Company") and Silver Lake Resources Limited (ASX: SLR) ("Silver Lake") have today executed a Merger Implementation Agreement ("MIA") to effect the acquisition of 100% of the issued shares in Phillips River by Silver Lake, under a Scheme of Arrangement ("Scheme").
- Phillips River shareholders will receive 0.0882 Silver Lake shares for each Phillips River share they hold¹. The acquisition consideration represents a 39% premium to the 30 day VWAP of Phillips River to 23 January 2012 compared to Silver Lake's shareprice at close of trade 23 January 2012 and implies a fully diluted value for Phillips River of approximately A\$20 million.
- Phillips River's Board of Directors unanimously recommends that all Phillips River shareholders vote in favour of the Scheme in the absence of a superior proposal.

Overview of Offer

The Board of Directors of Phillips River is pleased to announce that it has received an all scrip offer, under which Silver Lake proposes to acquire all of the issued shares of Phillips River by way of a Scheme ("Offer").

Under the proposed Scheme, Silver Lake will offer Phillips River shareholders consideration of 0.0882 Silver Lake shares for each Phillips River share they own. The offer price values the fully diluted equity of Phillips River at approximately A\$20 million.

Silver Lake will also, within the next seven days, finalise the documentation for and make available to Phillips River a \$1.3 million secured convertible note facility ("Facility"). The provision of the Facility eliminates short term funding risk for Phillips River and provides the Company with sufficient working capital to continue activity on its tenement portfolio. The key terms of the Facility are set out in Schedule 5 of the MIA attached at Annexure A.

In a volatile and uncertain market, the Offer provides shareholders with an opportunity to realise significant value for their shares. Based on the 30 day VWAP of Phillips River to 23 January 2012 the Offer represents a 39% premium when compared to Silver Lake's shareprice at close of trade 23 January 2012.

The Phillips River Board of Directors has carefully evaluated Silver Lake's Offer and unanimously recommends it to Phillips River shareholders in the absence of a superior proposal. All Phillips River Directors intend to accept Silver Lake's Offer with respect to their own share and option holdings.

Phillips River Board

Following implementation of the Merger the current Board of Phillips River will resign.

Commenting on the proposed merger, Phillips River Managing Director, Mr Jason Stirbinskis, said:

"Silver Lake is a successful producer with a strong balance sheet and growth prospects. We believe this backing and expertise will accelerate the realisation of the value within Phillips River's extensive portfolio".

Background to Offer

Phillips River holds a highly prospective tenement portfolio of over 2,500km² in the south of Western Australia. The region and the portfolio are highly prospective for gold, copper and polymetallic mineralisation. The Phillips River project, is located 20 kilometres southeast of Ravensthorpe and includes two mining areas, Kundip, which is primarily a gold and copper deposit and Trilogy, a large polymetallic deposit.

Silver Lake is an ASX 200 gold producing and exploration company with a resource base of approximately 3.3 million oz in highly prospective regions including Mount Monger and the Murchison goldfields of Western Australia.

Transaction Implementation

The proposed merger will be implemented via the Scheme. In order to enable Phillips River to bring Silver Lake's offer before shareholders, Phillips River and Silver Lake have entered into the MIA, which is set out in full at Annexure B.

The Scheme is subject to conditions including:

- court approval;
- no material adverse change in Phillips River or Silver Lake;
- relevant regulatory approvals;
- an independent expert opining that the Scheme is in the best interests of shareholders;
- Silver Lake being satisfied, in its absolute discretion, with its due diligence by 18 February 2012;
- approval by a simple majority of Phillips River shareholders present in person or by proxy at the scheme meeting that will be called in relation to the Scheme ("**Scheme Meeting**") and also by at least 75% of the votes cast at that Scheme Meeting; and
- other customary conditions.

The MIA also contains customary and reciprocal deal protection mechanisms, including no shop and no talk provisions, matching and notification rights in the event of a competing proposal and a break fee payable by Phillips River to Silver Lake in specified circumstances.

In due course, Phillips River shareholders will receive a comprehensive scheme booklet that will contain full details of the proposed Scheme, the basis for Phillips River's Board's recommendation and an independent expert's report.



Indicative Timetable for Completion

Announcement of proposed merger	25 January 2012
First Court Hearing	March 2012
Dispatch Scheme Booklet to Phillips River Shareholders	March 2012
Phillips River Scheme Meeting	May 2012
Final Court Hearing	May 2012
Implementation of Merger	May 2012

Advisers to Transaction

Allion Legal is acting as Phillips River's legal adviser.

Gilbert & Tobin is acting as Silver Lake's legal adviser.

Further Information

Requests for further information are to be directed as follows:

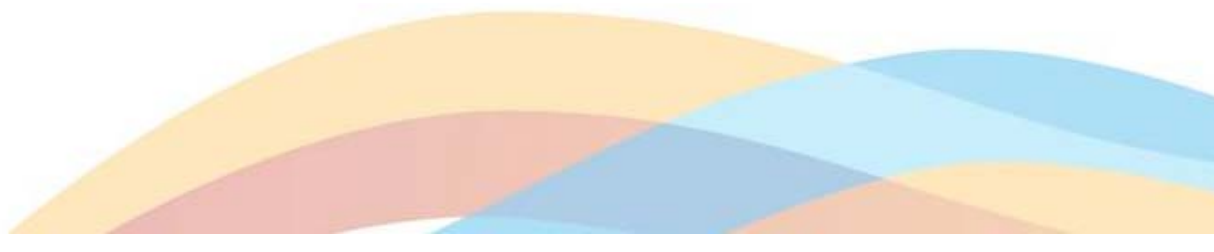
Jason Stirbinskis – Managing Director

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PHILLIPS RIVER MINING LIMITED



Annexure A
Merger Implementation Agreement



Merger Implementation Agreement

Phillips River Mining Limited
Silver Lake Resources Limited

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Parties

- 1 **Phillips River Mining Limited** ABN 61 004 287 790 of First Floor, 1315 Hay Street, West Perth, Western Australia (**Target**)
 - 2 **Silver Lake Resources Limited** ABN 38 108 779 782 of Suite 4, Level 3, South Shore Centre, 85 South Perth Esplanade, South Perth, Western Australia (**Silver Lake**)
-

Background

- A Silver Lake has agreed with Target to acquire all of the issued shares in Target by means of a scheme of arrangement.
- B The directors of Target intend to propose to Target Shareholders for their approval a merger with Silver Lake by way of scheme of arrangement under Section 411 of the Corporations Act, the effect of which would be to make Target a wholly owned subsidiary of Silver Lake.
- C Silver Lake and Target have agreed in good faith to implement the Scheme upon the terms and conditions of this Agreement.

The parties agree

1 Defined terms and interpretation

1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the Dictionary in Schedule 1 (**Dictionary**), has the meaning given to it in the Dictionary;
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act; and
- (c) which is defined in the GST Law, but is not defined in the Dictionary or the Corporations Act, has the meaning given to it in the GST Law.

1.2 Interpretation

The interpretation clause in Schedule 1 (**Dictionary**) sets out rules of interpretation for this Agreement.

2 Conditions precedent

2.1 Conditions precedent

Subject to this clause 2, the obligations of the parties under this Agreement are subject to the satisfaction of each of the following conditions precedent:

- (a) subject to clause 2.6:
 - (i) ASIC and ASX issue or provide such consents or approvals or do other acts which Target and Silver Lake agree are necessary or desirable to implement the Merger and such consents, approvals or other acts are not withdrawn;
 - (ii) all other approvals of a Governmental Agency which Target and Silver Lake agree are necessary or desirable to implement the Merger are obtained,

(together **Regulatory Approvals**) before 5.00 pm on the day before the Second Court Date;
- (b) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Merger will be in effect at 5.00 pm on the day before the Second Court Date;
- (c) no Target Material Adverse Change occurs between the Execution Date and 5.00 pm on the day before the Second Court Date;
- (d) no Target Prescribed Occurrence occur between the Execution Date and 5.00 pm on the day before the Second Court Date;
- (e) no Superior Transaction Proposal for the Target is announced and recommended by the Target Board before 5.00 pm on the day before the Second Court Date;
- (f) no Superior Transaction Proposal for Silver Lake is announced and recommended by the Silver Lake Board which requires Silver Lake to terminate this Agreement before 5.00 pm on the day before the Second Court Date;
- (g) completion, to the satisfaction of Silver Lake, in its sole and absolute discretion, of its due diligence by 18 February 2012, including, without limitation, a review as to the operational, legal and accounting matters of the assets, liabilities, business, operations and prospects of Target
- (h) the Target Independent Expert's report is obtained by Target which concludes the Scheme is in the best interests of the Scheme Participants before the date on which the Scheme Booklet is registered by ASIC under the Corporations Act and the Independent Expert does not change its conclusions or withdraw its report prior to 5.00 pm on the day before the Second Court Date;
- (i) between the Execution Date and the date on which Target Shareholder Approval is obtained, the Target Board does not change or withdraw its recommendation to vote in favour of the Scheme and all resolutions (if any) incidental to the Scheme;
- (j) the Target Shareholder Approval is obtained;
- (k) the Court makes orders pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme;
- (l) in relation to any change of control provisions in any Target Material Contract, to which Target is party or any joint venture documentation to which Target is a party, Target obtaining the consent of relevant persons who have rights in respect of those provisions to the transactions contemplated by this Agreement before 5.00 pm on the day before the Second Court Date;
- (m) Target entering into the CN Facility Agreement and the CN Security;

- (n) All:
 - (i) holders of Non Schemed Target Options accepting the Non Schemed Target Options Offers; or
 - (ii) Non Schemed Target Options being dealt with in the manner set out in clause 3.4 if the parties determine to proceed in the manner set out in clause 3.4;
- (o) Target obtains from ASX a waiver of any requirement under Listing Rule 6.23.2 to obtain the approval of the Target Shareholders to the cancellation of any Non Schemed Target Options (if required) before 5.00 pm on the day before the Second Court Date; and
- (p) compliance in all material respects by Target with their covenants under this Agreement and truth of representations and warranties at 5.00 pm on the day before the Second Court Date;
- (q) compliance in all material respects by Silver Lake with their covenants under this Agreement and truth of representations and warranties at 5.00 pm on the day before the Second Court Date; and
- (r) no Silver Lake Material Adverse Change occurs between the Execution Date and 5.00 pm on the day before the Second Court Date.

2.2 Waiver of conditions precedent

- (a) The conditions precedent in clauses 2.1(j) and 2.1(k) cannot be waived.
- (b) The conditions precedent in clauses 2.1(a), 2.1(b) and 2.1(i) are for the benefit of each party and any breach or non-fulfilment of those conditions may only be waived with the written consent of both parties.
- (c) The conditions precedent in clauses, 2.1(h), 2.1(q) and 2.1(r) are for the sole benefit of Target and any breach or non-fulfilment of those conditions may only be waived by Target giving its written consent.
- (d) The conditions precedent in clauses 2.1(c), 2.1(d), 2.1(e), 2.1(f), 2.1(g), 2.1(l), 2.1(m), 2.1(n), 2.1(o) and 2.1(p) are for the sole benefit of Silver Lake and any breach or non-fulfilment of those conditions may only be waived by Silver Lake giving its written consent.
- (e) A party entitled to waive a condition precedent pursuant to this clause 2.2 may do so in its absolute discretion.
- (f) If a party waives the breach or non-fulfilment of any of the conditions precedent in clause 2.1, that waiver will not preclude it from suing the other party for any breach of this Agreement including without limitation a breach that resulted in the non-fulfilment of the condition precedent that was waived.

