

## BOWDENS ACQUISITION POSITIONS SILVER MINES LIMITED AS THE LARGEST PURE SILVER FOCUSED COMPANY IN AUSTRALIA

March 3, 2016

- Acquisition of Bowdens Silver Project to make SVL the largest pure silver company in Australia
- Major milestone in SVL's silver consolidation strategy
- Bowdens silver deposit: 88Mt at 64.4g/t Ag Equivalent (refer Table 1 for Ag Equivalent Ounces)
- Business combination will result in new Board and Management changes on completion

The Directors of Silver Mines Limited ('SVL' or 'the Company') are pleased to announce that 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.

Upon completion of this acquisition, SVL will control an asset base of approximately 220 million ounces of silver equivalent.

Bowdens Mineral Resource Estimate (30g/t AgEq cut-off), November 2012 <sup>1</sup>							
Resource Category	Tonnes (Million)	Silver (g/t)	Lead (%)	Zinc (%)	Ag Eq (g/t)	Silver (Moz)	Ag Eq (Moz)
Measured	23.6	56.6	0.31	0.41	74.5	43	57
Indicated	28.4	48.0	0.27	0.36	63.6	43.8	58
<b>Meas + Ind</b>	<b>52.0</b>	<b>51.9</b>	<b>0.29</b>	<b>0.38</b>	<b>68.6</b>	<b>86.8</b>	<b>115</b>
Inferred	36	41	0.3	0.4	58	47.5	68
<b>Total</b>	<b>88.0</b>	<b>47.4</b>	<b>0.29</b>	<b>0.39</b>	<b>64.4</b>	<b>134.1</b>	<b>182</b>

<sup>1</sup> The Company confirms that it is not aware of any new information received since the original disclosure (KCN announcement 18<sup>th</sup> October 2013 or data that materially affects the information included in this table. The Company confirms that all material assumptions and technical parameters underpinning the mineral resource estimates continue to apply and have not materially changed.

Table 1. Bowdens Mineral Resource Estimate was completed by MPR Geological Consultants and first reported under JORC Code 2004 in November 2012, and re-reported in October 2013 to be compliant with JORC2012 guidelines. Refer to Kingsgate Consolidated Ltd press-release dated 18<sup>th</sup> of October, 2013 for full JORC2012 details and tables. Notes 1 and 2 below are as reported. Totals may vary due to rounding.

1. Bowdens silver equivalent:  $Ag\ Eq\ (g/t) = Ag(g/t) + 27.5 \times Pb(\%) + 22.8 \times Zn(\%)$  calculated from prices of US\$26.33/oz Ag, US\$2206/t Pb, US\$2111/t Zn and NSR metallurgical recoveries of 72% Ag, 75% Pb, and 66% Zn estimated from test work by Kingsgate. NSR or net smelter return metallurgical recovery is defined as the payable metal recovered after allowing for smelter deductions, which includes deductions for precious metals.
2. In the company's opinion, the silver, lead and zinc included in the metal equivalent calculations have a reasonable potential to be recovered.

### **The Bowdens Silver Project**

- The largest undeveloped silver deposit in Australia;
- Bowdens silver deposit: 88Mt at 64.4g/t Ag Equivalent (refer Table 1 for Ag Equivalent Ounces);
- The project is a large, well advanced silver project with outstanding logistics and with a substantial body of high quality technical work already completed.

Bowdens is located in central New South Wales, approximately 26 kilometres east of Mudgee. It is a bulk tonnage low sulphidation epithermal silver deposit. The deposit remains open in several directions and at depth with potential resource increases highly likely.

A substantial amount of technical work has already been completed by previous owners of the project. The project is well advanced in covering aspects of development option along with comprehensive environmental assessments.

Further information will be released about the project in due course.

### **About Silver Investment Holdings Australia Limited (SIHA)**

SIHA is a public unlisted company incorporated as a New South Wales specific resources group, with particular emphasis on silver and related minerals. The group delivers considerable expertise across all aspects of exploration, development and financing of resource projects.

SIHA also has additional interests elsewhere in the Lachlan Fold Belt, New South Wales, with approximately 175km<sup>2</sup> under application in the highly projective Orange-Blayney-Cowra districts with a number of historic precious metals occurrences targeted for follow up.

