

PROSPECTUS

Silver Mines Limited ACN 107 452 942



For an offer of up to 1,000 Shares at an issue price of \$0.15 per Share to raise up to \$150 (**Offer**).

This Prospectus has been prepared for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of any Shares issued by the Company before the Closing Date. It has also been prepared to provide information on the Offer.

THIS DOCUMENT IS A TRANSACTION SPECIFIC PROSPECTUS ISSUED IN ACCORDANCE WITH SECTION 713 OF THE CORPORATIONS ACT. THIS PROSPECTUS CONTAINS IMPORTANT INFORMATION ABOUT THE OFFER AND SHOULD BE READ IN ITS ENTIRETY, TOGETHER WITH THE ACCOMPANYING PERSONALISED APPLICATION FORM. AFTER READING THIS PROSPECTUS YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT, FINANCIAL ADVISER, TAXATION ADVISER, SOLICITOR OR OTHER INDEPENDENT PROFESSIONAL ADVISER IF YOU HAVE ANY QUESTIONS. THE SHARES OFFERED UNDER THIS PROSPECTUS SHOULD BE CONSIDERED HIGHLY SPECULATIVE.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

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A. IMPORTANT NOTICES

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This Prospectus relates to the offer by the Company to Eligible Investors of up to 1,000 New Shares at an issue price of \$0.15 per Share to raise up to \$150.

Lodgement and quotation

This Prospectus is dated 23 June 2016 (**Lodgement Date**) and was lodged with ASIC on that date.

This Prospectus is a transaction specific prospectus issued by the Company and has been prepared in accordance with section 713 of the Corporations Act and as such it should be read in conjunction with the Company's other periodic and continuous disclosure announcements given to ASX which are available at www.asx.com.au.

A copy of this Prospectus has been lodged with ASIC and ASX. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates. The Company will apply to ASX for quotation of the New Shares on ASX within 7 days of the date of this Prospectus.

This Prospectus expires on the date which is 13 months after the Lodgement Date, being 23 July 2017 (the **Expiry Date**), and no New Shares will be issued on the basis of this Prospectus after the Expiry Date.

The Prospectus does not contain the same level of disclosure as a prospectus for an initial public offering. In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act (and is subject to the continuous disclosure regime under the Listing Rules) and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Defined terms

A number of defined terms are used in this Prospectus. Unless defined in the body of this Prospectus, these terms are defined in section 9.1 of this Prospectus.

Unless otherwise stated or implied, references to times in this Prospectus are to AEST.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In considering the prospects of the Company, you should consider the risks that could affect the financial performance or position of the Company. You should carefully consider these risks in the light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Risk factors

You should note that there are a number of risks attached to an investment in the Company. Please refer to section 5 of this Prospectus for further information on those risks.

These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the New Shares in the future. Accordingly, an investment in the Company should be considered highly speculative.

No representations other than in this Prospectus

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. You should rely only on information contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or the Directors.

Obtaining a copy of this Prospectus

Eligible Investors will be mailed a copy of this Prospectus, together with the relevant accompanying personalised Application Form.

Eligible Investors in Australia can obtain a copy of this Prospectus on the ASX website (ticker: SVL), from the Company's website at www.silverminesltd.com.au, or by calling the Share Registry on (02) 9290 9600 (from within Australia) or +61 2 9290 9600 (from outside of Australia) from 9.00am to 5.00pm (AEST), Monday to Friday before the Closing Date.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The electronic version of this Prospectus on the Company or ASX websites will not include any personalised Application Form. Application Forms will not be made available electronically. New Shares under the Offer may only be issued on receipt of the relevant completed Application Form issued together with this Prospectus (see section 6 of this Prospectus for further information).

The Corporations Act prohibits any person from passing on an Application Form to another person unless it is attached to a hard copy of this complete Prospectus or the complete and unaltered electronic version of this Prospectus.

Persons resident in other jurisdictions (including the United States), or who are, or are acting for the account or benefit of, a person in the United States are not entitled to access the electronic version of this Prospectus.

Tables

Unless stated otherwise, all data contained in any tables in this Prospectus is based on information available as at the date of this Prospectus.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Prospectus are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Prospectus.

Statements of past performance

Past performance and pro forma financial information included in this Prospectus is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on its future financial performance or condition. You should note that past performance, including past Share price performance of the Company cannot be relied upon as an indicator of (and provides no

guidance as to) the Company's future performance including future Share price performance. The historical information included in this Prospectus is, or is based on, information that has previously been released to the market.

Financial information and forward looking statements

Section 4 sets out the financial information referred to in the Prospectus. All dollar values are in Australian dollars (\$ or A\$), rounded to the nearest dollar. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Accordingly, such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and prospective investors are cautioned against placing undue reliance on these forward looking statements. Forward looking statements should be read in conjunction with, and are qualified by reference to, risk factors as set out in section 5 of this Prospectus as well as the other information in this Prospectus.

The Company has no intention to update or revise forward looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Company website

Any references to documents included on the Company's website are provided for convenience only and none of the documents or other information available on the Company's website are incorporated by reference in this Prospectus.

Disclaimer

Neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

It is expected that the New Shares will be quoted on ASX. The Company and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade New Shares before receiving their holding statements.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of New Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on

and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States unless the New Shares are registered under the US Securities Act, or offered or sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Currency

Unless otherwise stated, the currency referred to in this Prospectus is Australian dollars.

Privacy

By filling out the personalised Application Form to apply for New Shares, you are providing personal information to the Company through the Company's Share Registry. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. If you do not provide the information requested in the relevant personalised Application Form, the Company and the Share Registry may not be able to process or accept your application.

Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Company's issued securities and for associated actions.

The information contained in the Company's register of members must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the corporate directory set out on the last page of this Prospectus.

Consolidation

The shareholders in general meeting approved the consolidation of the Company's share capital through the conversion of every 100 Shares into 1 share with effect from 22 June 2016. All references to securities in this Prospectus (unless stated otherwise) are on a post-consolidation basis.

Enquiries

Before making a decision about investing in the Offer, you should seek advice from your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser to determine whether it meets your objectives, financial situation and needs.

If you have any questions on how to:

- complete the personalised Application Form accompanying this Prospectus which Eligible Investors may use to apply for New Shares; or
- apply for New Shares offered to you under the Offer,

please call the Share Registry between 9:00am and 5:00pm (AEST) Monday to Friday during the period from and including the date on which the Offer opens until and including the Closing Date:

Within Australia: (02) 9290 9600

Outside Australia: +61 2 9290 9600

If you have lost your Application Form and would like a replacement form, please call the applicable number above.

