

29 January 2016

Company Announcement officer
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2015

Highlights for the Quarter

- **Farm-In with Thompson Resources across Highly prospective tenements west of Bowdens Silver Project**
- **Grant of Two New Exploration Licenses in NSW**
- **Continued corporate discussions with White Rock Minerals**
- **Closing of Rights Issue and Placement proposal**

Farm-In arrangement with Thompson Resources

During the Quarter SVL entered into a Memorandum of Understanding (“MOU”) with Thomson Resources Limited (ASX Code: TMZ) to Farm-In to EL7391 (the Project). EL7391 is approximately 10km west of the Bowdens silver deposit in central west NSW (Map 1).

This agreement marks a further important step in SVL’s strategy to aggressively pursue the acquisition of what it considers to be under-valued silver exploration and development properties with potential for significant discoveries.

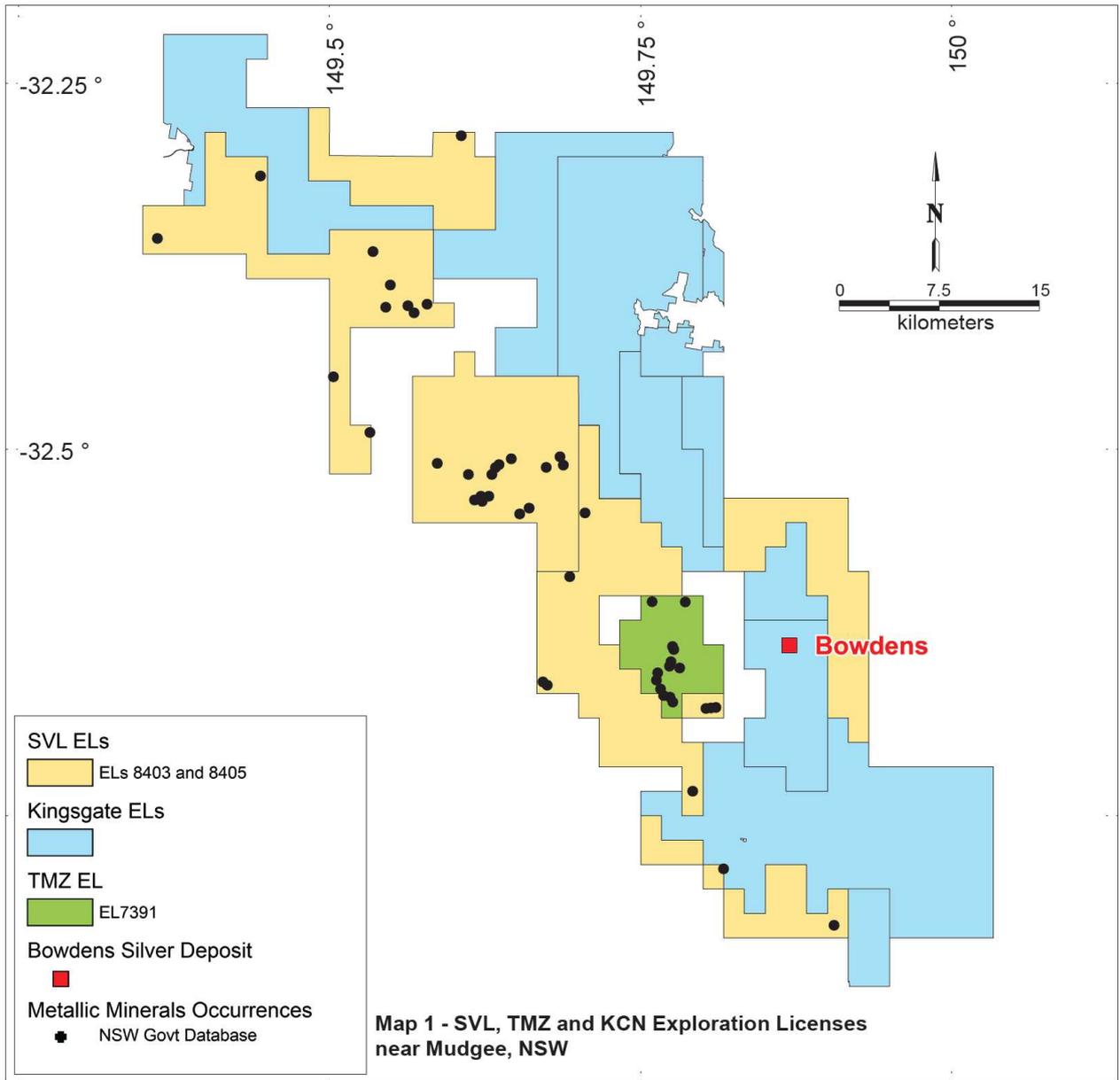
Under the terms of the MOU with TMZ, SVL;