2.3 Best endeavours

Subject to clause 2.5 each of Target and Silver Lake will use its best endeavours to procure that:

- (a) each of the conditions precedent in clause 2.1 is satisfied as soon as practicable after the Execution Date or continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (b) there is no occurrence within the control of Target or Silver Lake (as the context requires) or their subsidiaries that would prevent the conditions precedent in clause 2.1 being satisfied.

2.4 Pre-implementation steps

Without limiting the generality of clause 2.3:

- (a) each party will promptly apply for all relevant Regulatory Approvals and provide to the other party a copy of all such applications and take all reasonable steps it is responsible for as part of the approval process, including responding to requests for information at the earliest practicable time, and will provide the other party with all information reasonably requested in connection with the applications for regulatory approval;
- (b) Silver Lake will prepare and provide to Target the Silver Lake Information for inclusion in the Scheme Booklet; and
- (c) Target must ensure that no Target Prescribed Occurrence occurs between the Execution Date and 5.00 pm on the day before the Second Court Date.

2.5 Conditions precedent not met

- (a) If any of the conditions precedent contained in clause 2.1 is not satisfied or waived, or is unable to be waived, by the date specified in this Agreement for its satisfaction, or if the Scheme is not Effective by the End Date, then the parties will consult in good faith:
 - (i) with a view to determining whether the Merger, or a transaction which results in Silver Lake having beneficial ownership of all Target Shares may proceed by way of alternative means or methods; or
 - (ii) to extend the date for satisfaction of the relevant condition precedent or the End Date or to adjourn or change the date of an application to the Court,and agree a course of action that achieves either (i) or (ii) above.
- (b) If the parties are unable to reach agreement under clause 2.5(a) within 5 Business Days after the relevant date, then unless that condition is waived in accordance with clause 2.2, any party may terminate this Agreement without any liability to the other party by reason of that termination alone unless the relevant occurrence or the failure of the condition precedent to be satisfied or of the Scheme to become Effective arises out of a breach by the terminating party of this Agreement.

2.6 Regulatory approvals

For the purposes of clause 2.1(a), a Regulatory Approval will be regarded as having been obtained despite the fact that the Regulatory Approval was conditional if the relevant conditions:

- (a) have been granted on customary terms and conditions; or

- (b) have been granted on terms and conditions acceptable to Silver Lake acting reasonably.
-

3 Agreement to propose Scheme and make Non Scheme Target Option Offers

3.1 Target to Propose Scheme

Target agrees to propose the Scheme upon and subject to the terms and conditions of this Agreement.

3.2 Silver Lake to assist

Silver Lake agrees to assist Target in proposing the Scheme upon and subject to the terms and conditions of this Agreement.

3.3 Non Schemed Target Options Offers

- (a) Subject to this clause 3, Silver Lake must as soon as reasonably practical after the Execution Date make an offer to each holder of Non Schemed Target Options to cancel the Non Schemed Target Options in consideration of Silver Lake issuing to each such holder Silver Lake Shares for each Non Schemed Target Option held in accordance with Annexure 2. Any fractional entitlement of a holder of Non Schemed Target Options to a part of a Silver Lake Share will be rounded up to one Silver Lake Share.
- (b) The conditions of the Non Schemed Target Options Offers (which may be waived by mutual agreement between Target and Silver Lake) will include the following:
 - (i) the Scheme becoming Effective; and
 - (ii) all of the Non Schemed Target Options are acquired by Silver Lake or cancelled pursuant to the Non Schemed Target Options Offers.
- (c) The Non Schemed Target Options Offers will expire on the Effective Date.
- (d) The consideration payable under the Non Schemed Target Options Offers will be payable on or about the same date as the consideration payable under the Scheme is payable to Scheme Participants.

3.4 Non Schemed Target Options Offers Not Accepted

- (a) If, for any reason, any of the holder of Non Schemed Target Options reject the offer made in accordance with clause 3.3(a) the parties will immediately meet, in good faith, to determine whether:
 - (i) they wish to propose an option scheme contemporaneously with the Scheme; or
 - (ii) Silver Lake will undertake a compulsory acquisition under Chapter 6A of the Corporations Act, of the options held by persons who rejected an offer under clause 3.3(a).

4 Merger steps

- (a) Target must propose the Scheme to Target Shareholders in accordance with this Agreement and the Corporations Act.
- (b) Subject to the Scheme becoming effective, all of the Target Shares held by Scheme Participants on the Record Date will be transferred to Silver Lake on the Implementation Date and the Scheme Participants will be entitled to receive a number of Silver Lake Shares calculated in accordance with clause 5.1.

5 Silver Lake consideration

5.1 Scheme consideration

- (a) Subject to clause 5.1(b), Silver Lake covenants in favour of Target (in its own right and on behalf of the Scheme Participants) that in consideration for the transfer to Silver Lake of each Target Share held by a Scheme Participant under the terms of the Scheme, Silver Lake will issue to such Scheme Participant 0.0882 Silver Lake Shares for each 1 Target Share held at the Record Date ("**Scheme Consideration**").
- (b) Unless Silver Lake is satisfied that the laws of a Foreign Shareholder's country of residence (as shown in the register of members of Target) permit the issue and allotment of Silver Lake Shares to the Foreign Shareholder, either unconditionally or after compliance with conditions which Silver Lake in its sole discretion regards as acceptable and not unduly onerous, the Silver Lake Shares to which a Foreign Shareholder shall become entitled will be allotted to a nominee approved by Target who will sell those Silver Lake Shares and pay the proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Foreign Shareholder in full satisfaction of that Foreign Shareholder's rights under the Scheme.
- (c) Subject to the terms of the Scheme, Silver Lake covenants in favour of Target (in its own right and separately as trustee or nominee for each of the Scheme Participants), that in consideration for the transfer to Silver Lake of each Target Share held by a Scheme Participant under the terms of the Scheme, Silver Lake will on the Implementation Date:
 - (i) accept that transfer; and
 - (ii) provide to each Scheme Participant the Scheme Consideration.
- (d) Any fractional entitlement of a Scheme Participant to Scheme Consideration will be rounded up or down to the nearest number of Silver Lake Shares (as the case may be).
- (e) Subject to the Scheme becoming Effective, Silver Lake must:
 - (i) do everything reasonably necessary to ensure that the Scheme Consideration is approved for official quotation on ASX and that trading in the new Silver Lake Shares commences by the first Business Day after the Merger Implementation Date; and

- (ii) ensure that on issue, the Scheme Consideration will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

5.2 Ranking

All Silver Lake Shares issued pursuant to this clause 5 must, upon their issue, rank equally with all other Silver Lake Shares.

6 Implementation of merger

6.1 Target's obligations

Target must take all necessary steps to implement the Scheme in accordance with the Timetable, including without limitation taking each of the following steps:

- (a) promptly prepare and dispatch a Scheme Booklet in respect of the Scheme to the Target Shareholders which complies with the requirements of:
 - (i) the Corporations Act and the Corporations Regulations;
 - (ii) ASIC Regulatory Guide 60; and
 - (iii) the Listing Rules,and which will include:
 - (iv) the Scheme;
 - (v) a statement that the Target Board unanimously recommends the approval of the Scheme in the absence of a Superior Transaction Proposal;
 - (vi) notices of meeting and proxy forms; and
 - (vii) a report from the Independent Expert;
- (b) promptly:
 - (i) appoint the Independent Expert; and
 - (ii) provide assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet;
- (c) provide to Silver Lake and its authorised representatives reasonable access to employees, offices and other facilities, and to the books and records, of Target and its subsidiaries for the purpose of implementing the Merger provided that nothing in this clause 6.1(c) requires Target to provide to Silver Lake information concerning Target's:
 - (i) consideration of the Merger; or
 - (ii) assessment of Silver Lake;
- (d) apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act in respect of the Scheme stating that ASIC has no objection to the Scheme;

- (e) apply to the Court for orders directing Target to convene the Scheme Meeting;
- (f) convening the Scheme Meeting;
- (g) seeking the Target Shareholder Approval;
- (h) subject to all conditions other than Court approval being satisfied or waived, as soon as practicable apply to the Court for orders approving the Scheme under Section 411(4)(b) of the Corporations Act;
- (i) if the Court makes an order under Section 411(4)(b) of the Corporations Act approving the Scheme, lodge, as soon as practicable thereafter, with the ASIC and ASX an office copy of the relevant orders of the Court under section 411(10) of the Corporations Act;
- (j) once duly executed, register all transfers of Target Shares to Silver Lake referred to in the Scheme on the Merger Implementation Date;
- (k) do any act or acts or transaction or transactions on behalf of each Target Shareholder which are within its power and are necessary or desirable to implement the Scheme;
- (l) not apply to ASX for Target to be delisted until after the final implementation of the Scheme;
- (m) do any act or acts or transaction or transactions on behalf of each Target Shareholder which are within its power and are necessary or desirable to implement the transfer of the Target Shares pursuant to the Scheme and to implement the Scheme;
- (n) submitting copies of the Scheme Booklet to Silver Lake and consulting in accordance with clause 6.8 as to the content and presentation of the Scheme Booklet; and
- (o) if the Court refuses to make any orders directing Target to convene the Scheme Meeting or approving the Scheme, Target must appeal the Court's decision to the fullest extent possible (except to the extent that the parties agree otherwise, or independent Senior Counsel indicates that, in his or her view, an appeal would have no reasonable prospect of success, or there is a bona fide alternative offer which in the view of the directors of Target, held on reasonable grounds, must be recommended in preference to the Scheme in order to ensure that directors of Target comply with their fiduciary obligations).

6.2 Silver Lake's obligations

Silver Lake must take all necessary steps to assist Target implement the Scheme as soon as is reasonably practicable including, without limitation, taking each of the following steps:

- (a) promptly provide the Silver Lake Information to Target for inclusion in the Scheme Booklet;
- (b) subject to the agreement of the Target Independent Expert to a confidentiality undertaking in a form reasonably required by Silver Lake, promptly provide assistance or information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet;

- (c) provide to Target and its authorised representatives reasonable access to employees, offices and other facilities, and to the books and records, of Silver Lake and its subsidiaries for the purpose of implementing the Merger provided that nothing in this clause 6.2(c) requires Silver Lake to provide to Target information concerning Silver Lake's:
 - (i) consideration of the Merger; or
 - (ii) assessment of Target;
- (d) procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel, Silver Lake will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this Agreement and the Scheme; and
- (e) prior to the First Court Date, enter into a deed poll in the form of Annexure 1 (or in such other form as is agreed between Target and Silver Lake).