Website

To view annual reports, Company announcements and other information about the Company and its operations, visit the Company's website at www.silverminesltd.com.au.

B. KEY DATES FOR THE OFFER

B.1 Timetable of Important Dates

| Event | Proposed Date |
|--|---------------|
| Lodgement of this Prospectus with ASIC and ASX | 23 June 2016 |
| Expected issue date for Placement Shares and despatch of holding statements for Placement Shares | 24 June 2016 |
| Expected date of despatch of Prospectus to Eligible Investors | 24 June 2016 |
| Offer opens | 24 June 2016 |
| Offer closes* | 30 June 2016 |
| Expected Issue Date for New Shares under the Offer | 1 July 2016 |
| Expected date of despatch of holding statements for New Shares | 1 July 2016 |

Dates and times in this Prospectus are indicative only and subject to change. All times and dates refer to AEST unless otherwise stated.

*The Company reserves the right, subject to the Corporations Act, Listing Rules and other applicable laws, to vary the dates of the Offer without prior notice, including extending the Closing Date or accepting late applications, either generally or in particular cases, or to withdraw the Offer without prior notice.

Applicants are encouraged to submit their personalised Application Form as soon as possible. No cooling-off rights apply to applications submitted under the Offer. The commencement of quotation of New Shares is subject to confirmation from ASX.

1. INVESTMENT OVERVIEW

| Topic | Summary | For more information |
|---|--|---|
| The Company and its business model | | |
| Who is the issuer of the New Shares? | Silver Mines Limited ACN 107 452 942. | Section 2 – Company Overview |
| What is the Company's business? | Managing the Bowdens Silver Project, Conrad Silver Project and Webbs Silver Project as well as evaluating and pursuing other opportunities in the silver sector. | Section 2 – Company Overview |
| What is the Company's strategy? | Acquiring silver projects and moving them towards development in anticipation of potentially higher silver prices. | Section 2 – Company Overview |
| What is the Silver Investment Holdings Australia Limited acquisition? | <p>On 3 March 2016, the Company announced that it had entered into a heads of agreement (HOA) to acquire Silver Investment Holdings Australia Limited (SIHA).</p> <p>SIHA recently entered into an agreement with Kingsgate Consolidated Limited (ticker: KCN) to purchase an effective 85% interest in the Bowdens Silver Project (Bowdens Agreement).</p> <p>Completion of the purchase of SIHA by the Company occurred on 8 June 2016. Completion of the Bowdens Agreement is scheduled to occur on 30 June 2016.</p> | Section 2 – Company Overview |
| The Offer and the New Shares | | |
| What is the Offer? | The Offer is an offer of 1,000 Shares at an issue price of \$0.15 per Share to raise up to \$150. | Section 3 – Details of the Offer |
| How much will the Company raise under the Offer? | Approximately \$150 will be raised under the Offer. | Section 4 – Purpose and effect of the Offer |
| What will the proceeds of the Offer be used for? | The Company intends to apply all funds raised under the Offer towards the expenses of the Offer. | Section 4 – Purpose and effect of the Offer |

| | | |
|---|--|---|
| Am I an Eligible Investor? | You are an Eligible Investor if you subscribed for Placement Shares under the Placement. | Section 3 – Details of the Offer |
| What is my right as an Eligible Investor? | If you are an Eligible Investor, you are entitled to apply for New Shares under the Offer. | Section 3 – Details of the Offer |
| How do I apply for New Shares? | See section 6 – How to apply | Section 6 – How to apply |
| Is the Offer underwritten? | No. The Offer is not underwritten. | Section 3 – Details of the Offer |
| Is the Offer subject to Shareholder approval? | No. The Offer is not subject to Shareholder approval. | Section 3 – Details of the Offer |
| What are the key terms of the New Shares? | See section 7 – Additional information. | Section 7 – Additional information |
| What is the effect of the Offer on the Company? | See section 4 – Purpose and effect of the Offer. | Section 4 – Purpose and effect of the Offer |
| Summary of risks | | |
| What are the key risks associated with the New Shares and the Company? | See section 5 – Risk Factors. | Section 5 – Risk Factors |
| Miscellaneous | | |
| Are there any significant interests and benefits payable to Directors and other persons connected with the Company or the Offer, or any significant related party transactions? | There are no significant interests and benefits payable to Directors or other persons connected with the Company or the Offer, nor any significant related party transactions relating to the Offer. | |

2. COMPANY OVERVIEW

2.1 The Company's business and strategy

The Company's strategy is to pursue the acquisition of silver projects with the goal of accumulating existing silver projects and deposits to become a substantial silver focused mineral resources company.

The Company is the holder of the Webbs Silver Project located in the New England region of New South Wales, Australia.

The Company is currently finalising a sale and purchase agreement to purchase the Conrad Silver Project in accordance with the memorandum of understanding with Malachite Resources Limited (ticker: MAR) announced by the Company on 11 May 2015.

The Company is in the process of finalising a joint venture agreement with Thomson Resources Limited (ticker: TMZ) in relation to a project at Havilah, New South Wales.

Finally, the Company has been in the process of acquiring tenements and silver projects in the area surrounding the Bowdens silver deposit near Lue, in the East Lachlan Region of Central West NSW.

Further details on each project can be found below or on the Company's website (www.silverminesltd.com.au). We have set out further information regarding our recent acquisitions below.

2.2 Bowdens Silver Project

SVL has more than 600 square kilometres of highly prospective exploration ground surrounding the Bowdens silver deposit near Lue, in the East Lachlan Region of Central West NSW. In addition to this ground package the Company has recently executed an agreement to acquire SIHA. SIHA is a NSW dedicated resources company that has recently entered into an agreement with Kingsgate Consolidated Limited (ticker: KCN) to purchase 85% of the Bowdens Silver Project in NSW.

This acquisition will make SVL the largest pure play silver company on the ASX, and one of the largest silver companies in the southern hemisphere. This substantial expansion to the Company's resource base perfectly positions SVL to capitalise on an upturn in silver prices.

2.3 Conrad Silver Project

On 11 May 2015, the Company announced to ASX that it had entered into a memorandum of understanding with MAR to purchase the Conrad Silver Project which is located near Inverell, New South Wales. The Company is currently finalising a sale and purchase agreement to purchase the Conrad Silver Project. The tenements include three mining leases (MLs 5992, 6040 and 6041), one 4 unit EPL (EPL 1050) and one exploration licence (EL 5977).

