

Silver Lake to acquire Phillips River assets

Background:

Silver Lake Resources Ltd ("Silver Lake") and Phillips River Mining Ltd (ASX: PRH) "Phillips River") announced the terms of a proposed Scheme of Arrangement ("Scheme") to the ASX on 25 January 2012. The transaction value of the Scheme was approximately \$20 million or 2.5% of Silver Lake's market capitalisation. This Scheme was terminated on 12 March 2012 and, as announced to ASX on the same date, the parties entered into an Exclusivity Deed pursuant to which Silver Lake and Phillips River agreed to certain exclusivity arrangements in relation to Silver Lake's proposal to acquire Phillips River's assets ("Exclusivity Deed").

Agreement for Sale of Assets and extension of Exclusivity Deed:

The directors of Silver Lake are pleased to announce that an agreement has been reached for Phillips River to sell its assets to Silver Lake ("Asset Sale Agreement") for a transaction value of approximately \$20 million. Resource and reserve inventories relating to Phillip River's assets are shown at Table 1 and 2.

Kundip and other assets:

Silver Lake has agreed to purchase Phillips River's Kundip gold project and other mining tenements and assets unrelated to the Trilogy project ("Kundip and Other Assets Sale"). Silver Lake will issue Phillips River with 2,935,294 fully paid ordinary shares in the capital of Silver Lake ("SLR Shares") as consideration for the Kundip and Other Assets Sale.

Completion of the Kundip and Other Assets Sale is subject to the satisfaction of a number of conditions, including Phillips River obtaining shareholder approval.

Trilogy Project:

Silver Lake has also agreed to purchase Phillips River's Trilogy polymetallic project (including surrounding tenements, the Myamba farm and infrastructure on the Myamba farm) in exchange for the issue of 2,294,118 SLR Shares ("Trilogy Sale"). Settlement of the Trilogy Sale is subject to a number of conditions precedent including the approval of Phillips River shareholders, completion of the Kundip and Other Assets Sale and the resolution of the issues between Phillips River and LN Metals International Ltd ("LN Metals") surrounding the zinc and lead off-take agreement to the satisfaction of Silver Lake ("Off-Take Agreement Condition").

If:

- (a) the total amount drawn down under the CN Facility (as defined below) equals the General Facility Limit (as that term is defined in the CN Facility); or
- (b) the negotiations with LN Metals in relation to the off-take agreement referred to above are not completed or the Off-Take Agreement Condition is not waived, by 30 June 2013,

either party may terminate the Trilogy Sale.

The Asset Sale Agreement also provides Silver Lake with certain notification and matching rights regarding competing proposals including that Phillips River will give Silver Lake 5 business days to match any genuine competing offer received by Phillips River.

In addition, Silver Lake and Phillips River varied the Exclusivity Deed to extend certain exclusivity arrangements for the period ending on the date of the meeting of Phillips River shareholders to approve the transactions contemplated by the Asset Sale Agreement.

A summary of the notification and matching rights in the Asset Sale Agreement, the exclusivity arrangements under the Exclusivity Deed and the circumstances where Phillips River will be required to pay a break fee is set out in the Schedule to this announcement.

Convertible Note Facility:

The convertible note facility announced on 25 January 2012 ("CN Facility") was provided in order for Phillips River to meet its immediate funding requirements.

The CN Facility has been amended to provide Silver Lake with the ability to subscribe for up to 19.9% of Phillips River's share capital (based on a total of 15,945,024 convertible notes with a conversion price of \$0.11 per fully paid ordinary share in the capital of Phillips River ("PRH Share")), conditional upon shareholder approval. If approved, this will make \$1.8m in cash available to Phillips River to meet specified funding and liquidity requirements.

Silver Lake has agreed to convert all amounts outstanding under the CN Facility into PRH Shares immediately following completion of each of the Kundip and Other Assets Sale and completion of the Trilogy Sale. However, Silver Lake will not participate in the proposed in-specie distribution of any SLR Shares issued to Phillips River under the Asset Sale Agreement.

If Phillips River's shareholders do not approve the proposed transactions under the Asset Sale Agreement or completion of the Trilogy Sale does not occur in accordance with the terms of the Asset Sale Agreement, amounts outstanding under the CN Facility become due and payable within 14 days of the date of such event.

Further, if before the shareholders' meeting seeking approval of the transactions contemplated by the Asset Sale Agreement is held, Phillips River recommends an alternative offer to Phillips River shareholders, all amounts outstanding under the CN Facility will become immediately due and payable.

In addition, the parties have amended the term of the CN Facility, such that all amounts outstanding under the CN Facility (and not already converted into PRH Shares) will become due and payable on the first to occur of the following:

- (a) 30 June 2013;
- (b) the total amount drawn down by Phillips River under the CN Facility prior to Phillips River satisfying the Off-Take Agreement Condition equals the General Facility Limit (as that term is defined in the CN Facility); and
- (c) the date of completion of the Trilogy Sale.