6.3 Conduct of business

- (a) From the Execution Date to the earlier of the End Date or Termination Date, Target must:
 - (i) conduct its business in the ordinary and proper course and in substantially the same manner as previously conducted; and
 - (ii) regularly consult with Silver Lake on the manner of conduct of the business, including on any matters that may have an adverse impact on the integration of the businesses of Target and Silver Lake following the Effective Date.
- (b) Without limiting clause 6.3(a) and other than with the prior approval of Silver Lake (which approval must not be unreasonably withheld or delayed) or as required by this Agreement, Target must, during the period contemplated by clause 6.3(a), use all reasonable endeavours to:
 - (i) maintain the condition of its business and assets in accordance with the ordinary course of its business, allowing for fair wear and tear;
 - (ii) ensure all of the Target Tenements are kept in Good Standing, including without limitation the payment of all fees, rents and taxes, filing of all necessary reports by their due date and ensuring all minimum expenditure commitments are met;
 - (iii) keep available the services of its officers and employees;
 - (iv) preserve its relationships with Regulatory Authorities, suppliers, licensors, licensees, joint venturers and others with whom they have business dealings;
 - (v) identify any change of control provisions in any Target Material Contracts or any joint venture documentation to which Target is a party and obtain the consents of relevant persons who have rights in respect of those provisions to the transactions contemplated by this Agreement; and
 - (vi) ensure there is no material decrease in the amount of cash in Target other than:

- (A) a decrease that does not deviate from the cash balance set out in the Budget by an amount in excess of 5% at that time as may be shown in the Budget expenditure; or
 - (B) as a result of reasonable costs incurred directly in relation to the transactions contemplated by this Agreement (such costs will not result in a breach of this clause 6.3 (b)(v)(B) if they satisfy this clause).
- (c) Other than with the prior approval of Silver Lake (which approval must not be unreasonably withheld or delayed) or as required by this Agreement, Target must not, during the period referred to in clause 6.3:
 - (i) increase the remuneration of or pay any bonus or issue any securities or options to, or otherwise vary the employment agreements with, any of its directors and employees;
 - (ii) accelerate the rights of any of its directors or employees to benefits of any kind;
 - (iii) pay a director, executive or employee a termination payment (other than accrued leave entitlements);
 - (iv) obtain or agree to obtain any financial accommodation from any person other than Silver Lake, other than in the ordinary course of business or in connection with a Superior Transaction Proposal;
 - (v) enter into or terminate a Target Material Contract other than entry into a Target Material Contract which is directly related to a Superior Transaction Proposal;
 - (vi) amend in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this Agreement;
 - (vii) announce, declare or pay any dividends;
 - (viii) take any action which would be reasonably expected to give rise to a Target Prescribed Occurrence;
 - (ix) take any action in respect of its information technology systems which would have a material impact on those systems; or
 - (x) agree to do any of the matters set out above.

6.4 Budget

- (a) Target must not during the period covered by the Budget deviate from, nor amend or vary, the expenditure in the Budget (over a rolling period of 2 months) by an amount in excess of 5% of expenditure for that period without obtaining the prior written consent of Silver Lake (not to be unreasonably withheld or delayed).
- (b) Target will be released from any obligation under this clause 6.4 upon the earlier of the end of:
 - (i) the Termination Date; and
 - (ii) the End Date.

- (c) For the period commencing on the Execution Date and ending on the End Date, Target agrees it will not, nor will any subsidiary of Target, dispose, offer to dispose or agree to dispose of, or create, or offer to create an equity interest in, any mineral asset (including any geological data) or an interest in any such asset (excluding those contemplated by the Budget) without prior consultation with Silver Lake.
- (d) For the avoidance of doubt, the word “dispose” in clause 6.4(c) shall include voluntary relinquishment. In any case of voluntary relinquishment by Target, Target shall give Silver Lake 5 Business Days notice of such voluntary relinquishment and offer to Silver Lake the first right to apply for the land subject to voluntary relinquishment to Silver Lake for nominal consideration.

6.5 Exploration Program

- (a) Target must not during the period covered by the Exploration Program deviate from, nor amend or vary, the work in the Exploration Program in any material respect without obtaining the prior written consent of Silver Lake (not to be unreasonably withheld or delayed).
- (b) Target will be released from any obligation under this clause 6.5 upon the earlier of the end of:
 - (i) the Termination Date; and
 - (ii) the End Date.
- (c) For the period commencing on the Execution Date and ending on the End Date, Target agrees it will not, nor will any subsidiary of Target, undertake any action that would result in the surrender, forfeiture, resumption or withdrawal of any tenement held by Target or a subsidiary of Target without prior consultation with Silver Lake.

6.6 Provision of Information

- (a) From the Execution Date to the earlier of the End Date or Termination Date, Target must:
 - (i) provide Silver Lake with copies of all correspondence relating to the Target Tenements;
 - (ii) provide Silver Lake with a copy of Target’s monthly management report in the usual format provided to the Target Board;
 - (iii) provide Silver Lake monthly reports, or more regularly if requested, (due on the 5th day of each calendar month) of the following matters:
 - (A) compliance with the Budget for the previous month;
 - (B) a forecast of compliance with the Budget for the period from the current month to the earlier of the End Date or Termination Date;
 - (C) compliance with the Exploration Program for the previous month;
 - (D) a forecast of compliance with the Exploration Program for the period from the current month to the earlier of the End Date or Termination Date; and

- (iv) immediately advise Silver Lake if Target's cash balance has deviated, or is reasonably expected to deviate, by more than 5% as against the Budget.

6.7 Appointment of directors

- (a) As soon as practicable after the Second Court Date:
 - (i) Target will take all actions necessary to cause the appointment of 6 members of the Silver Lake Board nominated by Silver Lake to the Target Board;
 - (ii) Target will take all actions necessary to ensure that all of the members of the Target Board resign from the Target Board.

6.8 Scheme Booklet

- (a) Each of Silver Lake and Target will work (including by attending meetings and providing information) in good faith and in a timely and co-operative manner with each other to prepare the Scheme Booklet.
- (b) Target must not:
 - (i) use the Scheme Booklet for the purpose of applying to the Court for orders referred to in clause 6.1(e); or
 - (ii) despatch the Scheme Booklet to Target Shareholders;until Silver Lake has approved the Scheme Booklet, which approval must not be unreasonably withheld or delayed.
- (c) If the representatives of Target and Silver Lake disagree on whether any aspect of the Scheme Booklet complies with the requirements of the Corporations Act, then the parties shall in good faith consult with each other to try and reach agreement on the issue. However, if they are unable to agree within 2 Business Days of a dispute being raised:
 - (i) Silver Lake shall have the right to determine, in good faith as it sees fit, the final form of material relating to the Silver Lake Information to be included in the Scheme Booklet; and
 - (ii) Target shall have the right to determine, in good faith as it sees fit, the final form of all material not relating to the Silver Lake Information to be included in the Scheme Booklet.

6.9 Name

The parties agreed the merged entity will retain the name "Silver Lake Resources Limited".

6.10 Timetable

Each party agrees to use its reasonable endeavours to comply with the Timetable.

7 Representations and warranties

7.1 Preliminary

Each of the representations and warranties of Target and Silver Lake in clauses 7.2 and 7.4 respectively are subject to:

- (a) any matter fairly disclosed by one party to the other; and
- (b) any relevant information of which the other party or its Representatives (other than its advisers) has actual knowledge during the Due Diligence Period.

7.2 Silver Lake representations

- (a) Silver Lake represents and warrants to Target (on its own behalf and separately as trustee for each of the Target Indemnified Parties) each of the matters set out in clause 7.2(b), as at the Execution Date, the Second Court Date and any other date to which a representation in clause 7.2(b) is expressed to be given.
- (b) Silver Lake represents and warrants that:
 - (i) it is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) the execution and delivery of this Agreement by Silver Lake has been properly authorised by all necessary corporate action and Silver Lake has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement;
 - (iii) (subject to laws generally affecting creditors' rights and the principles of equity) this Agreement constitutes legal, valid and binding obligations on it and this Agreement does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which Silver Lake or any of its subsidiaries is a party or to which they are bound;
 - (iv) the Silver Lake Information provided to Target in accordance with clause 2.4(b) for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that each of the Target Indemnified Parties will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act;
 - (v) the Silver Lake Information provided to Target in accordance with clause 2.4(b), as at the date the Scheme Booklet are despatched to Target Shareholders, will comply with the disclosure standard required by Sections 411 and 412 of the Corporations Act and applicable ASIC Policy Statements and not be misleading or deceptive in any material respect (whether by omission or otherwise);
 - (vi) it will, as a continuing obligation, provide to Target all such further or new information which may arise after the Scheme Booklet have been despatched until the date of the Scheme Meeting which is necessary to ensure that the Silver Lake Information in the Scheme Booklet is not misleading or deceptive in any material respect, whether in content or by omission;

- (vii) its issued securities as of the Execution Date are:
 - (A) 220,264,064 Silver Lake Shares; and
 - (B) 3,447,010 Silver Lake Options with an exercise price of \$0.30 expiring on 31 December 2012,

and it has not issued any other securities or instruments which are still outstanding and may convert into Silver Lake securities

- (viii) subject to release of the announcement contemplated by clause 9.1, it has complied with its continuous disclosure obligations under the Listing Rules and the Corporations Act and is not relying on Listing Rule 3.1A to withhold any information from disclosure other than as disclosed in writing to Target or its Representatives on or before the Execution Date.

7.3 Silver Lake's indemnity

Silver Lake agrees with Target (on Target's own behalf and separately as trustee or nominee for each of the other Target Indemnified Parties) to indemnify and keep indemnified the Target Indemnified Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the Target Indemnified Parties may suffer or incur by reason of any breach of any of the representations and warranties in clause 7.2(b).

7.4 Target representations

- (a) Target represents and warrants to Silver Lake (on its own behalf and separately as trustee for each of the Silver Lake Indemnified Parties) each of the matters set out in clause 7.4(b) as at the Execution Date, the Second Court Date and any other date to which a representation in clause 7.4(b) is expressed to be given.
- (b) Target represents and warrants that:
 - (i) it is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) the execution and delivery of this Agreement by Target has been properly authorised by all necessary corporate action and Target has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement;
 - (iii) (subject to laws generally affecting creditors' rights and the principles of equity) this Agreement constitutes legal, valid and binding obligations on it and this Agreement does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which Target or any of its subsidiaries is a party or to which they are bound;
 - (iv) the Scheme Booklet (other than the Silver Lake Information) will be prepared in good faith and on the understanding that each of the Silver Lake Indemnified Parties will rely on that information for the purposes of preparing the Silver Lake Information and approving and implementing the Scheme;
 - (v) the Scheme Booklet (other than the Silver Lake Information), as at the date they are despatched to Target Shareholders, will comply with the disclosure standard required by Sections 411 and 412 of the Corporations Act and

applicable ASIC Regulatory Guides and will not be misleading or deceptive in any material respect, whether in content or by omission;

(vi) it will, as a continuing obligation, provide to Silver Lake and Target Shareholders all such further or new information which may arise after the Scheme Booklet have been despatched until the date of the Scheme Meeting which is necessary to ensure that the Target Information in the Scheme Booklet is not misleading or deceptive in any material respect (whether by omission or otherwise);

(vii) its issued securities as of the Execution Date are:

(A) 64,180,724 Target Shares; and

(B) 6,620,203 Non Schemed Target Options,

and it has not issued any other securities or instruments which are still outstanding and may convert into Target securities.