2.4 Webbs Silver Project

The Webbs Silver Project is located in the New England region of northern NSW approximately 255km southwest of Brisbane. Silver Mines acquired the project in 2006 and has since conducted aggressive drilling campaigns including both reverse circulation (RC) and diamond drilling. Silver Mines completed its most recent drilling program at Webbs in 2013. The program consisted of both reverse circulation (RC), including 5,000 meters of prepaid RC drilling, and diamond drilling. This program was designed to expand the existing resource base at depth where no drilling had previously taken place. Announcements in relation to this drilling program can be found on the Company's website (www.silverminesltd.com.au) under News and Announcements, Latest News.

2.5 TMZ Heads of Agreement

As announced on 8 December 2015, the Company has entered into a memorandum of understanding with Thomson Resources Limited (ticker: TMZ) to farm-in to EL 7391. This exploration licence is approximately 10km west of the Bowdens silver deposit in central New South Wales (**Bowdens Silver Project**).

The key terms of the memorandum of understanding with TMZ include:

- (a) SVL commits to spend an initial \$300,000 to earn 80% over a 3-year period (**Earn-In Period**);
- (b) SVL commits to a minimum of 1,000m of drilling within the Earn-In Period;
- (c) once SVL has earned-in, TMZ will retain a free carried 20% interest in the project to develop the project; and
- (d) SVL will manage all work programs during and after the farm-in period and maintain EL 7391 in good standing in line with all regulatory requirements.

2.6 Exploration licences near Bowden

As announced on 8 December 2015, the Company has been granted two exploration licences (ELs) covering over 650 square kilometres surrounding and along strike from the 182moz AgEq Bowden's Silver Deposit (JORC 2012 – ASX: KCN announcement 18 Oct 2013), situated approximately 240km west of Sydney and on the north-eastern margin of the Lachlan Fold Belt. These ELs have been granted for an initial 3 year term.

The ELs encompass favourable and highly prospective geology and contain a significant number of metalliferous occurrences, which remain underexplored for Bowdens-style low sulphidation, low-grade bulk tonnage silver rich epithermal deposits.

2.7 Acquisition of SIHA

On 3 March 2016, the Company announced that it had entered into a heads of agreement to acquire SIHA.

SIHA recently entered into an agreement with Kingsgate Consolidated Limited (ticker: KCN) to purchase an effective 85% interest in the Bowdens Silver Project.

The Company announced on 9 May 2016 in the Company's Notice of Meeting, the Company has formalised the acquisition of SIHA and entered into a Share Sale and Purchase Deed (**Deed**) with Enable Underwriting Pty Ltd ACN 610 250 425 and SIHA dated 3 May 2016.

The principle terms of the Deed are set out in the Company's Notice of Meeting announced to market on 9 May 2016. Completion of the purchase of the SIHA shares by SVL occurred on 8 June 2016. Completion of the Bowdens Agreement is scheduled for 30 June 2016.

3. DETAILS OF THE OFFER

3.1 Background

On 16 June 2016, the Company announced that it had received commitments for a placement to raise \$35 million through the issue of 233 million Shares at \$0.15 each (**Placement Shares**).

Earlier on 6 June 2016, the Company announced that the shareholders in general meeting:

- (a) approved the issue of the Placement Shares; and
- (b) approved the consolidation of the Company's share capital through the conversion of every 100 Shares into 1 share with effect from 22 June 2016.

The Placement Shares were issued on 21 June 2016 to "sophisticated" or "professional" investors under sections 708(8) and 708(11) of the Corporations Act, without disclosure under Chapter 6D of the Corporations Act (**Placement**).

Generally, section 707(3) of the Corporations Act requires a prospectus to be prepared if securities are offered for sale within 12 months after their issue and the issue of those securities was made without disclosure to investors under Chapter 6D of the Corporations Act.

Section 708A(11) of the Corporations Act provides an exemption from this general requirement by providing that such a sale offer of securities does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

Accordingly, the purpose of this Prospectus is to:

- (a) make the Offer (as described in section 3.2); and
- (b) facilitate secondary trading of the Placement Shares (and any other Shares issued before the Closing Date) within 12 months after their issue by complying with section 708A(11) of the Corporations Act.

3.2 Overview of the Offer

By this Prospectus, the Company offers for subscription up to 1,000 Shares (**New Shares**) to Eligible Investors at an issue price of \$0.15 per Share to raise up to \$150 (**Offer**).

The Offer will only be extended to Eligible Investors, being those persons who subscribed for Placement Shares under the Placement. The Company will only provide Application Forms to Eligible Investors.

Applications for New Shares under the Offer must only be made by Eligible Investors using the original Application Form accompanying this Prospectus.

The Offer is currently scheduled to close at 5pm AEST on the Closing Date, being 30 June 2016 or such other date determined by the Directors. Completed Application Forms for New Shares under the Offer must be received by the Company's Share Registry by this time to be valid.

3.3 No minimum subscription

There is no minimum subscription in respect of the Offer.

3.4 No oversubscriptions

Oversubscriptions in respect of the Offer will not be accepted by the Company.

If the Company receives Applications for more New Shares than that offered under the Offer, the Directors will decide, in their absolute discretion, which Applications to accept and how the New Shares will be allocated to Applicants.

3.5 Rights and liabilities attaching to New Shares

A summary of the rights and liabilities attaching to the New Shares are set out in section 7.2 of this Prospectus.

3.6 No underwriting

The Offer is not underwritten.

3.7 No shareholder approval

The Offer is not subject to shareholder approval. The issue of the New Shares will be made by the Company under the Company's 15% placement capacity under ASX Listing Rule 7.1.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Use of funds

The Company is seeking to raise \$150 under the Offer. All funds raised from the Offer will be applied towards the expenses of the Offer (including legal fees, broker fees, Share Registry fees, ASX fees and ASIC fees). Refer to section 7.5 for further details regarding the estimated expenses of the Offer.

4.2 Financial effect of the Offer

There will be no proceeds from the Offer remaining once the funds raised are used to pay for the expenses of the Offer.

4.3 Historical and pro forma financial position

The selected historical consolidated financial information in relation to the Company set out below has been extracted from the financial statements of the Company for the half-year which ended on 31 December 2015 (lodged with ASIC on 15 March 2016). These financial statements were subject to an audit review.

The Company prepares its financial statements in accordance with the Australian equivalents to the International Financial Reporting Standards (**AIFR**). The accounting policies upon which the pro-forma financial information has been prepared are set out in the Company's financial statements for the half-year ended 31 December 2015. A copy of the Company's financial statements for the half-year ended 31 December 2015 can be viewed on the ASX platform (ticker: SVL). The pro-forma consolidated balance sheet is presented in abbreviated form and does not contain all the disclosures that are usually found in financial statements prepared in accordance with the Corporations Act. This information is not represented as being indicative of the Company's views on its future financial condition and/or performance.

