

31 October 2015

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

## ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2015

### Highlights for the Quarter

- **Heads of Agreement HoA signed with White Rock Minerals (WRM)**
- **Updated Corporate Strategy announced and being implemented.**
- **Rights Issue Prospectus.**

### 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.

Subsequent to to quarter end, SVL had completed all outstanding cash payments to Malachite Resources relating to the acquisition of the Conrad Silver Project and is currently finalising with MAR the documentation required for completion.

### HEADS OF AGREEMENT (HoA) signed 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 agrees 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.

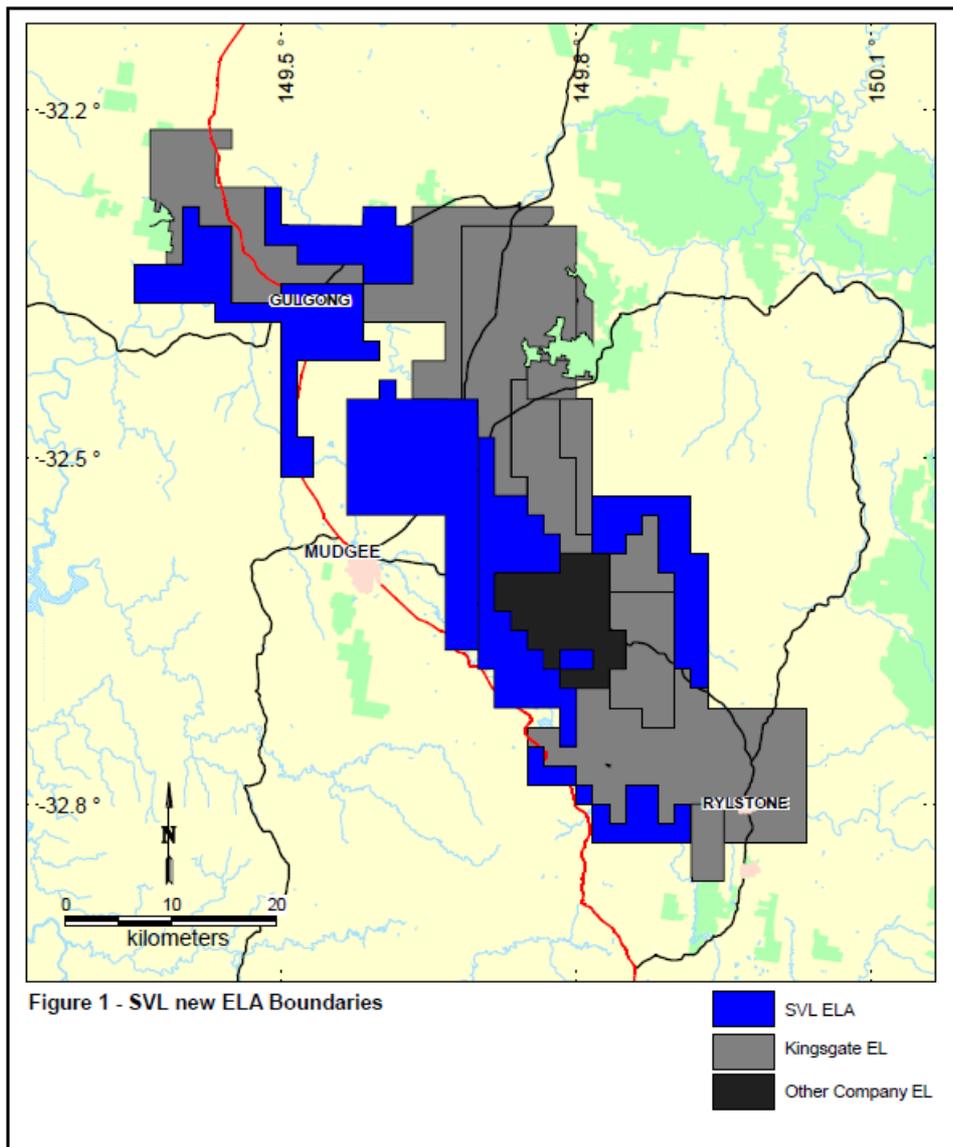
For further information on the WRM Heads of Agreement, please refer to ASX announcement dated 23 July 2015.

**EXPLORATION LICENSE APPLICATIONS (ELA) NEAR BOWDENS SILVER DEPOSIT NSW.**

On 3 June 2015, SVL announced it had applied for approximately 650 square kilometres surrounding and along strike from the 182 Moz AgEq (JORC 2012 – ASX:KCN announcement 18 Oct 2013) Bowdens silver (+zinc+lead) deposit, situated approximately 240km West of Sydney and on the North-Eastern margin of the Lachlan Fold Belt(Figure 1).

The ELAs encompass favourable and highly prospective geology and contain a significant number of metaliferous occurrences which remain underexplored for low sulphidation type, low grade bulk tonnage silver rich epithermal silver deposits similar to the Bowdens deposit currently owned by Kingsgate Consolidated Limited. The ELAs provide a strategic tenement position for SVL from which it will continue to build upon and explore.

The Company is of the view that the district surrounding and along strike from Bowdens has the potential for further silver discoveries given the limited amount of historical exploration completed in the area focussed in this deposit style and considers these ELAs to be strongly aligned with the Company’s overall silver exploration, acquisition and development strategy.



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## 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 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 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 30 June 2015:

| Reference | Project Name | Location | SVL Ownership | Area (km <sup>2</sup> ) |
|-----------|--------------|----------|---------------|-------------------------|
| EL5674    | Webbs        | NSW      | 100%          | 12                      |

|         |            |     |      |     |
|---------|------------|-----|------|-----|
| EL6771  | Mole River | NSW | 0%   | 75  |
| ELA5186 |            | NSW | 100% | 371 |
| ELA5187 |            | NSW | 100% | 289 |

During the quarter ending 30 June 2015:

- EL6771 is now 0% after SVL dropped the tenement.
- ELA5186 was registered on 2 June 2015 covering 128 units.
- ELA5187 was registered on 2 June 2015 covering 100 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.

#### COMPLETED RIGHTS ISSUE

On 17 June, 2015, the Company announced a 4:1 Rights Issue at \$0.001/share, with a one for two free attaching 24 month options exercisable at \$0.003, to raise an approximate amount of \$2.8 Million. On 30 July 2015 the company executed a mandate for corporate services with DJ Carmichael Pty Limited (DJC) whereby DJC will act as Lead Manager and Underwriter for the Rights Issue up to an amount of \$2.05M.

Based on this Underwriting, together with the commitment to subscribe for an amount of up to \$750K by Fern Street Partners as announced on the 17<sup>th</sup> of June 2015, the Company secured the receipt of all of the \$2.8 Million of fundraising. This was a very positive endorsement for the Company and will place SVL in a strong funding position to carry out its strategy of maximising its leverage to the silver price through the acquisition of deposits and resources.

The prospectus for the Rights issue was lodged in early September and closed on 9 October with a shortfall of approximately 50% which was covered fully by the underwriters. The shares under the prospectus have been issued and the Rights Issue was completed successfully.

#### By Order of the Board Silver Mines Limited

*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.*

#### Further Information

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

Hugo McChesney  
Investor Relations  
[hugo@silverminesltd.com.au](mailto:hugo@silverminesltd.com.au)  
+61 2 8188 2557

or

Vaz Hovanessian  
Company Secretary  
[vaz@managenet.com.au](mailto:vaz@managenet.com.au)  
+61 2 8188 2557