(viii) it has, prior to the Execution Date, fairly disclosed all information reasonably required to enable Silver Lake to undertake due diligence enquiries into Target for the purpose of determining whether to enter into this Agreement and all information provided by Target to Silver Lake under this Agreement, including, but not limited to information provided under clause 8 is complete and accurate in all material respects;

(ix) it has provided all material information in relation to all royalties, and contingent future payments related to production, in connection, with the Target Group's tenements or the Target Group's business

(x) subject to release of the announcement contemplated by clause 9.1, it has complied with its continuous disclosure obligations under the Listing Rules and the Corporations Act and is not relying on Listing Rule 3.1A to withhold any information from disclosure other than as disclosed in writing to Silver Lake or its Representatives on or before the Execution Date;

(xi) to the extent that that Target's assets comprise of mining tenements that as at the Execution Date and the Second Court Date are granted, Target is the legal and beneficial holder of 100% of the right, title and interest in each of the Target Tenements, other than those tenements the subject of a joint venture or those tenements set out in Item 2 of Schedule 4;

(xii) to the extent that Target's assets comprise of applications for mining tenements that as at the Execution Date and the Second Court Date are not granted:

(A) such Target Tenements (other than those tenements set out in Item 2 of Schedule 4) have been duly applied for in accordance with the Mining Act;

(B) Target is the applicant for such Target Tenements (other than those tenements set out in Item 2 of Schedule 4) and no objections have been lodged under the Mining Act in respect of the grant of such Target Tenements;

- (C) no other person has any rights whatsoever in respect of such Target Tenements (other than those tenements set out in Item 2 of Schedule 4);
- (xiii) all rent and rates and all expenditure conditions (up to and including the current year) in respect of the Target Tenements have been paid and complied with or will be paid for and complied with;
- (xiv) the Target Tenements are in Good Standing and are not liable to cancellation or forfeiture for any reason;
- (xv) all provisions of the Mining Act and all other laws and regulations have been complied with insofar as they apply to the Target Tenements;
- (xvi) Target has made available to Silver Lake, all material information in its possession relating to the Target Tenements and has not knowingly concealed any information which would reasonably be expected to be material;
- (xvii) there are no other claims, demands, litigation or disputes in respect of any of the Target Tenements and there are no other disputes, claims or demands relating to the Target Tenements which may give rise to litigation;
- (xviii) Target has not entered into and is not aware of any agreement with any native title applicant or determined native title holder, body, claimant group or other party pursuant to the Native Title Act which relates to the whole or any part of any Target Tenement;
- (xix) there is no unsatisfied judgment, order, arbitral award or decision of any court, tribunal or arbitrator against the Target Tenements or against Target in respect of the Target Tenements;
- (xx) there is no outstanding claim to which Target is a party which is pending or has been threatened against Target in respect of the Target Tenements; and
- (xxi) with respect to each the third party agreements relating to the Target Tenements:
 - (A) such agreement is valid and enforceable in accordance with its terms;
 - (B) Target is not in default of any of its obligations under those agreements or would but for any period of grace allowed under those agreements, be in default of its obligations under those agreements;
 - (C) there are no grounds for rescission, avoidance or repudiation of any of these agreements; and
 - (D) Target has met all of its obligations to make any payments required under these agreements (including, obligations or liabilities to reimburse any party, for any payments made on their behalf in respect of any of these agreements);
- (xxii) Target is in compliance with all environmental obligations and is not in breach of any environmental liabilities pursuant to applicable laws and regulations;

- (xxiii) Target Group's accounts are prepared on a consistent basis with past practices (except to the extent that the adoption of AIFRS requires a change to past practices) and in accordance with all relevant accounting standards;
- (xxiv) Target and its Subsidiaries have complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign governmental agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted;
- (xxv) neither Target nor any of its Subsidiaries is in default under any document, agreement or instrument binding on it or its assets nor has anything occurred which is or would with the giving of notice or lapse of time constitute an event of default, prepayment event or similar event, or give another party thereto a termination right or right to accelerate any right or obligation, under any such document or agreement with such an effect;
- (xxvi) there is no Encumbrance over all or any of the assets or revenues of any member of the Target Group;
- (xxvii) all material Tax, levies, assessments, contributions, fees, rates, duties and other governmental or municipal charges or impositions including all material royalties (other than those that may still be paid without penalty or interest) for which any member of the Target Group are liable, including any penalty or interest, having been paid;
- (xxviii) other than as provided for in Target's financial statements for the financial year ended 30 June 2011 and the half yearly report for the year ended 31 December 2011 (when released on ASX), no material additional liability for Tax has, or will accrue to any member of the Target Group otherwise than as a result of the trading activities in the ordinary course of business;
- (xxix) there is no current, pending or threatened dispute between any member of the Target Group and any Regulatory Authority which would have a material adverse effect on the Target Group and, to the best of Target's knowledge, no such dispute is anticipated, nor is there any current, pending or threatened Tax audit or investigation of any member of the Target Group; and
- (xxx) there is no material claim, action or proceeding pending or in progress or threatened against or relating to any member of the Target Group.

7.5 Target's indemnity

Target agrees with Silver Lake (on Silver Lake's own behalf and separately as trustee for each of the other Silver Lake Indemnified Parties) to indemnify and keep indemnified the Silver Lake Indemnified Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the Silver Lake Indemnified Parties may suffer or incur by reason of any breach of any of the representations and warranties in clause 7.4(b).

7.6 Survival of representations

Each representation and warranty in clauses 7.1 and 7.4;

- (a) is severable;

- (b) will survive the termination of this Agreement; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this Agreement.

7.7 Survival of indemnities

Each indemnity in this Agreement (including those in clauses 7.3 and 7.5) will:

- (a) be severable;
- (b) be a continuing obligation;
- (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this Agreement; and
- (d) survive the termination of this Agreement.

7.8 Liability of directors and officers

- (a) Each party agrees that it will release its rights against, and will not make any claim against, any past or present director or employee of the other in relation to information provided to it or in relation to its entry into this Agreement to the extent that the past or present director or employee has acted in good faith.
- (b) Each party holds the releases in clause 7.8(a) in respect of its directors and employees as trustee for its past and present directors and employees.

8 Due diligence

8.1 Due diligence during the Due Diligence Period

- (a) During the Due Diligence Period, each party may make reasonable and customary enquiries of the other party regarding the other party's business and affairs. Without limiting the foregoing, a party will be entitled to:
 - (i) review the other party's documents, records, management papers and board papers;
 - (ii) conduct interviews with the directors, employees and auditors of a party; and
 - (iii) review the exploration areas of the other party.
- (b) Each party will, during the Due Diligence Period make available promptly to the other party all information reasonably requested by the other party in order that the other party can conduct its Due Diligence and will provide the other party and its advisers who reasonably require access to that information for the purposes of the Due Diligence with access to its:
 - (i) documents, records, management papers and board papers;
 - (ii) directors, employees and auditors; and
 - (iii) exploration areas.

- (c) The persons who will carry out the Due Diligence on behalf of a party and access arrangements for those persons, shall be identified and agreed with the other party prior to the commencement of Due Diligence.
- (d) Despite any other provision of this clause 8, a party will not be permitted to make enquiries concerning the other party's:
 - (i) consideration of the Merger; or
 - (ii) assessment of that party,and the obligations of the parties in clauses 8.1(a) and 8.1(b) will be limited accordingly.

8.2 Confidentiality

Each party agrees that any information received by it as part of the due diligence process will be treated confidentiality and in accordance with the terms of the Confidentiality Deeds.

8.3 Notices

- (a) Within five Business Days following the conclusion of the Due Diligence Period, a party must notify the other in writing if it is of the opinion that there are any events, occurrences or matters which:
 - (i) occurred prior to the end of the Due Diligence Period; and
 - (ii) are discovered by the party during the Due Diligence Period;
 - (iii) in the case of Silver Lake, can be included in a calculation of whether or not there has been a Target Material Adverse Change or Silver Lake Material Adverse Change.
- (b) Any notice provided in accordance with clause 8.3(a) must include full details of the information upon which that opinion is based and must specify full particulars regarding the amount that is considered to be able to be included in a calculation of the Target Material Adverse Change or Silver Lake Material Adverse Change by reason of that event, occurrence or matter and the calculation of that amount.

9 Public announcements

9.1 Announcement of Merger

Immediately after the execution of this Agreement, the parties will each issue a public announcement in a form previously agreed by the other party, both acting reasonably and in a timely manner.

9.2 Public announcement and submissions

No:

- (a) public announcement in connection with the Merger will be made other than in a form approved by all parties, which approval must not be unreasonably withheld and will be provided in a timely manner, and

- (b) submission for any Regulatory Approval under this Agreement will be made by a party,

without reasonable consultation with the other party, and each party will use all reasonable endeavours to provide such approval and constructively participate in such consultation as soon as practicable, unless to do so would likely result in the party being in breach of the law or the Listing Rules.

9.3 Required disclosure

If a party is required by law or the Listing Rules to make any announcement or other public statement or communication of any kind, it must, to the extent permitted by law or the Listing Rules, before doing so:

- (a) notify the other party; and
- (b) give the other party reasonable opportunity to comment on the content of such announcement or other public statement or communication of any kind.

10 Termination

10.1 Termination by Silver Lake

Silver Lake may terminate this Agreement by giving written notice to Target at any time prior to 5.00pm on the day before the Second Court Date if:

- (a) prior to the Second Court Date the Target Board withdraws its recommendation of the Merger or makes a public statement indicating that it no longer supports the Merger (having received a Takeover Proposal for Target which has been determined to be a Superior Transaction Proposal, and the requirements of clause 11.4 having been complied with);
- (b) the due diligence condition set out in clause 2.1(g) is not satisfied or waived by 18 February 2012;
- (c) any condition set out in clause 2.1 that is capable of waiver by Silver Lake (solely or jointly) becomes, in Silver Lake's reasonable opinion, incapable of satisfaction prior to the End Date;
- (d) a Target Material Adverse Change occurs;
- (e) a Target Prescribed Occurrence occurs; or
- (f) the Target Shareholder Approval is not obtained.

10.2 Termination by Target

Target may terminate this Agreement by giving written notice to Silver Lake at any time prior to 5.00pm on the day before the Second Court Date if a Silver Lake Material Adverse Change occurs.

10.3 Termination by Silver Lake or Target

Either Silver Lake or Target may terminate this Agreement by giving written notice to the other party at any time prior to 5.00pm on the day before the Second Court Date if:

- (a) the other party is in material breach of any clause, including a warranty, of this Agreement provided that:
 - (i) it has given written notice to the other party setting out the relevant circumstance and stating its intention to terminate; and
 - (ii) if the relevant circumstance continues to exist for 10 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) after the notice is given,

the party giving the notice may, in its absolute discretion, terminate this Agreement;
- (b) a Court or other Governmental Agency has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Merger; or
- (c) any condition precedent referred to in clause 2.1 has not been satisfied or waived in accordance with this Agreement, or the Scheme is not Effective by the End Date, and the parties are unable to reach an alternate agreement in that regard, provided that:
 - (i) if one party does not have the right to waive a condition precedent referred to in clause 2.1 than that party may not terminate this Agreement pursuant to this clause 10.3(c); or
 - (ii) in the case of the conditions set out in clauses 2.1(j) and 2.1(k) or the Scheme not becoming Effective by the End Date, either party may terminate this Agreement pursuant to this clause 10.3.