The pro-forma balance sheet has been prepared for illustrative purposes only, to show the impact on the 31 December 2015 balance sheet of the net proceeds of approximately \$150 from the Offer, taking into account completion of the Placement and assuming the Offer is fully subscribed.

The pro forma balance sheet is not intended to be a statement of the Company's current financial position.

The pro forma balance sheet has not been subject to audit.

| | 31/12/2015 | Pro-forma (Placement and Offer) | Pro-forma (Post Placement and Offer) |
|---------------------------|------------|---------------------------------------|--|
| | A\$ | A\$ | A\$ |
| Current assets | | | |
| Cash and cash equivalents | 679,808 | 38,003,718 | 38,683,676 |

| | 31/12/2015 | Pro-forma (Placement and Offer) | Pro-forma (Post Placement and Offer) |
|--|------------------|---------------------------------------|--|
| Receivables | 454,444 | 150 | 454,594 |
| Total current assets | 1,134,252 | 38,003,868 | 39,138,270 |
| Non-current assets | | | |
| Other financial assets | 100,000 | - | 100,000 |
| Intangible assets – deferred exploration and development | 5,620,000 | - | 5,620,000 |
| Other debtors | - | - | - |
| Property, plant & equipment | - | - | - |
| Investments | 150,000 | - | 150,000 |
| Total non-current assets | 5,870,000 | - | 5,870,000 |
| Total assets | 7,004,252 | 38,003,868 | 45,008,270 |
| Current liabilities | | | |
| Payables | (411,810) | - | (411,810) |
| Borrowings | - | - | - |
| Total current liabilities | (411,810) | - | (411,810) |
| Total liabilities | (411,810) | - | (411,810) |
| Net assets (Liabilities) | 6,592,442 | 38,003,868 | 44,596,310 |
| Equity | | | |
| Contributed equity | 24,407,988 | 38,003,868 | 62,411,856 ¹ |
| Accumulated losses | (17,815,546) | - | (17,815,546) |
| Total equity | 6,592,442 | 38,003,868 | 44,596,310 |

The pro-forma balance sheet does not include any movement since 31 December 2015 and Shareholders should take into account the Company's announcements released to the market after this date when evaluating the movements in the Company's financial position and the effect of the Offer.

¹ This amount only represents the issued capital as at 31 December 2015 (reviewed) and the effect on share capital of the Placement and Offer only. The figure includes changes to share capital that occurred in accordance with the Appendix 3Bs issued on 5 February 2016, 29 February 2016 and 7 April 2016.

4.4 Effect on capital structure

The principal effect of the Offer, assuming all New Shares offered under this Prospectus are issued, will be to increase the number of Shares currently on issue by 1,000.

The effect of the Offer on the Company's capital structure as at the date of this Prospectus will be as follows (taking into account the Placement Shares, and assuming all New Shares under the Offer are issued and no existing Options are exercised before the Issue Date):

| Offer | |
|--|--------------------|
| Shares | |
| Shares currently on issue (including Placement Shares) | 340,475,643 |
| New Shares issued under Offer | 1,000 |
| Total Shares on issue after completion of Offer | 340,476,643 |

The Company currently has 38,951,614 Options on issue, comprising:

- A. 23,393,614 Options (quoted) exercisable at \$0.3 on or before 13 October 2017.
- B. 7,500,000 Options (quoted) exercisable at \$0.3 on or before 20 June 2018.
- C. 58,000 Options (not quoted) exercisable at \$4.30 on or before 31 May 2017.
- D. 8,000,000 Options (not quoted) exercisable at \$0.3 on or before 20 June 2019.

The Offer will not have any impact on the Company's Options currently on issue.

4.5 Dilutionary impact

The maximum number of New Shares that may be issued under the Offer (assuming a full subscription) is 1,000.

Accordingly, if you are an Eligible Investor and do not apply for any New Shares under the Offer, your interest in the Company on completion of the Placement could be reduced by up to 0.00029% on completion of the Offer.

4.6 Effect on control

The Company does not expect that the Offer will have a material effect on the control of the Company. The current substantial shareholders of Silver Mines as at the date of this Prospectus are as follows:

| Substantial shareholder | No. of Shares | % voting power at date of Prospectus |
|--------------------------------|---------------|--------------------------------------|
| BlackRock Group | 41,800,000 | 12.27% |
| Paradice Investment Management | 20,000,000 | 5.87% |
| Regal Funds Management | 20,000,000 | 5.87% |
| Anthony McClure and associates | 17,375,500 | 5.10% |

5. RISK FACTORS

5.1 Introduction

Any investment carried out under this Prospectus should be considered speculative. Due to the nature of the Company's business activities and mineral exploration interests, increasing your investment in the Company carries with it risks reasonably expected of an investment in a business of this type. You should read the whole Prospectus, consider the risk factors described within it and all other relevant material including our public announcements. If you are in any doubt, or require clarification or further additional information, you should contact your stockbroker, accountant, solicitor or other professional adviser.

Additional risks are detailed below. These risk factors described below should not to be taken as being exhaustive of the risks faced by the Company or an investment in the Company. The risk factors described below, and others not specifically referred to below, may, in the future, affect the financial performance of the Company and the value of an investment in the Company.

5.2 Specific risks

In addition to the general market and economic risks noted in section 5.3, you should be aware of the risks specific to an investment in the Company. The major risks are described below:

Dilution risk

The Directors anticipate that all New Shares offered under the Offer will be taken up.

Accordingly, if you are an Eligible Investor and do not take up your right to subscribe for New Securities under the Offer, your percentage interest in the Company on completion of the Placement could be reduced by up to 0.00029% on completion of the Offer.

The Company also currently has 38,951,614 Options on issue. The exercise of part or all of these Options will have a dilutionary effect on a Shareholder's interest in the Company. Please see sections 4.4 and 4.5 for details of the Company's capital structure and the potential dilutionary impact of the Offer.

Changes in commodity price

In the event that the Company proceeds to a production scenario, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price risks. Commodity prices (including for silver) fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for commodities, technological advancements, forward selling activities and other macro-economic factors.

