

6 August 2018

Dear Shareholder

Silver Mines Limited – Renounceable Entitlements Issue

Silver Mines Limited ACN 107 452 942 (**Company**) has announced a renounceable entitlement issue of one (1) Share for every four (4) Shares held by eligible shareholders at an issue price of \$0.03 per Share (each a **New Share**), to raise up to \$3,846,006 before costs associated with the Offer (together with one (1) free attaching option for every two (2) Shares subscribed for and issued (each a **New Option**)) (**Offer**).

The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 3 August 2018. A copy of the Prospectus is available on the ASX website (ASX:SVL).

The Offer is being made to all shareholders (**Shareholders**) of the Company named on its register of members at 5:00 p.m. on 10 August 2018 (**Record Date**), whose registered address is in Australia or New Zealand (each an **Eligible Shareholder**).

Under the Offer, Eligible Shareholders will be offered one (1) New Share for every three (3) Shares held in the Company at the Record Date. Eligible Shareholders will also receive one (1) New Option for every two (2) New Shares subscribed for and issued to them. The New Options will have an expiry date that is the third anniversary of the date of their issue and will each be exercisable at \$0.06, payable in full on exercise.

Each New Share will rank equally with all fully paid ordinary shares in the capital of the Company already on issue (each a **Share**). The Offer may be accepted at any time up to 5.00 P.M. on the closing date of 31 August 2018 (**Closing Date**).

Following the Closing Date, assuming that all New Shares the subject of the Offer are subscribed for, the Company will issue approximately 128,200,214 New Shares and 64,100,107 New Options.

The Offer is renounceable, so Eligible Shareholders may trade their rights on the ASX at their election.

Purpose of the Offer

The purpose of the Offer is to raise up to \$3,846,006, before costs associated with the Offer. The funds raised from the Offer are planned to be used as follows:

Expenditure Item	Full Subscription (\$)	%
Exploration	2,350,000	61.1%
Environmental Impact Statement and Feasibility Works	500,000	13.0%
Corporate	635,540	16.5%
Costs associated with the Offer	360,466	9.4%
Total	3,846,006	100.0%

The Offer is partially underwritten by Patersons Securities Limited (**Underwriter**) to the amount of \$2,500,000. In consideration for that commitment, the Company has agreed to provide to the Underwriter the following consideration:

- a corporate advisory fee of \$60,000;
- a management fee of 2% of the total amount raised under the Offer;
- an underwriting fee of 4% of the gross amount raised under the Offer; and
- 4 million Options on the same terms as the New Options described above.

Eligibility

The Offer is renounceable, meaning that Eligible Shareholders may trade their rights on the ASX at their election.

The purpose of this letter is to give you notice, as an Option Holder of the Company, that if you wish to participate in the Offer, you must exercise those some or all of those options before the Record Date in order to qualify as an Eligible Shareholder in respect of the Shares underlying the options you have exercised.

Please be aware that the exercise price of your options (at \$0.30 per option) is substantially higher than the issue price under the Offer (at \$0.03) and the most recent market price of Silver Mines shares (being \$0.034), meaning your options are ‘out of the money’.

If you wish to exercise your options, the notice of exercise of options and payment of the exercise price of the options must be received by the Share Registry, Boardroom Pty Ltd, on or before 8 August 2018. Any notice of exercise of options received after this date cannot be assured that they will receive the shares underlying their options by the Record Date.

There is no obligation to exercise your options. The purpose of this letter is to inform you of your rights in relation to the Offer and your options. **If you do not wish to participate in the Offer, you do not need to do anything.**

Key Dates and Offer Timetable*

Event	Date
Announcement of Offer	3 August 2018
Lodgment of Prospectus with ASIC	3 August 2018
Copy of Prospectus given to ASX	3 August 2018
Notices sent to Shareholders	6 August 2018
Ex-date	9 August 2018
Trading of rights commences	9 August 2018
Record Date	10 August 2018
Prospectus despatched to Shareholders (and announcement of despatch)	15 August 2018

Closure of rights trading	24 August 2018
Last day to extend the Closing Date	28 August 2018
Closing Date	31 August 2018
ASX notified of under subscriptions	4 September 2018
Issue date	6 September 2018
Trading of Securities commences on a normal basis	7 September 2018

*These dates are determined based upon the current expectations of the Directors. The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date. Such extensions would have a consequential effect on subsequent dates.

If you have any queries regarding the Offer, please contact your financial adviser or Trent Franklin, the Company Secretary, on +61 2 8316 3997.

Yours sincerely
Trent Franklin
Company Secretary