10.4 Effect of termination

In the event of termination of this Agreement by either Target or Silver Lake pursuant to clause 10, this Agreement will become void and have no effect, other than in respect of any liability for an antecedent breach of this Agreement and provided that clauses 7.1 to 7.8, 14.3 and 14.4 survive termination.

11 Exclusivity

11.1 Termination of existing discussions

- (a) Target represents and warrants that, as at the Execution Date, it is not in any negotiations or discussions, and has ceased any existing negotiations or discussions, in respect of any Takeover Proposal for Target with any person (other than, for the avoidance of doubt, the discussions with Silver Lake and its Representatives in respect of the Scheme).

11.2 Non solicitation – Target

Prior to the End Date Target must not, and must not authorise, permit or require any of its Associates to either directly or indirectly:

- (a) accept, enter into or agree to accept or enter into any agreement, arrangement or understanding with respect to;
- (b) approve or recommend;

- (c) participate in any negotiations regarding;
- (d) provide any information to any person with respect to; or
- (e) take any other action to facilitate any enquiries, submissions or proposals that constitute or may reasonably be expected to lead to,

any Takeover Proposal for Target in respect of itself or its subsidiaries.

11.3 Notice of Takeover Proposal for Target

Target must give Silver Lake notice immediately upon:

- (a) becoming aware of any:
 - (i) negotiations or discussions;
 - (ii) approach or attempt to initiate any negotiations or discussions; or
 - (iii) intention to make such an approach or attempt to initiate any negotiations or discussions,

in respect of any expression of interest, offer or proposal that may lead to any Takeover Proposal for Target;

- (b) the Target Board determining in accordance with clause 11.5(b) that it must do or not do anything in relation to a Takeover Proposal for Target to comply with any fiduciary or statutory duty of the members of its board;
- (c) the Target Board determining in accordance with clause 11.5(c) that the Takeover Proposal for Target is a Superior Transaction Proposal.

11.4 No due diligence

Without limiting the general nature of clause 11.2, prior to the End Date, Target must not without Silver Lake's prior written consent:

- (a) solicit, initiate or permit any party (other than the other party or its agents) to undertake due diligence investigations it or any of its subsidiaries where to do so would involve a breach of clause 11.2;
- (b) make available to any other person (other than the other party or its agents) or permit any such person to receive any non-public information relating to it or any of its subsidiaries,

however, this clause 11.4 does not prevent Target providing information to the ASX or the party's auditors and advisers acting in that capacity in the ordinary course of business or to otherwise effect the Merger.

11.5 Superior Transaction Proposal and fiduciary duties

Nothing in clauses 11.2 and 11.4 prevents Target, the Target Board or any Associates of Target from doing or not doing anything with respect to a bona fide Takeover Proposal for Target provided that:

- (a) the bona fide Takeover Proposal for Target has not arisen as a consequence of a breach of clauses 11.2 and 11.4;

- (b) the Target Board has determined (in good faith and acting reasonably), after consulting with its external legal counsel (whose advice is subsequently confirmed in writing), that to do so, or not to do so, as the case may be, would constitute or would be likely to constitute a breach of any fiduciary or statutory duty of the members of the Target Board; and
- (c) the Target Board has determined (in good faith and acting reasonably), after consulting with an independent financial adviser, that the bona fide Takeover Proposal for Target is or may reasonably be expected to lead to a Superior Transaction Proposal.

11.6 Non solicitation – Silver Lake

Prior to the End Date Silver Lake must not, and must not authorise, permit or require any of its Associates to either directly or indirectly:

- (a) accept, enter into or agree to accept or enter into any agreement, arrangement or understanding with respect to;
- (b) approve or recommend;
- (c) participate in any negotiations regarding;
- (d) provide any information to any person with respect to; or
- (e) take any other action to facilitate any enquiries, submissions or proposals that constitute or may reasonably be expected to lead to,

any Takeover Proposal for Silver Lake in respect of itself or its subsidiaries.

11.7 Notice of Takeover Proposal for Silver Lake

Silver Lake must give Target notice immediately upon:

- (a) becoming aware of any:
 - (i) negotiations or discussions;
 - (ii) approach or attempt to initiate any negotiations or discussions; or
 - (iii) intention to make such an approach or attempt to initiate any negotiations or discussions,

in respect of any expression of interest, offer or proposal that may lead to any Takeover Proposal for Silver Lake;

- (b) the Silver Lake Board determining in accordance with clause 11.9(b) that it must do or not do anything in relation to a Takeover Proposal for Silver Lake to comply with any fiduciary or statutory duty of the members of its board;
- (c) the Silver Lake Board determining in accordance with clause 11.9(c) that the Takeover Proposal for Silver Lake is a Superior Transaction Proposal.

11.8 No due diligence

Without limiting the general nature of clause 11.6, prior to the End Date, Silver Lake must not without Target's prior written consent:

- (a) solicit, initiate or permit any party (other than the other party or its agents) to undertake due diligence investigations it or any of its subsidiaries where to do so would involve a breach of clause 11.6;
- (b) make available to any other person (other than the other party or its agents) or permit any such person to receive any non-public information relating to it or any of its subsidiaries,

however, this clause 11.8 does not prevent Silver Lake providing information to the ASX or the party's auditors and advisers acting in that capacity in the ordinary course of business or to otherwise effect the Merger.

11.9 Superior Transaction Proposal and fiduciary duties

Nothing in clauses 11.6 and 11.8 prevents Silver Lake, the Silver Lake Board or any Associates of Silver Lake from doing or not doing anything with respect to a bona fide Takeover Proposal for Silver Lake provided that:

- (a) the bona fide Takeover Proposal for Silver Lake has not arisen as a consequence of a breach of clauses 11.6 and 11.8;
- (b) the Silver Lake Board has determined (in good faith and acting reasonably) after consulting with its external legal counsel (whose advice is subsequently confirmed in writing), that to do so, or not to do so, as the case may be, would constitute or would be likely to constitute a breach of any fiduciary or statutory duty of the members of the Silver Lake Board; and
- (c) the Silver Lake Board has determined (in good faith and acting reasonably), after consulting with an independent financial adviser, that the bona fide Takeover Proposal for Silver Lake is or may reasonably be expected to lead to a Superior Transaction Proposal.

11.10 Warranty - Target

Target represents and warrants to Silver Lake that, as at the date of this Agreement, no agreement, arrangement or understanding exists in relation to any expression of interest, offer or proposal of the kind referred to in clause 11.2.

11.11 Warranty – Silver Lake

Silver Lake represents and warrants to Target that, as at the date of this Agreement, no agreement, arrangement or understanding exists in relation to any expression of interest, offer or proposal of the kind referred to in clause 11.6.

11.12 Legal advice

Target and Silver Lake acknowledges that it has received legal advice on this Agreement and the operation of this clause 11.

12 Break fee

12.1 Background

- (a) Target and Silver Lake acknowledge that, if they enter into this Agreement and the Scheme is subsequently not implemented, Silver Lake will incur significant costs.

- (b) In the circumstances referred to in clause 12.1(a):
 - (i) Silver Lake has requested that provision be made for the payments outlined in clause 12.2, without which Silver Lake would not have entered into this Agreement; and
 - (ii) the Target Board believes that the Scheme will provide benefit to Target and Target Shareholders and that it is appropriate for Target to agree to the payment referred to in clause 12.2 to secure Silver Lake's participation in the Scheme.

12.2 Payment of costs incurred by Silver Lake

- (a) Target agrees to pay Silver Lake the payment referred to in this clause 12.2, at any time after making of the announcement referred to in clause 9.1, if any of the following circumstances occur:
 - (i) the Scheme does not become Effective because a Superior Transaction Proposal is made or announced (without prejudice to any other provision of this clause 12.2);
 - (ii) any director of Target does not recommend that Target Shareholders vote in favour of the Scheme or, having recommended it, withdraws or adversely modifies his or her recommendation of the Scheme or approves or recommends or makes an announcement in support of a Takeover Proposal for Target or announces an intention to do any of these acts unless this Agreement has already been terminated by Target under clause 10.2 or 10.3; or
 - (iii) a Target Prescribed Event occurs prior to the Second Court Date;
 - (iv) a Target Material Adverse Change occurs prior to the Second Court Date;
 - (v) Silver Lake validly terminates this Agreement in accordance with clause 10.3(a);
 - (vi) Target terminates this Agreement other than:
 - (A) for a breach of this Agreement by Silver Lake; or
 - (B) in accordance with clause 10.3(c) but excluding termination in accordance with clause 10.3(c) for non satisfaction or waiver of the conditions precedent referred to in clauses 2.1(a), 2.1(b) and 2.1(i); or
 - (vii) Target is in breach of clause 11 and does not cease the conduct which caused the breach within one Business Day following written notice from Silver Lake outlining the nature of the breach,

Target must reimburse Silver Lake for:

- (i) the costs and disbursements incurred by Silver Lake; and
- (ii) the time invested by the management and board of Silver Lake,

as a result of pursuing the Merger (including by execution of this Agreement), by paying the Break Fee to Silver Lake.

- (b) The parties acknowledge and agree that the loss actually incurred by Silver Lake under clause 12.2(a) will be of such nature that it cannot accurately be ascertained, but that a genuine and reasonable pre-estimate of the loss actually suffered by Silver Lake is the Break Fee.
- (c) Target must pay Silver Lake the amount claimed under clause 12.2(a) within 10 Business Days of receipt by Target of a demand for payment from Silver Lake. The demand may only be made after:
 - (i) the Scheme fails to become Effective by the End Date; or
 - (ii) this Agreement is terminated in accordance with its terms.

12.3 Limitation of Liability

Notwithstanding any other provision of this Agreement:

- (a) the maximum liability of Target to Silver Lake under or in connection with this Agreement will be an amount equal to the amount payable under this clause 12;
- (b) the payment by Target under this clause 12 represents the sole and absolute liability of Target under or in connection with this Agreement and no further damages, fees, expenses or reimbursements of any kind will be payable by Target under or in connection with this Agreement.

13 Notices

13.1 Notice of failure to satisfy condition precedent

- (a) Each party must promptly give the other notice of a failure to satisfy a condition precedent in clause 2.1 or of any event that will prevent a condition precedent in clause 2.1 being satisfied.
- (b) Silver Lake or Target (as the case may be) will give written notice to the other party as soon as possible (and in any event no later than 5 Business Days or such shorter time to ensure that notice is given before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any condition of this Agreement resulting from the occurrence of that event, specifying the condition in question.
- (c) A waiver of such breach or non-fulfilment in respect of one condition of this Agreement will not constitute:
 - (i) a waiver of breach or non-fulfilment of any other condition of this Agreement resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that condition resulting from any other event.

13.2 Notices of other matters

Target and Silver Lake will promptly advise each other in writing of:

- (a) a representation or warranty provided in this Agreement by either party becoming false; or

- (b) a breach of this Agreement by it.
-

14 General

14.1 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this Agreement.