- Commits to spend an initial \$300 000 to earn 80% over a three-year period.
- Commits to a minimum of 1 000m of drilling within this earn-in period.
- Once SVL have earned in, TMZ retain a free carried 20% interest in the project to decision to develop the project.
- SVL manages all work programs during and after the Farm-In period and will keep the EL in good standing in line with all regulatory requirements.

Grant of new Exploration Licenses in NSW.

SVL was also been granted two new Exploration Licenses in NSW, covering an approximate 650 square kilometres of prospective ground surrounding and along strike of the Bowdens silver deposit in NSW, for an initial three (3) year term (see Map 1).

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CONRAD SILVER PROJECT.

SVL and Malachite Resources Ltd (ASX:MAR) announced on June 17 2015 that SVL was exercising its Option to acquire a 100% interest in the Conrad Silver project, located near Inverell in NE NSW approximately 150km by road to SVL’s 100% Webbs Silver Project. The acquisition is part of the Corporate Strategy being implemented by SVL to acquire projects with JORC silver resources.

During the quarter, SVL completed all outstanding cash payments to Malachite relating to the acquisition of Conrad and is currently finalizing with MAR the documentation required for completion.

HEADS OF AGREEMENT (HoA) with White Rock Minerals

White Rock Minerals (ASX:WRM) and Silver Mines (ASX:SVL) announced a Heads of Agreement had been signed on 23 July 2015 whereby SVL will provide WRM with funding of up to A\$500,000 as part of a broader commitment by the parties to consider a corporate transaction (Corporate Transaction). A Corporate Transaction means the possible merger, acquisition or other business combination of all or part of the businesses, assets or entities of the parties.

Under the Heads of Agreement, SVL agreed to provide funding to WRM for general working capital purposes via private placement and a loan facility.

Subsequent to quarter end, SVL completed an A\$200,000 placement in White Rock at a price of A\$0.002.

For further information on the WRM Heads of Agreement, please refer to ASX announcement dated 23 July 2015.

On 22nd January 2016, WRM and Silver Mines announced that the Heads of Agreement had expired. Silver Mines remains committed to identifying and acquiring accretive Silver growth opportunities both in Australia and Globally.

CORPORATE STRATEGY UPDATE

On July 7, 2015 SVL announced a corporate strategy update. It is SVL's view that at present, financial assets and more particularly US equities are in a bubble. Furthermore, it remains the Company's belief that precious metals, and more particularly Silver, will eventually outperform equities and other assets, with prices potentially testing or exceeding the highs reached in 2011/12.

SVL's goal is to provide exceptional returns to shareholders by maximising leverage to the Silver Price in what we perceive will be a rising Silver Price environment.

The Board has concluded that SVL's competitive advantage is ability to evaluate, acquire, explore opportunistically priced Silver Deposits in the current Silver market, narrowing our value-added. A key focus of this includes acquiring known silver deposits with demonstrated JORC resources that provide a low entry price to silver assets on a per ounce basis. Adding silver ounces and continuing to accumulate additional silver resources will provide a backing per share on a silver ounce per share basis.

In effect, SVL has been conceived as a "Silver in the ground" ETF with the value enhancing potential to expand silver and other precious metal ownership and upgrade the quality of existing silver resources with minimal equity dilution, unlike above ground ETF's.

In SVL's view, it is currently cheaper to buy already demonstrated silver ounces in the ground than explore for them in the current market cycle, and therefore we are looking actively for Australian Silver Deposits that are not necessarily economic in a low Silver price environment, but would provide exponential growth in value as the price of Silver rises.

SVL have four main criteria for growth:

- Identify and acquire JORC silver ounces;
- Acquire silver projects that offer other synergies such as geographic position to existing projects;

- Have a highly prospective exploration portfolio with ground positions near to known silver deposits that have had little modern silver exploration and
- Build a portfolio of silver assets with low holding costs to conserve cash in the near term and where value can be added through an increased silver price.