Operational risk

If the Company decides to develop and commission a mine, the operations of the Company including mining and processing may be affected by a range of factors. These include failure to achieve predicted grade in exploration, mining and processing, technical difficulties

encountered in commissioning and operating plant and equipment, mechanical failure, metallurgical problems which affect extraction rates and costs, adverse or seasonal weather conditions, adverse geological conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment and inability to obtain or maintain any necessary consents or approvals.

Financing

The Company's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds in the future. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures.

The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

No assurances can be given that the Company will achieve commercial viability through successful exploration and/or mining. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

Mineral resources estimates risk

Mineral resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

Native Title risks

Both the *Native Title Act 1993* (Cth), related State Native Title legislation and Aboriginal land rights and Aboriginal heritage legislation may affect the Company's ability to gain access to prospective exploration areas or obtain production titles. Compensatory obligations may be necessary in settling Native Title claims if lodged over any tenements acquired by the Company.

In New South Wales, the Native Title legislation imposes a duty of care which requires persons, including the Company, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation applies across the State and requires the Company to develop suitable internal procedures to discharge its duty of care in order to avoid exposure to substantial financial penalties if its activities damage items of cultural significance. Under this legislation, Indigenous people can exercise control over land with respect to cultural heritage without necessarily having established the connection element (as required under native title law). This creates a potential risk that the tenement holder may have to deal with several Indigenous individuals or corporations, where no native title has been established, to identify and manage cultural heritage issues. This could result in tenement holders requiring lengthy lead times to manage cultural heritage for their projects.

Reliance on key personnel

The Company has a small team of executives, consultants and senior personnel. It is possible that the estimated timing and cost of the Company's future exploration plans could be dramatically influenced by the loss of existing key personnel or by the failure to retain additional key personnel as the Company's exploration program develops. The resulting impact from such loss would be dependent upon the quality and timing of the employee's replacement.

Although the key personnel of the Company have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring and evaluating mineral projects, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Prospectus.

Liquidity and volatility

The Company is a small company in terms of market capitalisation with a relatively limited number of shareholders. As a consequence, there may be relatively few buyers or sellers of securities on the ASX at any given time and the market price may be highly volatile (particularly in times of share market turbulence or negative investor sentiment). This may present difficulties for shareholders seeking to liquidate their holdings.

Exploration risk

There can be no guarantee that planned exploration programs will lead to positive exploration results and the discovery of a commercial deposit or further, a commercial mining operation. By its nature the business of mineral exploration, which the Company will be undertaking, contains risks. For its part, exploration is a speculative endeavour and can be hampered by the unpredictable nature of mineral deposits, particularly with respect to predicted extrapolations to depth from known mineralisation, poor drilling techniques, incorrect grade estimates, unforeseen and adverse ground conditions, flooding, inclement weather, poor equipment availability, force majeure circumstances and cost overruns from unforeseen events. Resource estimates themselves are necessarily imprecise and depend upon interpretations that can prove to be inaccurate. Any future successful mining operation will depend on exploration success, mineral resource calculations, appropriate economic circumstances, ore reserve calculations, successful statutory planning approvals, mine design and the construction of efficient processing facilities, competent operation and management and efficient financial management.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its exploration licences, and obtaining all required approvals for its activities. In the event that exploration programs prove to be unsuccessful this could lead to a diminution in the value of the tenements, a reduction in the cash reserves of the Company and possible relinquishment of tenements.

Environmental risk

The Company's operations and projects are subject to State and Federal laws and regulations concerning the environment. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on the Company for damages, clean up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by the Company or its subsidiaries, or non compliance with environmental laws or regulations.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires, may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The Company proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

Contractual risks

As in any contractual relationship, the ability for the Company to ultimately be registered as a holder of an interest in the tenements is dependent upon the relevant vendor complying with its contractual obligations to deliver title. To the extent that such third parties default in their obligations under the option contracts, it may be necessary for the Company to approach a court to seek a legal remedy. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

Land access risk

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which propriety knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Regulatory risk

The Company's mining operations, exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that the Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the tenements.

Government policy

The availability and rights to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of the Company. The New South Wales Minister for Industry, Resources and Energy conducts reviews from time to time of policies in connection with the granting and administration of mining tenements. At present the Company is not aware of any proposed changes to policy that would affect its tenements.

Changing attitudes to environmental, land care, cultural heritage and Indigenous land rights' issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect the Company's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

Title

Interests in tenements in Australia are governed by the respective State Government legislation and are evidenced by the granting of tenements through the issuing of a lease or licence. Each lease or licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interests in, tenements if licence conditions are not met or if sufficient funds are not available to meet expenditure commitments.

Any failure to comply with the expenditure conditions, or with the other conditions of the mining lease (ML) or the exploration licences (ELs) expose the licence to forfeiture. In the event that the Company is successful in the discovery of an economic body of mineralisation within any EL, the Company will have the right to apply for a mining lease. Such tenements will only be granted on the terms and conditions that the relevant Minister considers appropriate. Once granted, such leases are liable to forfeiture on breach of any conditions.

Force majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Competition

The industry in which the Company will be involved is subject to domestic and global competition. Some of the competing companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business

opportunities. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors. As such, there can be no assurance that the Company will be able to compete effectively with these companies.

5.3 General risks

A summary of the major general risks are described below:

Share market risk

There are a number of factors (both domestic and international) that may affect the share market price and neither the Company nor its Directors may have control over such factors. The market price of securities can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resources sector and exploration companies in particular.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

General economic conditions

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, inflation, supply and demand, industrial disruption, investor sentiment toward particular market sectors, terrorism or other hostilities and other economic factors. The price of commodities and level of activity within the mining industry will also be of particular relevance to the Company. These factors are beyond the control of the Company and the Company cannot, with any degree of certainty, predict how they will impact the Company.

Legislative change

Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of the Company.

Exchange rate risk

The revenues, earnings, assets and liabilities of the Company may be exposed adversely to exchange rate fluctuation. Whilst the Company currently raises all of its funds in Australian dollars and all services are paid for in Australian dollars, commodities are frequently traded in US dollars on international markets. As such in a production off-take scenario, the Company in the future may be exposed to exchange rate fluctuations.

Industrial risk

Industrial disruptions, work stoppages, safety issues and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

No profits to date

The Company has incurred losses since its inception. It is therefore not possible to evaluate its prospects based on past performance. Since the Company intends to invest in its exploration and development program, the Directors anticipate making further losses in the foreseeable future. While the Directors have confidence in the future revenue-earning potential of the Company, there can be no certainty that the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

Investment risk

The New Shares offered pursuant to this Prospectus should be considered speculative due to the nature of the Company's business. There is no guarantee as to payment of dividends, return of capital or the market value of the New Shares. In particular, the prices at which an investor may be able to trade New Shares may be above or below the price paid for them.

Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

Insurance

The Company intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or only partially covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Further, insurance of all risks associated with mineral exploration and production is not always available. Further, where coverage is available, the costs may be prohibitive.

Other

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company.

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the shares offered under this Prospectus. Therefore, the shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

6. HOW TO APPLY

6.1 Applications

Eligible Investors may apply for New Shares under the Offer by completing the Application Form accompanying this Prospectus in accordance with the instructions on that form.

If you are an Eligible Investor and wish to apply for any New Shares under the Offer, please forward the relevant completed Application Form (together with your cheque for the amount shown on your Application Form) in the reply paid envelope to the Company's Share Registry, so that it is received by no later than 5pm (AEST) on the Closing Date (being 30 June 2016 or such other date as the Directors determine).

By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have received personally the Application Form together with a complete and unaltered copy of the Prospectus.

If you apply and pay for any New Shares, before 5pm (AEST) on the Closing Date, you will be issued your New Shares (as applicable) on or around 1 July 2016 (subject to any scale back by the Company as outlined further below and in section 3.4).

Any surplus Application Monies received for more than the New Shares allocated to you will be refunded as soon as practicable after the Closing Date. No interest will be paid to Applicants on any Application Monies received or returned (wholly or partially).

The Company also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Applicants or persons claiming to be Eligible Investors if their claims prove to be incorrect or overstated or if they fail to provide information to substantiate their claims.

If you are an Eligible Investor and do not participate in the Offer, the number of Shares that you hold and the rights and liabilities attached to those securities will not be affected. However, your percentage interest in the Company may decrease. See sections 4.5 and 5.2 regarding the potential dilutionary impact of the Offer on Eligible Investors.

6.2 Payment method

Payment for New Shares under the Offer will only be accepted in Australian currency and cheques must be drawn on an Australian bank.

(a) **Payment by cheque**

Cheques, in Australian currency, should be made payable to "Silver Mines Limited" and crossed "not negotiable". You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Money. If the amount of your cheque for Application Money is insufficient to pay in full for the number of whole New Shares for which you have applied in your Application Form, you will be taken to have applied for such lower number of New Shares which equates to your cleared Application Money (and to have that number of New Shares on your Application Form). If your cheque does not clear due to insufficient funds in your account, your Application will be rejected.

(b) **General**

If you have any queries concerning the Offer, please contact your stockbroker or other professional adviser.

Application Forms (with accompanying cheques for payment under the Offer) may be lodged at any time before 5pm (AEST) on the Closing Date. Applications received after this time may not be accepted. The Company will not be responsible for postal or delivery delays.

The Issue Price for each New Share under the Offer is payable in full on submitting the Application Form.

Completed Application Forms (and accompanying cheques for payment under the Offer) should be forwarded to the following address:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

All Application Monies for New Shares will be held in trust in a subscription account until the issue of the New Shares. The subscription account will be established and kept by the Company on behalf of the Applicants. Any interest earned on the Application Money will be retained by the Company irrespective of whether allotment takes place. No stamp duty, brokerage or handling fees are payable by an Applicant for any New Shares offered by this Prospectus.

You should obtain independent advice on the taxation implications arising out of your participation in the Offer.

6.3 Issue and quotation

(a) **Issue of New Shares**

The New Shares to be issued under the Offer will be issued in accordance with the timetable set out in section B.1 of this Prospectus.

Pending the allotment and issue of New Shares or payment of refunds under this Prospectus, the Company will hold all Application Money on trust for you in a separate bank account. The Company will, however, be entitled to retain all interest that accrues on any Application Money it holds, irrespective of whether issue of the New Shares takes place.

(b) **Quotation by ASX**

The Company will apply to ASX for quotation of the New Shares within 7 days of the date of this Prospectus. If the ASX accepts the Company's application, quotation of the New Shares will commence after the issue of the New Shares.

If any New Shares are not granted quotation on ASX within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, the Company will not issue those New Shares and the Application Money in respect of the New Shares will be refunded to you without interest within the time prescribed by the Corporations Act.

(c) **Holding Statements**

The Company participates in the security transfer system known as CHESS. CHESS is operated by ASX Settlement Pty Ltd (ACN 008 504 532) (a wholly owned subsidiary of ASX) in accordance with the Listing Rules and the ASX Settlement Operating Rules. Under CHESS you will not receive a share certificate. You will receive a holding statement setting out the number of New Shares issued to you under this Prospectus. If you are broker sponsored, ASX Settlement will send you a CHESS statement.

7. ADDITIONAL INFORMATION

7.1 Currency of information

The information in this Prospectus is dated 23 June 2016. There may be additional announcements made by the Company after the date of this Prospectus and throughout the Offer period that may be relevant to your consideration of whether or not to apply for New Shares under the Offer. Therefore, you are encouraged to check whether any further announcements have been made by the Company before submitting any application under the Offer. Refer to ASX's website (ticker: SVL).

No party other than the Company has authorised or caused the issue of the information in this Prospectus, or takes any responsibility for, or makes any statements, representations or undertakings in this Prospectus.

7.2 Rights and liabilities attaching to New Shares

There is only one class of Share in the Company, fully paid ordinary shares. The New Shares will rank equally with and have the same rights in all other respects as the Shares, including for any dividend issued after the date of this Prospectus. The Company is registered in Australia under the Corporations Act. The rights and liabilities attaching to Shares in the Company are:

- (a) set out in the Constitution, a copy of which is available to inspect during business hours at the registered office of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, ASX Settlement Operating Rules and the general law.

A summary of the more significant rights attaching to Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of our Shareholders.

Voting

At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

Dividends

The New Shares will rank equally with all other issued Shares in the capital of the Company and will participate in any dividends the Directors may determine to distribute out of profits earned by the Company from time to time. Subject to the rights of holders of Shares of any special preferential or qualified rights attaching thereto, the profits of the Company are divisible amongst the holders of Shares in proportion to the Shares held by them irrespective of the amount paid up or credited as paid up thereon. The Directors may from time to time pay to Shareholders such dividends as in their judgment the position of the Company justifies.

Winding up

Upon paying the Application Monies for New Shares a holder of New Shares will have no further liability to make payments to the Company in the event of the Company being wound up.

Power to issue Shares

Subject to the Listing Rules, the Board may issue such number of Shares as it determines. The Board may issue shares in the Company that rank as to voting or distribution rights, or both, equally or in priority to any existing Shares.