14.2 Notices

Any communication under or in connection with this Agreement:

- (a) must be in writing;
- (b) must be addressed as shown below:

Silver Lake

Address: Suite 4, Level 3
South Shore Centre
85 South Perth Esplanade
South Perth WA 6151

Fax no: (08) 6313 3888
Attention: Company Secretary

Target

Address: First Floor
1315 Hay Street
West Perth

Fax no. (08) 6254 3999
Attention: Company Secretary

(or as otherwise notified by that party to the other party from time to time);

- (c) must be signed by the party making the communication or by a person duly authorised by that party
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 13.1(b); and
- (e) will be deemed to be received by the addressee:
- (i) (in the case of prepaid post) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
- (ii) (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when

that communication will be deemed to be received at 9.00am on the next Business Day; and

- (iii) (in the case of delivery by hand) on delivery at the address of the addressee as provided in clause 13.1(b), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

14.3 Stamp duties

Silver Lake must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this Agreement or the Scheme or the steps to be taken under this Agreement or the Scheme.

14.4 Expenses

Except as otherwise provided in this Agreement, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this Agreement and the Scheme Booklet and the proposed, attempted or actual implementation of this Agreement.

14.5 Amendments

This Agreement may only be varied by a document signed by or on behalf of each of the parties.

14.6 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other party.

14.7 Governing law

- (a) This Agreement is governed by and will be construed according to the laws of Western Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts.

14.8 Business day

Except where otherwise expressly provided, where under this Agreement the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

14.9 Waiver

- (a) Failure to exercise or enforce or a delay in exercising or enforcing of the partial exercise or enforcement of any right, power or remedy provided by law or under this Agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Agreement.
- (b) Any waiver or consent given by any party under this Agreement will only be effective and binding on that party if it is given or confirmed in writing by that party.

- (c) No waiver of a breach of any term of this Agreement will operate as a waiver of another breach of that term or of a breach of any other term of this Agreement.

14.10 Consents

Any consent referred to in, or required under, this Agreement from any party may not be unreasonably withheld, unless this Agreement expressly provides for that consent to be given in that party's absolute discretion.

14.11 Counterparts

This Agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the Agreement of each party who has executed and delivered that counterpart.

14.12 Entire agreement

- (a) To the extent permitted by law, in relation to the subject matter of this Agreement, this Agreement:
 - (i) embodies the entire understanding of the parties and constitutes the entire terms agreed upon between the parties; and
 - (ii) supersedes any prior agreement (whether or not in writing) between the parties.
- (b) Despite clause 14.12(a), the Confidentiality Deeds continue to apply to the parties in accordance with its terms.

14.13 No Representation of Reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this Agreement, except for representations or inducements expressly set out in this Agreement.
- (b) Each party acknowledges and confirms that it does not enter into this Agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this Agreement.
- (c) Each party acknowledges and confirms that paragraphs 14.13(a) and 14.13(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with the ASIC or the ASX.

14.14 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

Schedule 1 — Dictionary

1 Definitions and interpretations

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following words and expressions have meanings as follows:

ACCC means the Australian Competition and Consumer Commission.

Agreement means this implementation agreement;

AIFRS means the Australian International Financial Reporting Standards;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange;

Associates means, in relation to a party, its:

- (a) subsidiaries;
- (b) officers, directors and employees of it or its subsidiaries; and
- (c) investment bankers or corporate or financial advisors, lawyers and other advisors of it or its subsidiaries;

Break Fee means \$200,000, being the amount which the parties have agreed is reasonable compensation to Silver Lake for the Scheme not proceeding and payable in accordance with this Agreement;

Budget means the budget in relation to the Target and its business for the period commencing on the Execution Date and ending 30 May 2012 agreed between the parties dated on the Execution Date and initialled by a director of each of the parties;

Business Day means a weekday on which trading banks are open for business in Perth;

Confidentiality Deeds means the deeds executed by Silver Lake and Target dated 4 January 2012 (Silver Lake as recipient) and 17 January 2012 (Target as recipient);

Corporations Act means the Corporations Act 2001 (Cth);

Court means a court of competent jurisdiction under the Corporations Act;

CN Facility Agreement means the facility agreement pursuant to which Silver Lake agrees to make available to Target a \$1.3 million secured convertible note facility, convertible into convertible notes in Target (each note having a face value of \$0.18 and convertible at \$0.18 per Target Share) at the election of Silver Lake and otherwise on the terms set out in Schedule 5;

CN Security means the fixed and floating charge over all of Target's assets and undertakings to be granted by Target for the purposes of securing the facility documented in the CN Facility Agreement;

Due Diligence means the enquiries a party is permitted to make under clause 8.1;

Due Diligence Period means the period commencing on the Execution Date and ending on 18 February 2012;

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to each of the Scheme;

Effective Date means the date on which the Scheme become Effective;

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security arrangement or any other arrangement having the same effect;

End Date means 15 June 2012 or such later date agreed by the parties;

Execution Date means the date upon which the last party to this Agreement executes this Agreement;

Exploration Program means the exploration program in relation to the Target Tenements for the period commencing on the Execution Date and ending 30 May 2012 agreed between the parties dated on the Execution Date and initialled by a director of each of the parties;

Foreign Shareholder means a Scheme Participant whose address in the Target register is a place outside Australia and its external territories;

Good Standing means ensuring that each Target Tenement is and remains in full force and effect and is and remains not liable to cancellation, forfeiture, non-renewal or non-grant, for any reason;

Governmental Agency means any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency or entity;

Insolvency Event means in relation to a person:

- (a) the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official to the person or to the whole or a substantial part of the property or assets of the person;
- (b) the entry by the person into a compromise or arrangement with its creditors generally;
- (c) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or dissolution of the person other than where the application or order (as the case may be) is set aside within 14 days;
- (d) the person suspends or threatens to suspend payment of its debts generally;

- (e) the person ceases or threatens to cease to carry on business; or
- (f) the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;

Listing Rules means the official listing rules of ASX;

Merger means the merger of Target with Silver Lake through the implementation of the Scheme in accordance with the terms of this Agreement;

Merger Implementation Date means the fifth Business Day following the Record Date (or such other date as agreed between the parties);

Mining Act means *Mining Act 1978 (WA)*;

Native Title Act means *Native Title Act 1993 (Cth)*;

Non Schemed Target Options means the total of 6,620,203 Target Options issued to acquire Target Shares, comprising:

Number	Exercise Price	Expiry Date
1,125,000	\$0.64	30/11/2014
750,000	\$0.80	30/11/2012
125,000	\$0.6352	18/12/2014
187,500	\$0.7952	18/12/2012
62,500	\$0.52	22/07/2012
562,500	\$0.5192	29/12/2013
2,432,703	\$0.60	30/12/2013
250,000	\$0.80	06/01/2013
250,000	\$1.20	27/02/2014
500,000	\$0.60	30/12/2013
250,000	\$0.80	28/08/2013
125,000	\$0.80	28/08/2013

Non Schemed Target Options Offers means the offers to be made by Silver Lake for the Non Schemed Target Options substantially in the terms set out in Annexure 2;

Record Date means 5.00 pm on the fifth Business Day following the Effective Date;

Regulatory Approvals means the approvals set out in clause 2.1(a);

Regulatory Authority includes:

- (a) ASX, ACCC and ASIC;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and

any regulatory organisation established under statute;

Related Bodies Corporate has the meaning given in the Corporations Act;

Representatives of a party includes:

- (a) a Related Bodies Corporate of the party; and
- (b) each of the officers and advisers of the party or any of its Related Bodies Corporate;

Scheme means a scheme of arrangement to be drafted in good faith between Target and the Scheme Participants under section 411 of the Corporations Act, following execution of this Agreement, to give effect to the terms of this document, subject to:

- (a) any alterations or conditions made or required under Section 411(6) of the Corporations Act; and
- (b) any other alterations or conditions approved in writing by each party,;

Scheme Booklet means the information described in clause 6.1(a) to be approved by the Court and despatched to Target Shareholders;

Scheme Consideration means the consideration to be provided by Silver Lake to the Scheme Participants for the transfer of each Target Share under the terms of the Scheme as described in clause 5.1 (as varied in accordance with clauses 5.1(b), 5.1(c) or 5.1(d));

Scheme Meeting means the meeting to be convened by the Court in relation to the Scheme pursuant to Section 411(1) of the Corporations Act;

Scheme Participants means Target Shareholders as at the Record Date;

Second Court Date means the first day on which an application made to the Court for an order pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme is heard;

Silver Lake Board means the board of directors of Silver Lake;

Silver Lake Indemnified Parties means Silver Lake and its directors and employees;

Silver Lake Information means such information regarding Silver Lake and Silver Lake Shares provided by Silver Lake to Target in writing for inclusion in the Scheme Booklet so as to enable Target to comply with its obligations under clause 6.1(a);

Silver Lake Material Adverse Change means one or more events or occurrences or matters individually or in aggregate that:

- (a) have or could have a material adverse effect on the business, properties, financial condition, results, operations or prospects of Silver Lake and its subsidiaries, taken as a whole;
- (b) creates or could reasonably be expected to create liabilities, or results or could reasonably be expected to result in a diminution of the value of Silver Lake's assets, which in aggregate exceed \$30,000,000; or
- (c) prevent Silver Lake from performing its obligations pursuant to this Agreement, other than:
 - (d) those required to be done or procured by Silver Lake pursuant to this Agreement;
 - (e) those relating to changes in business conditions affecting the Australian gold industry generally; or
 - (f) an actual event, occurrence or matter which is known to Target prior to the Execution Date (which does not include knowledge of the risk of an event, occurrence or matter happening);
 - (g) an event or occurrence which took place with the prior approval of Target; or
 - (h) an event or occurrence that was known to Target prior to the date of this Agreement (which does not include knowledge of the risk or an event or occurrence happening).

Silver Lake Option means an option to acquire a Silver Lake Share;

Silver Lake Shares means fully paid ordinary shares in Silver Lake;

Subsidiary has the meaning given in the Corporations Act.

Superior Transaction Proposal means a bona fide Takeover Proposal for Target or a bona fide Takeover Proposal for Silver Lake which would, if consummated in accordance with its terms, result in a transaction more favourable to the Target Shareholders and holders of Target Options or holders of Silver Lake Shares and Silver Lake Options, as the case may be, considered as a whole than the transaction the subject of this Agreement;

Takeover Proposal means either a Takeover Proposal for Silver Lake or a Takeover proposal for Target;

Takeover Proposal for Silver Lake means in relation to Silver Lake and excluding the Merger:

- (a) any proposal for a takeover bid, scheme of arrangement, capital reconstruction, buy-back, merger, amalgamation, consolidation or other business combination involving Silver Lake or any of its subsidiaries;

- (b) any proposal which could result in a person who does not already have Voting Power of more than 20% in Silver Lake, having Voting Power of more than 20% in Silver Lake; or
- (c) any proposal which could result in a person acquiring assets of Silver Lake or its subsidiaries having a book value, or for a consideration, of more than \$150,000,000,

but in all cases, only to the extent that such proposal would, if completed, prevent the Scheme becoming Effective;

Takeover Proposal for Target means in relation to Target and excluding the Merger:

- (a) any proposal for a takeover bid, scheme of arrangement, capital reconstruction, buy-back, merger, amalgamation, consolidation or other business combination involving Target or any of its subsidiaries;
- (b) any proposal which could result in a person who does not already have Voting Power of more than 20% in Target, having Voting Power of more than 20% in Target; or
- (c) any proposal which could result in a person acquiring assets of Target or its subsidiaries having a book value, or for a consideration, of more than \$2,000,000;

Target Board means the board of directors of Target;

Target Group means Target and its Subsidiaries;

Target Option means an option to acquire a Target Share;

Target Indemnified Parties means Target and its directors and employees;

Target Independent Expert means an independent expert chosen by Target;

Target Material Adverse Change means one or more events or occurrences or matters individually or in aggregate that:

- (a) have or could have a material adverse effect on the business, properties, financial condition, results, operations or prospects of Target and its subsidiaries, taken as a whole;
- (b) creates or could reasonably be expected to create liabilities, or results or could reasonably be expected to result in a diminution of the value of Target's assets, which in aggregate exceed \$500,000; or
- (c) prevent Target from performing its obligations pursuant to this Agreement,
other than:
 - (d) those required to be done or procured by Target pursuant to this Agreement;
 - (e) those relating to changes in business conditions affecting the Australian gold industry generally;
 - (f) an actual event, occurrence or matter which is known to Silver Lake prior to the Execution Date (which does not include knowledge of the risk of an event, occurrence or matter happening);

- (g) an event or occurrence which took place with the prior approval of Silver Lake; or
- (h) an event or occurrence that was known to Silver Lake prior to the date of this Agreement (which does not include knowledge of the risk or an event or occurrence happening).