Silver Lake retains the right to appoint a director to the board of Phillips River.

For further information please contact

Les Davis
Managing Director
+61 8 6313 3800
contact@silverlakeresources.com.au

Phillips River Resource inventory

Source: PRH ASX announcements 12 October 2011

	Measured Resources				Indicated Resources				Inferred Resources				Total Resources			
	Ore		Increment	Total	Ore		Increment	Total	Ore		Increment	Total	Ore		Increment	Total
	tonnes	Grade			tonnes	Grade			tonnes	Grade			tonnes	Grade		
'000s			'000s	'000s			'000s	'000s			'000s	'000s			'000s	
Kundip Project																
Gold	-	-	g/t Au	-	4,390	3.4	g/t Au	481	4,550	2.1	g/t Au	307	8,940	2.7	g/t Au	788
Silver	-	-	g/t Ag	-	4,390	2.5	g/t Ag	354	4,550	2.1	g/t Ag	314	8,940	2.3	g/t Ag	668
Copper	-	-	% Cu	-	4,390	0.4	% Cu	16	4,550	0.3	% Cu	15	8,940	0.3	% Cu	30
Trilogy Project																
Gold	310	2.4	g/t Au	24	5,750	0.7	g/t Au	136	180	0.6	g/t Au	4	6,240	0.8	g/t Au	164
Silver	310	41.2	g/t Ag	407	5,750	48.0	g/t Ag	8,860	180	12.0	g/t Ag	73	6,240	47.0	g/t Ag	9,340
Copper	310	0.3	% Cu	0.9	5,750	1.1	% Cu	62	180	0.8	% Cu	1.4	6,240	1.0	% Cu	65
Total Resource																
Gold	310	2.4	g/t Au	24	10,140	1.9	g/t Au	617	4,730	2.0	g/t Au	311	15,180	1.9	g/t Au	952
Silver	310	41.2	g/t Ag	407	10,140	28.3	g/t Ag	9,210	4,730	2.5	g/t Ag	387	15,180	20.5	g/t Ag	10,010
Copper	310	0.3%	% Cu	0.9	10,140	0.8	% Cu	78	4,730	0.3	% Cu	16	15,180	0.60	% Cu	95

Table 1: October 2011 Resource

Notes to table 1:

Kundip Resource includes Queen Sheba and Mt Desmond deposits. Queen of Sheba is part of the Trilogy Project group of tenements.

Competent person's statement

Rounding may give rise to unit discrepancies in this table

Notes to table 1: The information in this announcement that relates to Phillip River's Exploration Results and Mineral Resources is based on information compiled by Mr Bruce Armstrong, who is a Member of The Australian Institute of Geoscientists. Mr Armstrong is a full time employee of Phillips River Mining Ltd, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Armstrong consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Phillips River Reserve inventory

Source: PRH ASX announcements 12 October 2011

	Proved Reserves				Probable Reserves				Total Reserves			
	Ore		Increment	Total	Ore		Increment	Total	Ore		Increment	Total
	tonnes	Grade			tonnes	Grade			tonnes	Grade		
'000s			'000s	'000s			'000s	'000s			'000s	
Kundip Project												
Gold	-	-	g/t Au	-	2,810	3.4	g/t Au	307	2,810	3.4	g/t Au	307
Silver	-	-	g/t Ag	-	2,810	2.7	g/t Ag	244	2,810	2.7	g/t Ag	244
Copper	-	-	% Cu	-	2,810	0.4	% Cu	11	2,810	0.4	% Cu	11
Trilogy Project												
Gold	310	2.2	g/t Au	22	4,320	0.8	g/t Au	113	4,630	0.9	g/t Au	135
Silver	310	45.0	g/t Ag	449	4,320	55.0	g/t Ag	7,638	4,630	54.3	g/t Ag	8,086
Copper	310	0.4	% Cu	1	4,320	1.1	% Cu	48	4,630	1.1	% Cu	49
Total Resource												
Gold	310	2.2	g/t Au	22	4,320	4.2	g/t Au	420	7,440	1.8	g/t Au	442
Silver	310	45.0	g/t Ag	449	4,320	57.7	g/t Ag	7,882	7,440	34.8	g/t Ag	8,330
Copper	310	0.4	% Cu	1	4,320	1.5	% Cu	59	7,440	0.8	% Cu	60

Table 2: Mining Reserve as at October 2011

Competent person's statement

Rounding may give rise to unit discrepancies in this table

Notes to table 2: The information in this announcement that relates to Phillips River's Ore Reserve estimates is based on information compiled by Mr Geoff Davidson, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Davidson is a Principal Consultant and Director of Mining and Cost Engineering Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bruce Armstrong has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Silver Lake Resources Ltd:

Silver Lake is an ASX 200 gold producing and exploration company with a resource base of 3.6 million oz in highly prospective regions including the Mount Monger goldfield and the Murchison. Silver Lake's strategy is to develop large production centres at Mount Monger and at the Murchison with multiple mines at each centre.