It is the expectation of the company that eventually it will become more expensive to acquire existing silver resources and the cost-benefit equation will tilt in favour of exploration again. This will represent the second stage of our strategy, to enhance the resource base by carefully targeted exploration.

The company also remains engaged in discussion with a number of groups with respect to potential corporate transactions involving Silver and in line with its growth and acquisition strategy. At this time, these discussions are ongoing, confidential, incomplete and non-binding. Silver Mines will provide updates, as and when is required under its continuous disclosure obligations.

Additional Information Required Under Listing rule 5.3.3

Mining Tenements held as at 31 December 2015:

Reference	Project Name	Location	SVL Ownership	Area (km²)
EL5674	Webbs	NSW	100%	12
EL8403	Mudgee	NSW	100%	289
EL8405	Lue	NSW	100%	371

During the quarter ending 31 December 2015:

- EL8403 was registered on 4 November 2015 covering 100 units.
- EL8405 was registered on 4 November 2015 covering 128 units.
- No mining tenements were acquired or disposed.
- No beneficial interests were held in farm-in or farm-out agreements.
- No beneficial interests in farm-in or farm-out agreements were acquired or disposed of during the quarter.

RIGHTS ISSUE AND PROPOSED PLACEMENT

On 9 October 2015, the SVL rights issue (prospectus 9 September 2015) closed with underwriter shortfall allotment occurring on the 19 October 2015. Following this successful rights issue, SVL announced it would undertake a further placement at a price of A\$0.0015 with attaching options on a 1 for 1 basis to raise up to A\$1.2m. The purpose of the proposed financing at A\$0.0015 - To provide further funds for possible future acquisition opportunities and general working capital. Additional information can be sourced from the announcement made 19 November 2015.

Further Information

For further information on this announcement or on Silver Mines Limited, please contact:

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29 January 2016

To: Australian Securities Exchange Ltd (ASX)
From: Silver Mines Limited (ASX: SVL)
Date: 29 January 2016
Subject: December 2015 - Appendix 5B

The Board of Silver Mines Limited (the Company) is pleased to provide herewith the Appendix 5B for the quarter ended 31 December 2015.

During the quarter ended 31 December 2015 the Company incurred one-off cash outflows relating to the following:

- i. Legal and professional advisory fees of approximately \$220,000 relating to the preparation of an offer document;
- ii. Break-fee of approximately \$100,000 relating to Bergan Opportunity Fund, LLC funding; and
- iii. Past directors' fees of approximately \$54,000 relating to Mr. David Sutton who at the last AGM did not stand for re-election.

Currently the Company, along with its legal and professional advisors is contemplating a further placement and SPP at a price of A\$0.015 or 1.5 cents for future accretive Silver focused project acquisitions and working capital purposes.

By Order of the Board
Silver Mines Limited

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Silver Mines Limited

ABN

45 107 452 942

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (six months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(218) (876)	(229) (1,257)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	4	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(1,090)	(1,481)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(275) (125)	(275) (352)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	(561)	(611)
1.11 Loans repaid by other entities		
1.12 Other (return of ERL Bond)	10	10
Net investing cash flows	(951)	(1,228)
1.13 Total operating and investing cash flows (carried forward)	(2,041)	(2,709)

+ See chapter 19 for defined terms.

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Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,041)	(2,709)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,653	3,339
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2,653	3,339
	Net increase (decrease) in cash held	612	630
1.20	Cash at beginning of quarter/year to date	118	100
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	730	730

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	586
1.24	Aggregate amount of loans to the parties included in item 1.10	50

1.25 Explanation necessary for an understanding of the transactions
 Fees to Directors, Company Secretary and Associates of Directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	60
4.2 Development	
4.3 Production	
4.4 Administration	300
Total	360

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	730	118
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	730	118

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Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	4,711,717,945	4,711,717,945	\$0.001
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,018,775,231	4,018,775,231	\$0.001
7.5	+Convertible debt securities (description)			

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Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	19,643,87,178 5,800,000		Exercise price \$0.003 \$0.043	Expiry date 13 October 2017 31 May 2017
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	8,500,000 83,179,260		\$0.50 \$0.01	23 December 2015 13 December 2015
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* (delete one) give a true and fair view of the matters disclosed.

Sign here: *[Sent electronically without signature]*
(Director)

Date: 29 January 2016

Print name: **Charles Straw**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

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Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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