Target Material Contract means a contract or commitment requiring total payments by, or providing revenue to, Target in excess of \$50,000;

Target Prescribed Occurrence means, other than:

- (a) as required or contemplated by this Agreement or under the Scheme;
- (b) as provided for in the Budget; or
- (c) with the express consent of Silver Lake;

the occurrence of any of the following:

- (d) Target converts all or any of its shares into a larger or smaller number of shares;
- (e) Target resolves to reduce its share capital in any way or reclassifies, combines, splits or redeems or repurchases directly or indirectly any of its shares;
- (f) Target:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act.
- (g) Target makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);
- (h) Target or any of its Subsidiaries:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make such an issue or grant such an option,

(other than the issue of any Target Shares and the issue of convertible notes in connection with:
 - (iv) the exercise of Non Schemed Target Options;
 - (v) the conversion of loans or working capital facilities made available by Silver Lake; orissued or granted prior to the Execution Date, in each case to a person outside the Target Group);
- (i) Target or any of its Subsidiaries:

- (i) issues securities or other instruments convertible into shares or debt securities; or
 - (ii) agrees to issue securities or other instruments convertible into shares or debt securities,
- in each case to a person outside the Target Group;
- (j) Target adopts a new constitution or modifies or repeals its constitution or a provision of it;
 - (k) Target or any of its Subsidiaries disposes, or agrees to dispose of the whole or a substantial part of the Target Group's business or property;
 - (l) any mining tenement held by Target or any Subsidiary of Target (which tenement is material as determined by Silver Lake acting reasonably) is forfeited or surrendered (other than for surrenders required by law) or becomes liable to forfeiture or surrender or any material condition of any mining tenement is not complied with;
 - (m) Target or any of its Subsidiaries:
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of;
 - (iii) offers, proposes, announces a bid or tenders for,

any business, assets, entity or undertaking the value of which exceeds \$100,000;
 - (n) Target or any of its Subsidiaries creates, or agrees to create, any Encumbrance over the whole or a substantial part of its business or property;
 - (o) Target or any of its Subsidiaries:
 - (i) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees;
 - (ii) accelerates the rights of any of its directors or employees to compensation or benefits or any kind (including under any Target executive or employee share plans); or
 - (iii) pays any of its directors or employees a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this Agreement);
 - (p) Target or any of its Subsidiaries without the prior written approval of Silver Lake (not to be unreasonably withheld):
 - (i) enters into any contract or commitment involving revenue or expenditure of more than \$50,000 over the term of the contract or commitment;
 - (ii) terminates or amends in a material manner any contract material to the conduct of the Target Group's business or which involves revenue or expenditure of more than \$50,000 over the term of the contract;
 - (iii) waives any material third party default; or

- (iv) accepting as a settlement or compromise of less than 95% of the full compensation due to Target or a Subsidiary of Target.
- (q) Target enters into or agrees to enter into a Target Material Contract without the prior written consent of Silver Lake;
- (r) an Insolvency Event occurring in relation to Target or any of its Related Bodies Corporate;
- (i) Target or a subsidiary of Target changing any significant accounting policy applied by them to report their financial position; or
- (j) Target or a subsidiary of Target entering into or resolving to enter into a transaction with any related party of Target as defined in section 228 of the Corporations Act;

Target Shareholder Approval means a resolution in favour of the Scheme passed by Target Shareholders pursuant to Section 411(4)(a)(ii) of the Corporations Act;

Target Shareholders means the holders of Target Shares;

Target Shares means fully paid ordinary shares in Target;

Target Tenements means the tenements set out in Schedule 4;

Tax means any tax, levy, impost, charge or duty (including stamp and transaction duties) that is assessed, levied, imposed or collected by any imposed by any Regulatory Authority together with any related interest, penalties, fines and expenses in connection with them;

Termination Date means the date of termination of this Agreement;

Timetable means the timetable in Schedule 3; and

Voting Power has the same meaning as in Section 610 of the Corporations Act.

1.2 Interpretation

- (a) In this Agreement, unless the context otherwise requires:
 - (i) references to a recital, clause, schedule, annexure or exhibit is to a recital, clause, schedule, annexure or exhibit of or to this Agreement;
 - (ii) a reference to this Agreement or another instrument includes any variation or replacement of any of them;
 - (iii) a reference to any statute shall include any amendment, replacement or re-enactment of such statute for the time being in force and any by-laws, statutory instruments, rules, regulations, notices, orders, directions, consents or permissions made under such statute and any conditions attaching to them;
 - (iv) the singular includes the plural and vice versa;
 - (v) a reference to any gender includes all genders;
 - (vi) a reference to a person includes a reference to the person's executors, administrators, substitutes, successors and permitted assigns;

- (vii) a covenant, representation or warranty in favour of two or more persons is for the benefit of them jointly and severally;
 - (viii) a covenant, representation or warranty on the part of two or more persons binds them jointly and severally;
 - (ix) a reference to currency is to the currency of Australia;
 - (x) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning; and
 - (xi) the words "including", "such as", "particularly" and similar expressions do not imply limitation.
- (b) In this Agreement, headings are for convenience of reference only and do not affect interpretation.
 - (c) In the interpretation of this Agreement, no rules of construction shall apply to the disadvantage of one party on the basis that that party put forward this Agreement or any part of this Agreement.
 - (d) If the day on which any act, matter or thing is to be done under or pursuant to this Agreement is not a Business Day, that act, matter or thing may be done on the next Business Day.

Schedule 1 Silver Lake deed poll (Clause 6.2(e))

Deed Poll

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Date:

Parties

- 1 **Silver Lake Resources Limited** ABN 38 108 779 782 of Suite 4, Level 3, South Shore Centre, 85 South Perth Esplanade, South Perth, Western Australia (**Silver Lake**)

IN FAVOUR OF THE SCHEME PARTICIPANTS.

Background

- A The Target Board considers that it is in the interests of Target that Scheme Participants should consider approving the Scheme.
- B Accordingly, the Target Board has resolved that Target should propose the Scheme.
- C On 24 January 2011, Target and Silver Lake entered into an agreement entitled "Implementation Agreement" (**Implementation Agreement**) to implement the Scheme.
- D Under the Implementation Agreement and the Scheme:
 - (a) Silver Lake will acquire all of the Target Shares from the Scheme Participants; and
 - (b) Silver Lake will provide the Scheme Consideration,subject to the satisfaction of certain conditions and in accordance with the Implementation Agreement and the Scheme.
- E Silver Lake is entering into this deed poll for the purpose of covenanting in favour of each Scheme Participant that it will perform its obligations under the Scheme, including providing the Scheme Consideration.

The parties agree

1 Definitions and interpretation

- (a) Save to the extent the contrary intention appears, words and phrases used in this deed poll have the same meanings given to them in the Implementation Agreement (as defined in Recital C).
- (b) In this Agreement unless the context otherwise requires:
 - (i) references to a recital, clause, schedule, annexure or exhibit is to a recital, clause, schedule, annexure or exhibit of or to this deed poll;

- (ii) a reference to this deed poll or another instrument includes any variation or replacement of any of them;
 - (iii) a reference to any statute shall include any amendment, replacement or re-enactment of such statute for the time being in force and any by-laws, statutory instruments, rules, regulations, notices, orders, directions, consents or permissions made under such statute and any conditions attaching to them;
 - (iv) the singular includes the plural and vice versa;
 - (v) a reference to any gender includes all genders;
 - (vi) a reference to a person includes a reference to the person's executors, administrators, substitutes, successors and permitted assigns;
 - (vii) a covenant, representation or warranty in favour of two or more persons is for the benefit of them jointly and severally;
 - (viii) a covenant, representation or warranty on the part of two or more persons binds them jointly and severally;
 - (ix) a reference to currency is to the currency of Australia;
 - (x) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning; and
 - (xi) the words "including", "such as", "particularly" and similar expressions do not imply limitation.
- (c) In this deed poll, headings are for convenience of reference only and do not affect interpretation.
 - (d) In the interpretation of this deed poll, no rules of construction shall apply to the disadvantage of one party on the basis that that party put forward this deed poll or any part of this deed poll.
 - (e) If the day on which any act, matter or thing is to be done under or pursuant to this deed poll is not a Business Day, that act, matter or thing may be done on the next Business Day.

2 Nature of deed poll

- (a) Silver Lake acknowledges that
 - (i) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participant is not party to it; and
 - (ii) each Scheme Participant appoints Target as its agent and attorney to enforce this deed poll against Silver Lake on behalf of that Scheme Participant.

3 Conditions

- (a) Silver Lake's obligations under clause 4 are subject to the Scheme becoming binding on the Scheme Participants in accordance with sections 411(4), 411(6) (if applicable) and 411(10) of the Corporations Act.
- (b) Silver Lake's obligations under this deed poll will automatically terminate if the Scheme does not become binding on the Scheme Participants in accordance with sections 411(4), 411(6) (if applicable) and 411(10) of the Corporations Act on or before the End Date.
- (c) If this deed poll is terminated under clause 3(b) then, in addition and without prejudice to any other rights, powers or remedies available to it:
 - (i) Silver Lake is released from its obligations to further perform this deed poll except those obligations contained in clause 7(g) and any other obligations which by their nature survive obligation; and
 - (ii) Scheme Participants retain the rights they have against Silver Lake in respect of any breach of this deed poll which occurs before it is terminated.

4 Acquisition of Target Shares and timing of Scheme Consideration

- (a) Subject to clause 3, in consideration for the transfer to Silver Lake of all of the Target Shares and all rights and entitlements attaching to them by each Scheme Participant, Silver Lake must provide the Scheme Consideration to the Scheme Participants in accordance with, and covenants to act in accordance with, clause 5.1 of the Implementation Agreement.
- (b) Nothing in this deed poll requires Silver Lake to provide the Scheme Consideration to a Scheme Participant that is:
 - (i) Silver Lake;
 - (ii) a related body corporate of Silver Lake; or
 - (iii) a person who holds Target Shares on behalf of or for the benefit of Silver Lake or a related body corporate of Silver Lake.