Silver Lake's Mount Monger Operation contains the Daisy Milano, Daisy East, Rosemary & Haoma underground mines and the Wombola open pit mines located 50 km south east of Kalgoorlie.

Gold ore from Mount Monger is transported to Silver Lake's Lakewood Gold Processing Facility located 5 km south east of Kalgoorlie and 45 km from the Daisy Milano mine. This facility has been expanded to 700,000 tonnes per annum and is currently being expanded to 1 million tonnes per annum by September 2012 quarter.

In the Murchison, Silver Lake is developing a second mining operation with multiple mines feeding a central processing facility. A 1.2 million tonne per annum mill has been acquired for this project and production is expected to commence in the March 2013 quarter.

At the Eelya Complex, part of the Murchison project, a high grade copper discovery has been made at Hollandaire. The Hollandaire deposit contains copper, gold & silver with grades up to 45% Cu, 5.5 g/t Au and 256 g/t Ag.

In the Great Southern, Silver Lake owns the large greenfield Munglinup exploration project covering over 1,600 sqkm located in the Albany Fraser belt. This is one of Australia's most significant gold belts and hosts the 5Moz Tropicana deposit located ~500 kilometres to the North East. The tenement package is on cleared agricultural ground with shallow cover and is essentially unexplored.

Silver Lake's exploration programme is targeting 10 million oz Au in resource over time.

Competent Person's Statement

The information in this announcement that relates to Silver Lake's Exploration Results and Mineral Resources is based on information compiled by Mr Christopher Banasik who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Banasik is a full time employee of Silver Lake Resources Ltd, and has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Banasik consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

Information that relates to exploration and production targets refers to targets that are conceptual in nature, where there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The information on exploration targets are based on a conceptual range of targets as follows:

<i>Tonnage range:</i>	<i>50 million to 100 million tonnes</i>
<i>Grade range:</i>	<i>3 g/t Au to 8 g/t Au</i>
<i>Ounces:</i>	<i>5 million to 10 million</i>

Silver Lake Resource inventory - December 2011

Deposit	Measured Resources			Indicated Resources			Inferred Resources			Total Resources		
	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s
Daisy Milano	172.3	30.6	169.5	562.2	17.2	310.9	326.0	12.3	128.9	1,060.5	17.9	609.3
Daisy East	23.9	41.4	31.9	21.4	15.5	10.7	25.9	15.9	13.2	71.2	24.4	55.8
Christmas Flat	-	-	-	338.6	4.1	44.1	448.5	6.3	91.3	787.1	5.3	135.4
Haoma	945.0	8.1	247.0	365.0	14.8	174.0	90.0	15.6	45.0	1,400.0	10.3	465.0
Costello	-	-	-	-	-	-	111.0	4.0	14.3	111.0	4.0	14.3
Lorna Doone	-	-	-	-	-	-	128.0	3.1	12.8	128.0	3.1	12.8
Magic	-	-	-	749.2	4.1	98.3	1,071.0	5.2	178.0	1,820.2	4.7	276.3
Wombola Pit	-	-	-	161.2	3.0	15.7	299.0	2.8	26.6	460.2	2.9	42.3
Wombola Dam	-	-	-	154.8	4.1	20.4	420.2	3.5	47.1	575.2	3.7	67.5
Hammer & Tap	-	-	-	-	-	-	350.2	2.4	27.4	350.2	2.4	27.4
Total Mount Monger	1,141.2	12.2	448.4	2,352.4	8.9	674.1	3,269.8	5.6	584.6	6,763.4	7.8	1,706.1
Tuckabianna - OP	-	-	-	4,170.0	2.2	290.0	4,310.0	2.0	280.0	8,480.0	2.1	580.0
Tuckabianna - UG	-	-	-	1,210.0	4.3	170.0	2,170.0	4.1	290.0	3,380.0	4.2	460.0
Comet - OP	36.0	0.6	0.7	2,540.0	2.5	210.0	1,060.0	1.9	70.0	3,636.0	2.4	270.7
Comet - UG	-	-	-	800.0	5.3	140.0	260.0	4.2	30.0	1,060.0	5.0	170.0
Moyagee - OP	-	-	-	960.0	2.1	70.0	1,410.0	2.2	100.0	2,370.0	2.2	170.0
Moyagee - UG	-	-	-	80.0	3.3	10.0	1,630.0	4.0	210.0	1,710.0	4.0	220.0
Murchison - OP	36.0	0.6	0.7	7,670.0	2.3	570.0	6,780.0	2.1	450.0	14,450.0	2.2	1,020.0
Murchison - UG	-	-	-	2,080.0	4.6	310.0	4,060.0	4.1	530.0	6,150.0	4.3	840.0
Total Murchison	36.0	0.6	0.7	9,750.0	2.8	880.0	10,840.0	2.8	980.0	20,636.0	2.8	1,860.7
Total Silver Lake	1,177.2	11.8	449.1	12,102.4	4.0	1,554.1	14,119.8	3.2	1,464.6	27,399.4	4.0	3,566.8

