

29 April 2016

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

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2016

Highlights for the Quarter

- **Acquisition of Bowdens Silver Project via agreement with Silver Investment Holdings Australia (SIHA)**
- **Interim Financing Placement Conducted**
- **Appointment of Company Secretary and Board changes**
- **Expiry of HoA with White Rock Minerals.**

Acquisition of Bowdens Silver deposit

As announced to ASX on 3rd March 2016, Silver Mines Limited (“SVL” or “the Company”) 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 has recently entered into an agreement with Kingsgate Consolidated Limited (ASX:KCN) to purchase 85% of the Bowdens Silver Project (‘Bowdens’) in New South Wales.

This acquisition will make SVL the largest pure play silver company on the Australian Securities Exchange, 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.

Executing this agreement with SIHA is a critical step in the Company’s development. SVL has actively sought to build its asset base through strategic acquisitions, with SIHA and Bowdens representing a major milestone for the Company

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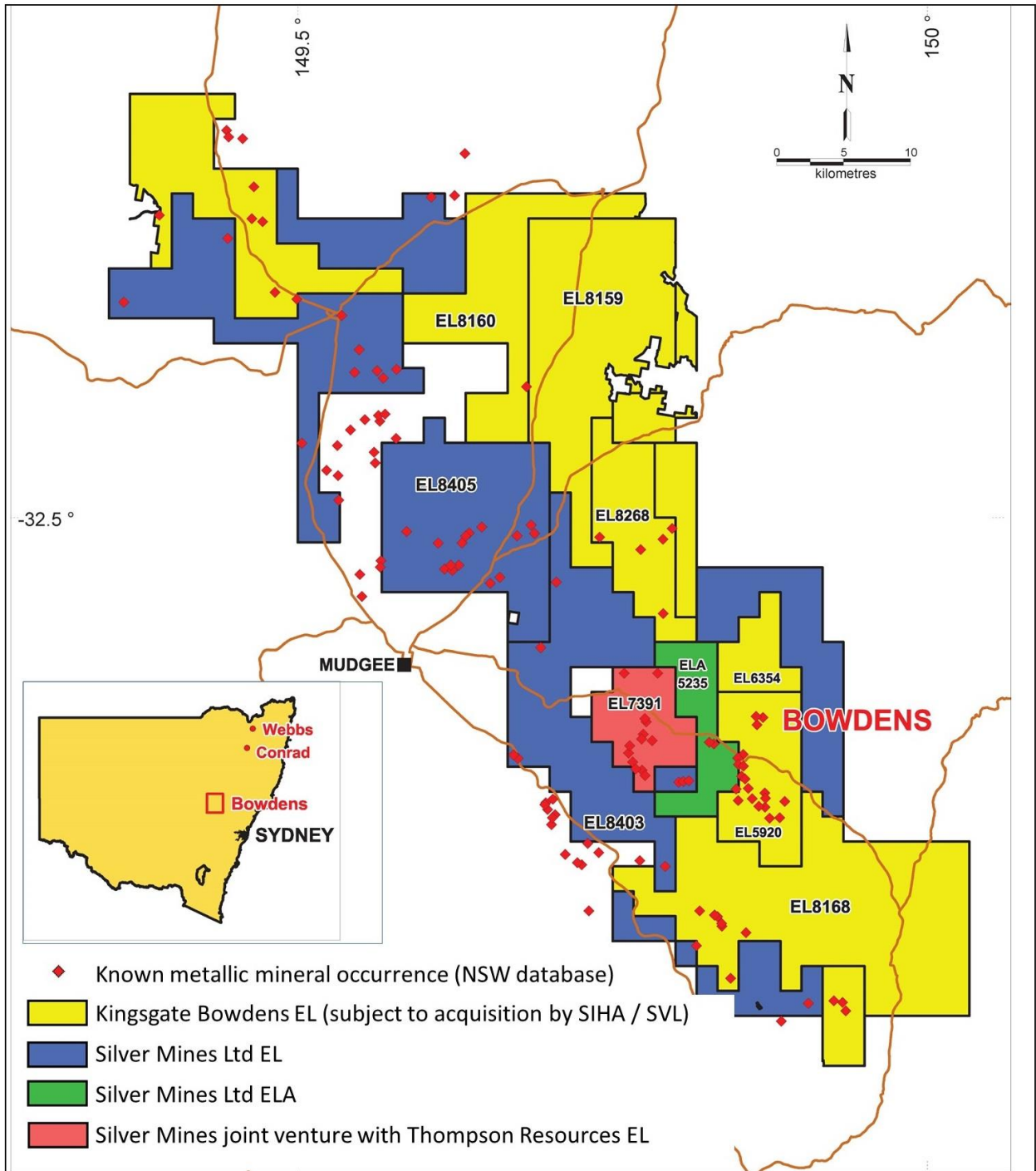