Transfer of Securities

Generally, the securities in the Company will be freely transferable, subject to satisfying the usual requirements of security transfers on the ASX. The Directors may decline to register any transfer of Shares but only where permitted to do so under its Constitution or the Listing Rules.

Sale of non-marketable holdings

The Company may take steps in respect of non-marketable holdings of Shares in the Company to effect an orderly sale of those Shares in the event that holders do not take steps to retain their holdings.

The Company may only take steps to eliminate non-marketable holdings in accordance with the Constitution and the Listing Rules.

For more particular details of the rights attaching to Shares in the Company, investors should refer to the Constitution of the Company.

7.3 Directors' interests

(a) Interests of Directors

Other than as disclosed in this Prospectus, no Director or proposed Director holds, or has held at any time during the last two years before lodgement of this Prospectus, any interest in:

- (i) the formation or promotion of the Company; or
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (iii) the Offer,

and no amounts, whether in cash or New Shares or otherwise, have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person to a Director or proposed Director either to induce him or her to become, or to qualify as, a Director or otherwise for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

(b) **Interests in securities as at the date of this Prospectus**

As at the date of this Prospectus, the Directors (and their respective associates) have interests in the securities of the Company as set out in the table below.

Interests include those held directly and indirectly.

| Director | Number of Shares currently held (as at the date of the Prospectus) | Number of Options currently held (as at the date of the Prospectus) | % voting power in the Company (as at the date of the Prospectus) |
|------------------|--|---|--|
| Nathan Featherby | Nil | Nil | 0.00% |
| Peter Langworthy | 500,000 | 1,000,000 | 0.15% |
| Anthony McClure | 17,375,500 | Nil | 5.10% |
| Keith Perrett | 1,000,000 | 500,000 | 0.29% |

Nathan Featherby (a director of the Company), is also a director of Ochre Group Holdings Limited and a substantial shareholder having a Relevant Interest in approximately 22.26% of the shares in Ochre Group Holdings Limited. Ochre Group Holdings currently holds 0.66% of Shares in the Company.

(c) **No participation of Directors in Offer**

No Directors (or proposed Directors) will acquire any New Shares issued pursuant to this Prospectus.

7.4 Interests of experts and advisers

Other than as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

In addition, other than as disclosed below, no amounts of any kind (whether in cash, securities or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

7.5 Expenses of the Offer

The expenses connected to the Offer payable by the Company are estimated at up to approximately \$40,000. These estimated expenses include legal fees, broker fees, Share Registry fees, ASX and ASIC fees.

7.6 Transaction specific prospectus and information excluded from continuous disclosure

The Company is a disclosing entity under the Corporations Act and therefore is subject to regular reporting and disclosure obligations. Under those obligations, the Company is required to comply with all applicable continuous disclosure and reporting requirements in the Corporations Act and the ASX Listing Rules. In particular, the Company must comply with the requirement to disclose to any information held by the Company which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus" issued under section 713 of the Corporations Act. In general terms, a "transaction specific prospectus" is required to contain information in relation to the effect of the Offer on the Company and the rights and liabilities attaching to the securities offered. This Prospectus is not required to provide information regarding the Company's assets and liabilities, financial position and performance, profits and losses or prospects. This is on the basis that, as at the date of this Prospectus, the Company has not withheld from its continuous disclosure reporting any information about such matters that investors and their professional advisers would reasonably require to make an informed assessment of such matters and expect to find in this Prospectus.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC;
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request:
 - (i) the annual financial report most recently lodged by the Company with ASIC;

- (ii) any half-year financial report lodged with ASIC after lodgement of the annual financial report and before lodgement of this Prospectus with ASIC; and
- (iii) any continuous disclosure notices given by the Company to ASIC in accordance with the ASX Listing Rules after the lodgement of the annual financial report and before the lodgement of this Prospectus with ASIC.

The Company lodged its latest financial report with ASX on 15 March 2016 (relating to the half-year which ended on 31 December 2015). Since then until close of trading on ASX on 22 June 2016, a list of documents filed with ASX by or concerning the Company is set out in the table below.

| Date | Description of Announcement |
|------------|--|
| 21/06/2016 | Reinstatement to official quotation |
| 21/06/2016 | Completion of Capital Raising |
| 21/06/2016 | Management Announcement |
| 21/06/2016 | Appendix 3B |
| 16/06/2016 | Placement |
| 14/06/2016 | Company Update & Voluntary Suspension |
| 07/06/2016 | Results of Meeting |
| 03/06/2016 | Consolidation/Split - SVL |
| 31/05/2016 | Company Update & Voluntary Suspension |
| 09/05/2016 | Investor Presentation |
| 09/05/2016 | Notice of Extraordinary General Meeting/Proxy Form |
| 06/05/2016 | Correction of Appendix 5B |
| 05/05/2016 | Continuation of Voluntary Suspension |
| 02/05/2016 | Quarterly Activity & Cashflow Report |
| 29/04/2016 | Suspension from Official Quotation |
| 27/04/2016 | Trading Halt |
| 15/04/2016 | Initial Director's Interest Notice |
| 07/04/2016 | Bowdens Acquisition Update |
| 07/04/2016 | Appendix 3B |
| 24/03/2016 | Prospectus |
| 23/03/2016 | Reinstatement to Official Quotation |
| 23/03/2016 | Bowdens Transaction and Placement |
| 18/03/2016 | Update on Suspension |

7.7 Consents

Each of the parties named below:

- (a) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus and for the inclusion of statements made by that party in the form and context in which it is named or that such statements are included;
- (b) has not made, or purported to make, any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below;
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in, or omissions from, this Prospectus, other than the reference to its name in the form and context in which it appears and any statement included in this Prospectus with its consent, as specified below; and
- (d) has not caused or authorised the issue of this Prospectus.

Boardroom Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as the Share Registry in the form and context in which it is named. Boardroom Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company.

7.8 Not investment advice or financial product advice

The information in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs or circumstances. The Company is not licensed to (and does not) provide financial product advice in respect of the New Shares.

The information in this Prospectus does not take into account the investment objectives, financial situation or needs of you or any particular investor. Before deciding whether to apply for New Shares under the Offer, you should consider whether they are a suitable investment for you in the light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. You should conduct your own independent review, investigation and analysis of the securities the subject of the Offer. If, after reading this Prospectus, you have any questions about the Offer, you should contact your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser.

7.9 Taxation

There may be taxation implications in relation to the Offer and subscribing for New Shares. These taxation implications vary depending on your individual circumstances. You should seek and rely on your own taxation advice regarding an investment in the Company. Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility with respect to the taxation consequences connected with the Offer or the New Shares.

