

1 September 2015

ASX ANNOUNCEMENT

FULLY UNDERWRITTEN RIGHTS ISSUE AND COMPANY UPDATE

Rights Issue

Silver Mines Limited (ASX: SVL) (Company) announces a fully underwritten pro rata renounceable rights issue of new fully paid ordinary shares in the Company (and free quoted options over unissued ordinary shares in the Company) to existing eligible holders of shares to raise approximately \$2.8 million (Rights Issue).

A copy of the prospectus (Prospectus) under which the Rights Issue is to be made has been lodged with ASIC and given to ASX today.

The Rights Issue is part of the Company's strategy to embark upon a significant silver growth and a consolidation strategy over the coming months.

An updated timetable for the Rights Issue is contained in Annexure A.

The Prospectus will be dispatched to Eligible shareholders following the Record Date (7 September 2015). Offers of securities under the Rights Issue will be made in, or accompanied by a copy of, the Prospectus. Eligible shareholders should consider the Prospectus in deciding whether to acquire securities under the Rights Issue. Eligible shareholders who want to acquire securities under the Rights Issue will need to complete the personalised entitlement and acceptance form that is in or accompanies the Prospectus.

Shareholders who have questions regarding the Rights Issue should phone the Share Registry on (02) 9290 9600 (within Australia) or +61 2 9290 9600 (outside Australia) at any time between 9am and 5pm (AEST time), Monday to Friday during the Rights Issue period.

Company Update

1. Conrad Silver Project - Company signs binding Heads of Agreement with Malachite Resources Limited (MAR)

The Company is pleased to announce that it has entered into an updated amended binding Heads of Agreement with MAR (MAR HOA) regarding the acquisition of the Conrad Silver Project.

The terms of the MAR HOA are legally binding pending preparation of a more formal agreement.

Under the MAR HOA, terms relating to original payment dates (as set out in announcements dated 11 May 2015 and 17 June 2015) have been varied. A summary of the revised payment terms are as follows:

- Company to make a further payment of \$75,000 to MAR on or before the 18 September 2015;
- Company to make payment of \$275,000 on the earlier of 30 October 2015 and the date the Company issues shares under the Rights Issue (Completion Date);
- Company to issue shares in the Company to MAR (subject to any regulatory approvals) on Completion Date with total value of \$125,000. The number and value of the Company shares will be calculated on the lower of, the 5 day volume weighted Company share price prior to the Completion Date or \$0.002.

The Company is pleased to announce that it has already made three payments in August totaling \$50,000 towards the first payment of the acquisition of the Conrad Silver Project.

2. White Rock Minerals Ltd (WRM) - Variation of funding terms

On 23 July 2015, the Company signed a Heads of Agreement and Subscription Agreement with WRM (WRM HOA) pursuant to which the Company agreed to provide WRM with funding of up to \$500,000 by way of two private placements plus an interest free loan facility.

On 30 August 2015, the Company and WRM agreed to update the terms of the placement as follows:

- Company to make payment of \$75,000 to WRM on 18 September 2015, as the remaining payment for the 6,250,000 shares in WRM; and
- Company to make payment of \$75,000 to WRM on 6 October 2015, as consideration for 3,750,000 shares in WRM.

Consistent with announcement dated 23 July 2015, the Company will still enter into a loan facility with WRM, however the loan facility will now be accessed no later than 45 days following 6 October 2015.

The Company is pleased to advise that the Company has made a \$50,000 payment towards the first placement tranche and such payment is being held on trust by WRM for the Company pending receipt of the balance of 18 September 2015 payment.

3. Loan Agreement between the Company and Nathan Featherby

On or about 30 August 2015, the Company entered into a loan agreement with Nathan Featherby, a director of the Company whereby Nathan Featherby (or an entity associated to him) agreed to provide a loan facility to the Company up to \$500,000 to meet payment commitments under the arrangements with MAR and WRM. Part of the purpose for the loan facility is to ensure the Company can meet its payment commitments under the agreements with MAR and WRM in relation to payments required before the funds are raised under the Rights Issue.

Funds will be provided by way of an unsecured loan to the Company bearing interest at the rate of 8% per annum and payable at the end of the loan term. The term of the loan facility is 3 months from the date funds are advanced to the Company.

The Company has agreed to repay any loan amounts advanced under the facility on receipt of proceeds from the Rights Issue.

Order of the Board Silver Mines Limited

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Forward Looking Statements

This release includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or project development commencement dates and expected costs or production outputs. Forward looking statements in this release include, but are not limited to, the capital and operating cost estimates and economic analyses from the study.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of resources or reserves, political and social risks, changes to the regulatory framework within which the Company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company's

business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.

Although the Company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in this release are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

APPENDIX A

Event	Proposed Date
Announcement of Rights Issue and lodgment of Prospectus with ASX and ASIC	Tuesday, 1 September 2015
Shares quoted on an 'ex' rights basis and right trading on ASX begins	Thursday, 3 September 2015
Record Date for the Rights Issue	5pm, Monday, 7 September 2015
Rights Issue opens	Thursday, 10 September 2015
Rights trading on ASX ends	4 pm, Monday, 28 September 2015
New Shares and New Options quoted on a deferred settlement basis	Tuesday, 29 September 2015
Rights Issue closes*	5pm, Tuesday, 6 October 2015
Issue Date for New Shares and New Options issued under the Rights Issue (deferred settlement trading ends)	Tuesday, 13 October 2015
Normal trading of New Shares and New Options issued under the Rights Issue expected to commence on ASX	Wednesday, 14 October 2015
Expected date of despatch of holding statements for New Shares and New Options	Thursday, 15 October 2015
Expiry date for New Options	5pm, 13 October 2017

*The Company reserves the right, subject to the *Corporations Act 2001* (Cth), ASX Listing Rules and other applicable laws, to vary the dates of the Rights Issue without prior notice, including extending the Rights Issue or accepting late applications, either generally or in particular cases, or to withdraw the Rights Issue without prior notice.