Figure 1 Tenement map of SVL holdings in the Bowdens district along with the holdings subject to the transaction with SIHA.

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FINANCING COMMITMENTS

As announced to the ASX on 23rd March 2016, the Company received firm commitments totaling \$2.25m for a placement of shares at a price of A\$0.0015 with a 1 for 2 free attaching A\$0.003 option (2-Year Expiry). The Placement was lead managed by DJ Carmichael and was supported by a range of Natural resources focussed institutions and “High Net Worth” individuals.

HEADS OF AGREEMENT (HoA) with White Rock Minerals

White Rock Minerals (ASX:WRM) and SVL announced a Heads of Agreement had been signed on 23rd July 2015 whereby SVL will provide WRM with funding of up to \$500,000 as part of a broader commitment by the parties to consider a corporate transaction. Under the Heads of Agreement, SVL agreed to provide funding to WRM for general working capital purposes via private placement and a loan facility.

For further information on the WRM Heads of Agreement, please refer to ASX announcement dated 23 July 2015. On 22nd January 2016, WRM and SVL announced that the Heads of Agreement had expired.

Corporate Strategy

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 the Company’s competitive advantage would be 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 the Company’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.

Additional Information Required Under Listing rule 5.3.3

Mining Tenements held as at 31 March 2016:

Reference	Project Name	Location	SVL Ownership	Area (km ²)
EL5674	Webbs	NSW	100%	12
EL8403	Mudgee	NSW	100%	289
EL8405	LUE	NSW	100%	371

During the quarter ending 31 March 2016:

- 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.

The information in this report that relates to Mineral Reserves, Mineral Resources and Exploration Results is based on information compiled by Mr Charles Straw, Director of SVL. Mr Straw is a Member of The Australasian Institute of Mining and Metallurgy. Mr Straw has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Straw consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Yours faithfully
Silver Mines LimitedTrent Franklin
Company Secretary

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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 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (nine 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	(44) (225)	(273) (1,482)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	6
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	(268)	(1,749)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(125) 	(400) (352)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	 102	 102
1.10	Loans to other entities	(1,800)	(2,411)
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		10
	Net investing cash flows	(1,823)	(3,051)
1.13	Total operating and investing cash flows (carried forward)	(2,091)	(4,800)

1.13	Total operating and investing cash flows (brought forward)	(2,091)	(4,800)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,631	4,970
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	1,631	4,970
	Net increase (decrease) in cash held	(460)	170
1.20	Cash at beginning of quarter/year to date	730	100
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	270	270

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	73
1.24	Aggregate amount of loans to the parties included in item 1.10	-

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

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	100
4.2 Development	
4.3 Production	
4.4 Administration	300
Total	400

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	270	730
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	270	730

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			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	*Ordinary securities	5,836,684,945	5,836,684,945	
7.4	Changes during quarter			
	(a) Increases through issues	150,000,000 77,056,191 910,809,897	150,000,000 77,056,191 910,809,897	\$0.001 \$0.0016222 \$0.0015
	(b) Decreases through returns of capital, buy-backs			\$0.0015
7.5	*Convertible debt securities			
	<i>(description)</i>			

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7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	20,018,870,178 5,800,000		<i>Exercise price</i> \$0.003 \$0.043	<i>Expiry date</i> 13 October 2017 31 May 2017
7.8	Issued during quarter	375,000,000		\$0.003	13 October 2017
7.9	Exercised during quarter				
7.10	Expired during quarter				
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 give a true and fair view of the matters disclosed.

Sign here: SIGNATURE ON FILE
(Company secretary)

Date: 29 April 2016

Print name: TRENT FRANKLIN

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.
- 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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