Table 3: December 2011 Resource

Rounding may give rise to unit discrepancies in this table

Notes to table 3:

Murchison open pit resources include mineralisation down to 100 metres depth below the surface.

Murchison underground resources include mineralisation below 100 metres depth from the surface.

Schedule

Exclusivity Provisions

Under the Exclusivity Deed (as amended between the parties), Phillips River has agreed that during the period ending on the date of the meeting of the shareholders of Phillips River to approve the transactions contemplated by the Asset Sale Agreement, it must:

- (a) not enter into any agreement with a third party that is in substance the same as or similar to this deed;
- (b) not directly or indirectly, solicit, encourage, or invite a competing offer or initiate any discussions or negotiations regarding a competing offer;
- (c) not, directly or indirectly, participate in any discussions or negotiations with any person regarding a competing offer unless, where the competing offer relates to any PRH Shares, failing to do so may reasonably be likely to amount to a breach of any fiduciary or statutory duty of the directors of Phillips River;
- (d) not, directly or indirectly, assist any person to undertake due diligence investigations in relation to any of the assets the subject of the Asset Sale Agreement, unless Phillips River's legal advisers have confirmed that failing to do so may amount to a breach of any fiduciary or statutory duty;
- (e) immediately cease and cause to be terminated any existing discussions or negotiations with any person conducted prior to the date of the Exclusivity Deed with respect to any competing offer;
- (f) notify Silver Lake of any approach or attempt by a third party to initiate any discussions or negotiations in relation to a competing offer;
- (g) not borrow any money whether under an existing facility or otherwise (other than under the CN Facility);
- (h) not incur any indebtedness of more than \$100,000 or other than in the ordinary course of its business (other than under the CN Facility);
- (i) not:
 - i. issues any shares;
 - ii. grants an option over any of its shares;
 - iii. agree to make such an issue or grant such an option;
 - iv. issue securities or other instruments convertible into shares or debt securities; or
 - v. agree to issue securities or other instruments convertible into shares or debt securities;

other than the issue of any shares and the issue of convertible notes in connection with the CN Facility, the exercise of options or the conversion of loans or working capital facilities made available by Silver Lake.

Notification and Matching Rights

If Phillips River receives an offer or proposal by a third party to directly or indirectly acquire an interest in or become the holder of any of the assets the subject of the Asset Sale Agreement or any PRH Shares ("Alternative Offer"), Phillips River must inform Silver Lake and of the nature and material terms of the Alternative Offer.

If Phillips River determines that the Alternative Offer is a superior proposal to the Kundip and Other Assets Sale and the Trilogy Sale and before the board of Phillips River withdraws or changes its recommendation to shareholders of Phillips River, it must:

- (a) provide Silver Lake with sufficient details in relation to the Alternative Offer to enable it to respond to the Alternative Offer;
- (b) give Silver Lake 5 business days to respond to the Alternative Offer with a counter proposal; and
- (c) if Silver Lake makes a counter proposal which provides an outcome no less favourable than the Alternative Offer, then Phillips River and Silver Lake must use their reasonable endeavours to agree and enter into such documentation to implement that proposal with Silver Lake.

Break Fee

Phillips River is to pay Silver Lake a break fee of approximately \$200,000 if:

- (a) completion of the Kundip and Other Assets Sale and the Trilogy Sale does not occur because a superior transaction proposal is announced by Phillips River or recommended to Phillips River shareholders;
- (b) any director of Phillips River does not recommend that Phillips River shareholders vote in favour of the transactions contemplated by the Asset Sale Agreement or withdraws or adversely modifies his recommendation or approves or recommends or makes an announcement in support of an alternative offer;
- (c) Phillips River terminates the Asset Sale Agreement other than for failure to obtain shareholder approval or because of a breach of the Asset Sale Agreement by Silver Lake; and
- (d) Phillips River is in breach of the exclusivity arrangements under the Exclusivity Deed or the matching and notification obligations under the Asset Sale Agreement and does not cease the conduct which caused the breach within one business day following written notice from Silver Lake.