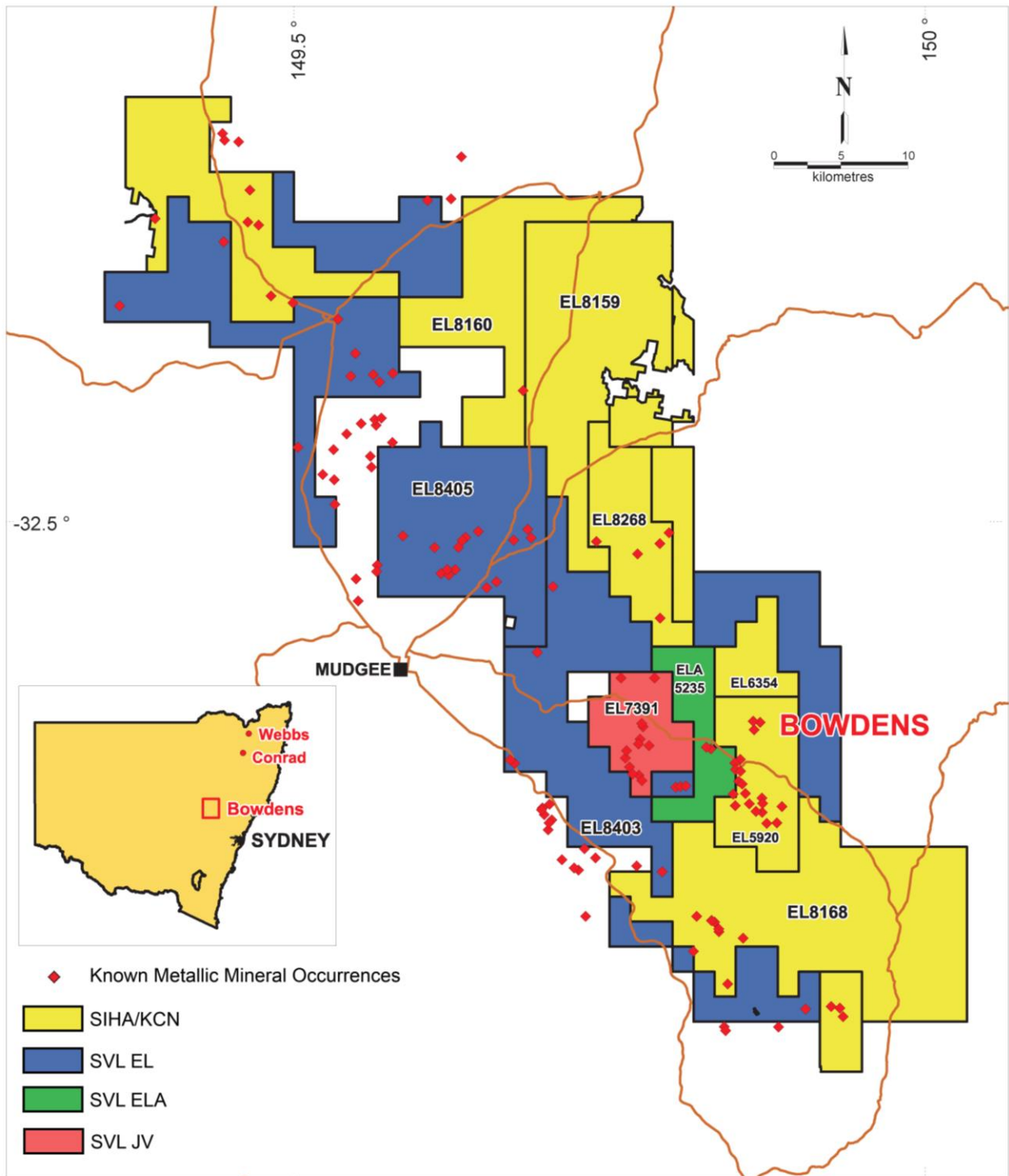


Figure 1. Tenement map of SVL holdings in the Bowdens district along with the holdings subject to the transaction with SIHA

### **Board and Management Changes**

With the purchase of SIHA and the business combination of SVL and SHIA, a number of Board and Management changes will occur in the coming months.

