

SUCCESSFUL COMPLETION OF CAPITAL RAISING TO FUND THE PURCHASE OF THE BOWDENS SILVER PROJECT

Highlights

- **A total of A\$35,000,035 raised;**
- **Strong support from International and Australian specialist natural resources funds;**
- **Funds raised for the completion of the purchase of 85% of the Bowdens Silver Project and for working capital purposes;**
- **Company to focus on completion of Feasibility Studies and the Environmental Impact Statement progressing towards mine development;**
- **Silver Mines shares to recommence trading on a post consolidation basis on 21st June 2016.**

Summary

Silver Mines Limited (ASX:SVL) ("Silver Mines" or "the Company") is pleased to advise that it has successfully completed a capital raising of approximately A\$35 million ("Placement") to institutional, professional and sophisticated investors.

The financing will be used to complete the acquisition of 85% of the Bowdens Silver Project from Kingsgate Consolidated Limited (ASX:KCN) ("Kingsgate Consolidated"). See Figure 1.

Completion of this acquisition is an important step in the Silver Mines strategy to consolidate quality silver deposits in New South Wales and to form Australia's pre-eminent silver company.

Completion of Placement

Bell Potter Securities Limited acted as the Sole Lead Manager to the Placement and was assisted by Hartleys Limited. The Placement includes the issuance of 233,333,567 fully paid ordinary at A\$0.15 per share (on a post consolidated basis) for total proceeds of A\$35,000,035 before costs.

The Placement drew strong support from domestic and international institutions, with fourteen specialist natural resources funds joining the register.

The Placement will see the Company fully financed to complete the purchase of 85% of the Bowdens Silver Project which is scheduled to complete on or prior to 30th June 2016.

A further 40,000,000 fully paid ordinary shares have been issued as part of the acquisition of Silver Investments Holdings Australia Limited in association with the purchase of the Bowdens Silver Project.

The cash purchase consideration totals A\$20 million, of which A\$2 million has already been paid by way of deposit.

The balance of the proceeds will be utilised for working capital purposes including for the completion of Feasibility Studies, the Environmental Impact Statement and to fund an aggressive exploration program in respect of the Bowdens Silver Project. The program is aimed at increasing resources within and in

the immediate vicinity of the current project area, the conversion of resources to higher levels of confidence, and to further explore the potential for high grade mineralisation at depth.

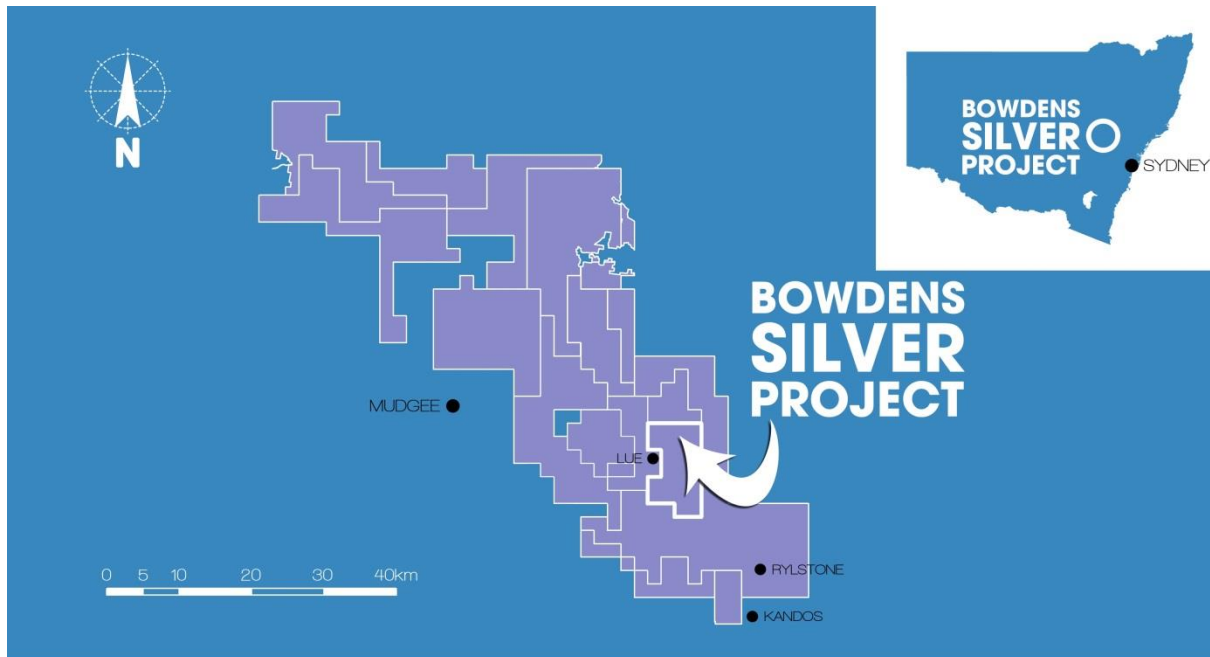


Figure 1. Location of the Bowdens Silver Project

Background

On 3rd March 2016 Silver Mines announced that it had entered into a Heads of Agreement ('HOA') to acquire Silver Investments Holdings Australia Limited ('SIHA'). SIHA is a New South Wales dedicated resources company that had entered into an agreement with Kingsgate Consolidated to purchase 85% of the Bowdens Silver Project in New South Wales.

The HOA was substituted by a further definitive Agreement with principle terms to acquire 100% of SIHA including:

1. Silver Mines to pay deposit funds of A\$2 million to SIHA (paid);
2. Silver Mines to provide an A\$18 million loan to SIHA prior to 30th June 2016;
3. In conjunction with 1 and 2 above, Silver Mines will issue 40,000,000 fully paid ordinary shares (on a post share consolidation basis) to complete the purchase of SIHA;
4. Silver Mines to issue a further 40,000,000 shares (on a post share consolidation basis) based and split upon Environmental Impact Statement submission and the granting of a Mining Lease.

Financing provided to SIHA will be utilised to extinguish all purchase obligations to Kingsgate Consolidated.

On 23rd March 2016, Silver Mines announced the completion of a placement of shares raising A\$2.25 million with proceeds primarily utilised of the completion of 1. above.

On the 9th May 2016, Silver Mines announced a Notice of Extraordinary General Meeting to be held on 6th June 2016 for Shareholders to consider various Resolutions including the issuance of shares as part of the Placement, to issues shares for the completion of the SIHA acquisition, to consolidate the

Company's capital on a 100:1 basis and other associated resolutions to the SIHA acquisition and financing. All Resolutions were passed on 6th June 2016.

Share Purchase Plan

As previously announced, the Company is considering a Share Purchase Plan ("SSP") to provide an opportunity for current eligible shareholders to participate in financing on the same terms as the Placement (A\$0.15 per share). More information will be provided on this opportunity in the coming weeks.

Board and Management Changes

As announced by the Company today, a number of Board and Management changes have taken place. See separate release of 21st June 2016. Further changes to the Board of Directors are expected over the coming months and will be advised accordingly.

About Silver Mines Limited

The Silver Mines strategy has been to consolidate quality silver deposits in New South Wales and to form Australia's pre-eminent silver company.

The Company's goal is to provide exceptional returns to shareholders through the acquisition, exploration and potential development of quality silver projects and maximising leverage to an accretive silver price.

Yours faithfully

Silver Mines Limited

A handwritten signature in black ink, appearing to read "Trent Franklin", written in a cursive style.

Trent Franklin
Company Secretary

Released: 21st June 2016