

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Silver Mines Limited

ABN

45 107 452 942

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Fully Paid Ordinary Shares & Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 273,333,567 Ordinary Fully Paid Shares 15,500,000 Options |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | 233,333,567 of the Shares are at an issue price of \$0.15. 40,000,000 of the Shares are at an issue price of \$0.10. 7,500,000 of the Options are at an exercise price of \$0.30 and an expiry of 20/06/18. 8,000,000 of the Options are at an exercise price of \$0.30 and an expiry of 20/06/19. |

+ See chapter 19 for defined terms.

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|---|---|
| <p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | <p>Yes</p> |
| <p>5 Issue price or consideration</p> | <p>\$0.15 per share for 233,333,567 Ordinary Fully Paid Shares. Total cash consideration \$35,000,035.05. \$0.10 per share non-cash consideration for 40,000,000 Ordinary Fully Paid Shares. Total non-cash consideration of \$4,000,000. Nil consideration for 15,500,000 Options.</p> |
| <p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p> | <p>All shares, except for those detailed below, were issued for cash to complete the acquisition of Bowdens Silver Project, to facilitate working capital, and otherwise to fund the Company's pursuit of other opportunities or acquisitions as per Resolution 3 & 5, approved by shareholders at the EGM on 6 June 2016.</p> <p>40,000,000 of the shares were issued as consideration of the Silver Investment Holdings Australia Ltd acquisition as per Resolution 8, approved by shareholders at the EGM on 6 June 2016.</p> <p>7,500,000 of the options were issued to subscribers as per Resolution 2, approved by shareholders at the EGM on 6 June 2016.</p> <p>8,000,000 of the options were issued to advisors as per Resolution 7, approved by shareholders at the EGM on 6 June 2016.</p> |

+ See chapter 19 for defined terms.

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| 6a | Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i | No |
| 6b | The date the security holder resolution under rule 7.1A was passed | |
| 6c | Number of +securities issued without security holder approval under rule 7.1 | |
| 6d | Number of +securities issued with security holder approval under rule 7.1A | |
| 6e | Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting) | |
| 6f | Number of +securities issued under an exception in rule 7.2 | |
| 6g | If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation. | |
| 6h | If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements | |
| 6i | Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements | |

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| 7 | <p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p> | <p>20 June 2016</p> |
|---|---|---------------------|

| 8 | <p>Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in section 2 if applicable)</p> | <table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">340,475,643</td> <td>Ordinary Fully Paid Shares.</td> </tr> <tr> <td style="text-align: center;">23,393,614</td> <td>Options at Exercise price of \$0.30 and expiry of 13/10/17.</td> </tr> <tr> <td style="text-align: center;">7,500,000</td> <td>Options at Exercise price of \$0.30 and expiry of 20/06/18.</td> </tr> </tbody> </table> | Number | +Class | 340,475,643 | Ordinary Fully Paid Shares. | 23,393,614 | Options at Exercise price of \$0.30 and expiry of 13/10/17. | 7,500,000 | Options at Exercise price of \$0.30 and expiry of 20/06/18. |
|------------|---|--|-----------------------------|--------|-------------|-----------------------------|------------|---|-----------|---|
| | | Number | +Class | | | | | | | |
| | | 340,475,643 | Ordinary Fully Paid Shares. | | | | | | | |
| 23,393,614 | Options at Exercise price of \$0.30 and expiry of 13/10/17. | | | | | | | | | |
| 7,500,000 | Options at Exercise price of \$0.30 and expiry of 20/06/18. | | | | | | | | | |

| 9 | <p>Number and +class of all +securities not quoted on ASX (<i>including</i> the +securities in section 2 if applicable)</p> | <table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">58,000</td> <td>Options at exercise price of \$4.30 and expiry date of 31/05/17.</td> </tr> <tr> <td style="text-align: center;">8,000,000</td> <td>Options at Exercise price of \$0.30 and expiry of 20/06/19.</td> </tr> </tbody> </table> | Number | +Class | 58,000 | Options at exercise price of \$4.30 and expiry date of 31/05/17. | 8,000,000 | Options at Exercise price of \$0.30 and expiry of 20/06/19. |
|-----------|---|--|--------|--------|--------|--|-----------|---|
| | | Number | +Class | | | | | |
| 58,000 | Options at exercise price of \$4.30 and expiry date of 31/05/17. | | | | | | | |
| 8,000,000 | Options at Exercise price of \$0.30 and expiry of 20/06/19. | | | | | | | |

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| 10 | <p>Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)</p> | |
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+ See chapter 19 for defined terms.

Part 2 - Pro rata issue

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| 11 | Is security holder approval required? | |
| 12 | Is the issue renounceable or non-renounceable? | |
| 13 | Ratio in which the +securities will be offered | |
| 14 | +Class of +securities to which the offer relates | |
| 15 | +Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |

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| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders | |
| 25 | If the issue is contingent on security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and offer documents will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |

+ See chapter 19 for defined terms.

- 32 How do security holders dispose of their entitlements (except by sale through a broker)?
- 33 ⁺Issue date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of ⁺securities
(tick one)
- (a) ⁺Securities described in Part 1
- (b) All other ⁺securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional ⁺securities

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Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

39 +Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

| | Number | +Class |
|--|--------|--------|
| 42 Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in clause 38) | | |

+ See chapter 19 for defined terms.