7.10 No cooling-off rights

No cooling-off rights apply to a subscription for New Shares under the Offer. This means that you cannot withdraw your application for New Shares once it has been accepted.

7.11 Governing law

The information in this Prospectus, and the contracts formed on acceptance of the Offer pursuant to the personalised Application Form, are governed by the law applicable in New South Wales, Australia. Each person who applies for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

7.12 References to 'you' and 'your Application Form'

In this Prospectus, references to 'you' are references to Eligible Investors and references to 'your Application Form' are references to an Application Form of Eligible Investors.

7.13 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Offer that is not contained in this Prospectus. Any information or representation that is not in this Prospectus may not be relied on as having been authorised by the Company, or its related bodies corporate, in connection with the Offer.

Except as required by law, and only to the extent so required, none of the Company, the Directors or any other person, warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this Prospectus.

7.14 Modification or withdrawal of Offer

The Directors reserve the right to modify or withdraw all or part of the Offer and this Prospectus at any time, subject to applicable laws. If this occurs, the Company will refund any Application Monies received in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to the Company will not entitle you to any interest against the Company and that any interest earned in respect of Application Monies will belong to the Company.

7.15 ASIC declarations and Listing Rule waivers

The Company has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer. The Company has not been granted any waivers from ASX in relation to the Offer.

7.16 Privacy disclosure

The Company and the Share Registry collect, hold and use certain personal information about each Applicant on the Application Forms for the purposes of processing the Applications and

administering each Applicant's security holding in the Company. The Company must maintain a public register.

Information contained in the Company's register is also used for corporate communications and compliance by the Company with legal and regulatory requirements.

Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's management practices by contacting the Share Registry or the Company. If the Share Registry's record of your personal information is incorrect or out of date, it is important that you contact the Company or the Share Registry so that records can be corrected.

8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors on 23 June 2016. In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Signed for and on behalf of the Company:

A handwritten signature in black ink, appearing to read "Nathan Featherby", written over a horizontal line.

Nathan Featherby
Executive Chairman

Dated: 23 June 2016

9. INTERPRETATION AND GLOSSARY

9.1 Glossary

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|---------------------------------------|---|
| A\$ and \$ | Australian dollars, unless otherwise stated. |
| Applicant | An Eligible Investor who applies for New Shares pursuant to the Offer. |
| Application | A valid application by an Applicant to subscribe for New Shares under the Offer. |
| Application Form | An application form attached to or accompanying this Prospectus. |
| Application Money | The amount payable by an Applicant under the Offer, being the amount equal to the Issue Price multiplied by the total number of New Shares applied for by the Applicant under the Application Form. |
| AEST | Australian Eastern Standard Time. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited (ACN 008 624 691) and the Australian Securities Exchange it operates. |
| ASX Settlement | ASX Settlement Pty Ltd (ABN 49 008 504 532). |
| ASX Settlement Operating Rules | The operating rules of the settlement facility provided by ASX Settlement as amended from time to time. |
| Board | The board of Directors. |
| Bowdens Agreement | Share sale and purchase agreement between Silver Investments Australia Pty Ltd, Silver Investment Holdings Australia Ltd, Kingsgate Bowdens Pty Ltd and Kingsgate Consolidated Ltd. |
| Bowdens Silver Project | The Bowdens silver project described in section 2.2. |
| Business Day | Has the same meaning as given to that term in the Listing Rules. |
| CHESS | The Clearing House Electronic Subregister System of ASX. |
| Closing Date | The date on which the Offer closes, being 30 June 2016 or such other date determined by the Company in accordance with the Listing Rules. |
| Company, Silver Mines or SVL | Silver Mines Limited ACN 107 452 942. |
| Constitution | The constitution of the Company. |

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| Conrad Silver Project | The Conrad silver project described in section 2.3. |
| Corporations Act | The <i>Corporations Act 2001</i> (Cth). |
| Director | A director of the Company as at the date of this Prospectus. |
| Eligible Investors | Australian investors who subscribed for Placement Shares under the Placement. |
| Issue Date | The date that all New Shares have been issued under the Offer. |
| Issue Price | \$0.15 per New Share, being the price payable to subscribe for each New Share. |
| Listing Rules | The official listing rules of ASX as amended, varied, modified or waived from time to time. |
| Lodgement Date | 23 June 2016, being the date this Prospectus was lodged with ASIC. |
| MAR | Malachite Resources Limited ACN 075 613 268. |
| New Shares | Has the meaning given to that term in section 3.2. |
| Ochre Group Holdings Limited | Ochre Group Holdings Limited ACN 008 877 745. |
| Offer | The Offer made under this Prospectus. |
| Placement | Has the meaning given to that term in section 3.1. |
| Placement Shares | Has the meaning given to that term in section 3.1. |
| Prospectus | This prospectus dated 23 June 2016 and lodged with ASIC on that date. |
| Relevant Interest | Has the same meaning as given to that term in sections 608 and 609 of the Corporations Act. |
| Share | A fully paid ordinary share in the issued capital of the Company. |
| Shareholder | A registered holder of one or more Shares in the register of members of the Company. |
| Share Registry | Boardroom Pty Limited ACN 003 209 836. |
| SIHA | Silver Investment Holdings Australia Limited ACN 610 909 807 |
| State Native Title legislation | <i>Aboriginal Land Rights Act 1983</i> (NSW) and the <i>Native Title (New South Wales) Act 1994</i> (NSW) |

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| US Person | Has the meaning given to that term in Rule 902(k) under Regulation S under the US Securities Act. |
| US Securities Act | The US Securities Act of 1933, as amended. |
| Webbs Silver Project | The Webbs silver project described in section 2.4. |

CORPORATE DIRECTORY

DIRECTORS

| | |
|------------------|------------------------|
| Nathan Featherby | Executive Chairman |
| Anthony McClure | Managing Director |
| Keith Perrett | Non-Executive Director |
| Peter Langworthy | Non-Executive Director |

COMPANY SECRETARY

Trent Franklin

REGISTERED OFFICE

Level 11, 52 Phillip Street
Sydney NSW 2000
Australia

Phone: +61 2 8316 3997

Fax: +61 2 8316 3999

Email: info@silvermines.com.au

Website: www.silverminesltd.com.au

AUDITORS

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Chartered Accountants
Level 7, Norwich House
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Sydney NSW 2000

Tel: +61 2 8256 1100

Fax: +61 2 8256 1111

SHARE REGISTRY

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Tel: +61 2 9290 9600

Fax: +61 2 9279 0664