Anthony McClure is proposed to become the Managing Director of the consolidated group upon completion of the transaction. Mr McClure has a long track record in the resources industry, including as an executive director of Bolnisi Gold NL, which developed the highly successful Palmarejo silver-gold deposit in Mexico.

Anthony McClure of SIHA said, “The Bowdens Project is the largest undeveloped primary silver deposit in Australia and we are delighted to be in a position to merge our Bowdens transaction with SVL. We have been assessing Bowdens for almost twelve months, and are very confident in being able to significantly expand and improve the current resource and project economics. This merger with SVL also creates an exceptional exploration package, with the merged entity holding the bulk of the highly prospective Rylstone Volcanics package.”

“SIHA is well advanced on planning for future technical work and exploration programs and looks forward to updating the market about its plans in due course.”

### **Terms of acquisition**

Under the Heads of Agreement signed between SVL and SIHA, SVL will pay the following consideration to acquire 100% of SIHA (and hence accessing the 85% interest in the Bowdens Silver Project), subject to shareholder and regulatory approval where required:

1. SVL to pay A\$2,000,000 within the next 20 days to SIHA;
2. SVL to provide an A\$18,000,000 loan to SIHA prior to the end of June 2016;
3. Upon completion of 1 and 2 above, SVL will issue A\$4million in SVL shares at a deemed issue price of \$0.001 to complete the purchase of SIHA;
4. SVL will also enter into an Equity Incentive Plan with SIHA, in consultation with both current and proposed incoming board and management.

Financing provided to SIHA will be utilised to extinguish all purchase obligations to Kingsgate. SVL intends to fund the cash components of 1 and 2 above via current cash holdings, raising equity within its existing placement capacity under listing rule 7.1 and a proposed entitlement issue, of which details will be finalised in the coming weeks and contingent upon shareholder approvals as required.

The transaction will increase the total assets of the Company from \$7M to \$27M upon completion. With the assumption of an entitlements issue at \$0.002 (yet to be finalised), the shares on issue would increase from 5,836,717,945 to 19,836,717,945 prior to any potential share consolidation which would be subject to shareholder approval.

### **Shareholder Meeting**

SVL intends to call an Extraordinary General Meeting by April 2016 to consider various resolutions relating to the transaction, including but not limited to: Proposed Consolidation of Capital, Proposed Director participation in financing and any other requisite shareholder approvals required.

The Company has provided details of the transaction to the ASX seeking a determination in relation to Chapter 11 of the Listing Rules.

**All arrangements are subject to regulatory, shareholder approval and financing as required.**

### **Community Engagement**

SVL will be undertaking a program of consultation with the local community to discuss the potential impacts and benefits of exploration and development across the combined SVL/SIHA Bowdens tenement portfolio. This consultation will not only focus on the current Bowdens Silver Project, but also the wider area where SVL intends to conduct exploration programs. The community consultation program will have considerable influence on the overall scale and nature of any potential future development and community participation is a critical component to SVL's future activities in the district.

### **SVL's Consolidation Strategy**

As per previous announcements, the core of SVL's strategy has been to consolidate silver deposits in New South Wales and to form Australia's pre-eminent silver company.

SVL has now secured agreements relating to three significant silver deposits all of which fall in New South Wales. The Webbs Deposit is 100% owned by SVL while the Conrad Deposit was recently purchased from Malachite Resources Limited (ASX:MAR) and is subject to a sale and purchase agreement pending completion (refer to MAR release dated 2<sup>nd</sup> September 2015).

SVL's goal is to provide exceptional returns to shareholders through acquisition, exploration and potential development of quality silver projects and maximising leverage to an accretive silver price.

To date, SVL's competitive advantage has been to evaluate, acquire, and explore opportunistically priced silver deposits in the current silver market. A key focus of this included acquiring known silver deposits with demonstrated JORC compliant 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 an asset backing per share on a silver ounce per share basis.

Signed



**Nathan Featherby**  
**Chairman of the Board**

### **Competent Persons Statements**

The information in this report that relates to the Bowdens Mineral Resources estimation is based on information compiled by Jonathon Abbott who is a full time employee of MPR Geological Consultants Pty Ltd and a member of the Australian Institute of Geoscientists. Mr Abbott has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Person as defined in the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). Mr Abbott consents to the inclusion in this report of the matters based his information in the form and context in which it appears.

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