5 Silver Lake representations and warranties

- (a) Silver Lake represents and warrants that:
 - (i) it is a corporation validly existing under the laws of its place of incorporation;
 - (ii) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
 - (iii) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and

- (iv) this deed poll is valid and binding upon it.
-

6 Continuing obligations

- (a) This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until:
 - (i) Silver Lake has completely performed its obligations under this deed poll; or
 - (ii) the earlier termination of this deed poll under clause 3(b).
-

7 General

- (a) Without limiting anything in clause 4, Silver Lake will be bound by and will comply with all provisions of the Scheme.
- (b) Silver Lake will promptly do and perform all further acts and execute and deliver all further documents required by law or reasonably requested by any other party (in form and content reasonably satisfactory to that party) to:
 - (i) give effect to this deed poll; and
 - (ii) do all things necessary on its part to implement the Scheme
- (c) Any communication under or in connection with this deed poll:
 - (i) must be in writing;
 - (ii) must be addressed as shown below:

Silver Lake

Address: Suite 4, Level 3
South Shore Centre
85 South Perth Esplanade
South Perth WA 6151

Fax no: (08) 6313 3888
Attention: Company Secretary

- (iii) must be signed by the party making the communication or by a person duly authorised by that party
- (iv) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 7(c)(ii); and
- (v) will be deemed to be received by the addressee:
 - (A) (in the case of prepaid post) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (B) (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which

that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and

- (c) (in the case of delivery by hand) on deliver at the address of the addressee as provided in clause 7(c)(ii), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.
- (d) The rights, powers and remedies of Silver Lake and Scheme Participants under this deed poll are cumulative with the rights, powers or remedies provided by law independently of this deed poll.
- (e) No provision of this deed poll may be varied unless:
 - (i) before the Second Court Date, the variation is consented to by Target; or
 - (ii) on or after the Second Court Date, the variation is consented to by Target and is approved by the Court,

in which event Silver Lake will enter into a further deed poll in favour of the Scheme Participants giving effect to such amendment.

- (f)
 - (i) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed poll by Silver Lake or a Scheme Participant will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this deed poll.
 - (ii) Any waiver or consent given by Silver Lake or a Scheme Participant will only be effective and binding on that person if it is given or confirmed in writing by that person.
- (g) Silver Lake must:
 - (i) pay all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under or pursuant to this deed poll; and
 - (ii) indemnify each Scheme Participant against any liability arising from failure to comply with clause 7(g)(i).
- (h) The governing law of this deed poll is the law in force in Western Australia.
- (i) Silver Lake submits to the non-exclusive jurisdiction of the courts of Western Australia, the Federal Court of Australia and each Court and the courts of appeal from them. Silver Lake waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

- (j) The rights and obligations of Silver Lake and Scheme Participants under this deed poll are personal. They cannot be assigned, charged or otherwise dealt with, and no person will attempt or purport to do so.

Execution page

Executed as a deed poll.

Signed and delivered by **Silver Lake Resources Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

Schedule 2 Non Schemed Target Options Offers (Clause 3.3)

Number	Exercise Price	Expiry Date	No. of Silver Lake Shares to be Offered for each Non Schemed Target Options
1,125,000	\$0.64	30/11/2014	0.0304
750,000	\$0.80	30/11/2012	0.0049
125,000	\$0.6352	18/12/2014	0.0310
187,500	\$0.7952	18/12/2012	0.0055
62,500	\$0.52	22/07/2012	0.0061
562,500	\$0.5192	29/12/2013	0.0259
2,432,703	\$0.60	30/12/2013	0.0227
250,000	\$0.80	06/01/2013	0.0060
250,000	\$1.20	27/02/2014	0.0117
500,000	\$0.60	30/12/2013	0.0227
250,000	\$0.80	28/08/2013	0.0132
125,000	\$0.80	28/08/2013	0.0132

Schedule 3 Timetable

Event	Date
Sign Implementation Agreement	24 January 2012
Announce Transaction	25 January 2012
Independent Expert's Report completed	29 February 2012
Finalise Scheme Booklet	29 February 2012
Lodge Scheme Documents at ASIC	1 March 2012
Submit Scheme Documents to Court	Prior to 21 March 2012
Court Hearing to Approve Convening of Scheme Meeting	22 March 2012
Mail Scheme Documents to Target Shareholders	28 March 2012
Scheme Meeting	4 May 2012
Second Court Date	10 May 2012
Lodgement of Court orders at ASIC	11 May 2012
Effective Date	11 May 2012
Record Date	18 May 2012
Implementation Date	25 May 2012

Schedule 4 Target Tenements

Item 1:

E74/245	E74/311	E74/408
M74/135	E74/385	E74/448
M74/176	E74/391	P74/265-i
M74/41	E74/392	P74/266-i
M74/51	E74/444	P74/267-i
M74/53	E74/462	P74/268-i
L74/34	E74/498	P74/271-i
L74/35	L74/42	P74/273-i
L74/45	M74/180	E74/379-i
E74/471	P74/228	M74/83-i
E74/472	P74/229	P74/262-i
E74/473	P74/286	P74/263-i
E74/474	P74/287	P74/264-i
E74/485	P74/288	P74/269-i
E74/399	P74/289	P74/270-i
E74/406	P74/290	P74/272-i
M74/162	P74/291	P74/274-i
M74/163	P74/292	P74/275-i
P74/259	P74/337	P74/280-i
P74/260	P74/338	P74/281-i
P74/304	P74/341	P74/295-i
P74/305	M74/13	P74/296-i
P74/306	E74/413	P74/297-i
		P74/298-i

Item 2:

M74/63
Mining Lease Application 74/137
Mining Lease Application 74/164
Miscellaneous Licence Application 74/24

Schedule 5 – CN Facility Agreement Term Sheet

Convertible Note Facility - Term Sheet

Lender:	Silver Lake Resources Limited (" Silver Lake ")
Borrower:	Phillips River Mining Limited (" Target ")
Principal Amount:	\$1,300,000
Purpose:	Funding for exploration at Munglinup, corporate overheads, tenement maintenance, scheme of arrangement expenses, stamp duty on this facility (if any) and other matters approved Silver Lake.
Availability Period:	From the date of execution of the Convertible Note Facility Agreement to the earlier of 30 May 2012 and the "Termination Date" (as defined in implementation agreement entered into between Silver Lake and Target on or about 24 January 2012 (Implementation Agreement)). The parties agree that they will use all reasonable endeavours to execute the Convertible Note Facility Agreement and any ancillary documentation as soon as reasonably practicable.
Final Repayment Date:	Unless, already converted to Convertible Notes, all amounts outstanding under the Convertible Note Facility must be paid on the earlier of: (a) the Mandatory Repayment Date; and (b) 30 May 2012.
Mandatory Repayment Date:	Unless, already converted to Convertible Notes, all amounts outstanding under the Convertible Note Facility will, at Silver Lake's sole election, become due and payable within 14 days from the date of termination of the Implementation Agreement, if the Implementation Agreement is terminated by either party.
Interest Rate:	Nil
Security:	A first ranking fixed and floating charge over all of the assets and undertaking of Target (including if it is executed after 5 pm on 27 January 2012 any amendments necessary to accommodate the operation of the commencement of the Personal Property Securities Act 2009 (Cth) (PPS Act) and any associated amendments to the Corporations Act).
Conditions Precedent to Advance of Principal Amount:	Silver Lake is not obliged to make any advance until the following have been satisfied (or waived by Silver Lake): (a) the receipt of a drawdown notice; (b) the receipt of a revised cash flow forecast compared to budget; and (c) the security having been registered by ASIC prior to 5pm on 27 January 2012 or a financing statement in favour of Silver Lake being recorded against the Target in the Personal Property Securities Register (which is to commence operation pursuant to the terms of the Personal Property Securities Act 2009 (Cth) on 30 January 2012)

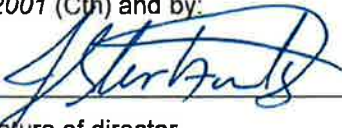
Notification period for drawdown:	The Borrower must give at least 2 business days notice prior to any drawdown. All drawdowns must be in multiples of \$10,000 and must not exceed a cumulative amount of \$325,000 in any 30 day period (unless waived by Silver Lake).
Notification period for repayment:	The Borrower must give at least 2 business days notice prior to any repayment of amounts drawn. Amounts repaid may not be redrawn.
Conversion to Convertible Note:	Silver Lake may, at any time and at its sole discretion, elect to convert any amount then outstanding under the Convertible Note Facility into Convertible Notes. Silver Lake may make multiple elections to convert the Convertible Note Facility to Convertible Notes.
Terms of Convertible Note:	Each note has a face value of \$0.18 and is convertible at \$0.18 per Target share.
Placement for additional convertible notes:	Silver Lake may, at any time, elect to subscribe for up to that number of convertible notes that would not exceed Target's placement capacity under ASX Listing Rule 7.1 at that time. Silver Lake may elect to pay the subscription amount by setting off of any amount then outstanding under the Convertible Note Facility or by redemption of any Convertible Notes held by Silver Lake.
Director Appointment:	Upon signing of the Convertible Note Facility agreements, Silver Lake will have the right to immediately appoint a director to the board of Target.
Warranties Representations and Undertakings:	Target must give all of the representations and warranties provided for in the Implementation Agreement as well as representations, warranties and undertakings customarily requested for a facility of this nature.
Events of Default:	<p>The whole of the aggregate amounts drawn under the Convertible Note Facility will immediately become due and payable if any of the following events shall occur and written notice of the occurrence of such event ("relevant default") is given to the Target and provided the relevant default is capable of remedy the Target fails to remedy the relevant default within [two] business days of service;</p> <ul style="list-style-type: none"> (a) immediately due and payable if, Silver Lake terminates the Implementation Agreement pursuant to clause 10.1(a) of the Implementation Agreement; (b) non-payment of any amount payable under the Convertible Note Facility; (c) an insolvency event occurs in respect of Target; (a) any warranty, representation or undertaking given by Target is breached or becomes untrue; or (d) other events of default customary for a transaction of this nature.
Costs:	Each of the parties shall pay its own costs and expenses.
Stamp duty:	Target shall pay stamp duty (if any).
Governing Laws:	The Convertible Note Facility agreement and ancillary documents shall be

	governed by and construed in accordance with the laws of Western Australia and each party irrevocably submits to the jurisdiction of the Courts of Western Australia.
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Execution page

Executed as an agreement.

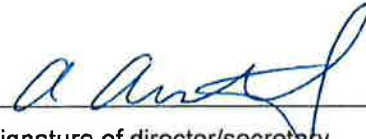
Signed for **Phillips River Mining Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:



Signature of director

Jason Stirbinskas

Name of director (print)

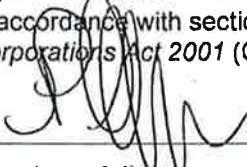


Signature of director/secretary

ADRIAN ARMSTRONG

Name of director/secretary (print)

Signed for **Silver Lake Resources Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:



Signature of director

PAUL IAN CHAPMAN

Name of director (print)



Signature of director/secretary

DAVID GRIFFITHS

Name of director/secretary (print)