



NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00 am (AEDT)

DATE: Tuesday, 28 November 2017

PLACE: Level 15, 1 O'Connell Street,
Sydney NSW 2000 Australia

This notice should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this notice please do not hesitate to contact the Company Secretary on +61 2 8316 3997.

TIME AND PLACE OF MEETING AND HOW TO VOTE

1. Venue

The Annual General Meeting of the Shareholders of Silver Mines Limited ACN 107 452 942 (ASX:SVL) (**Company**) to which this Notice relates, will be held at **10:00am (AEDT) on Tuesday, 28 November 2017** at Level 15, 1 O'Connell Street, Sydney NSW 2000 Australia.

2. Voting in person

To vote in person, you will be required to attend the Meeting on the date and at the place set out above.

3. Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post, to GPO Box 225, Sydney NSW 2001 Australia; or
- (b) facsimile, to the Company (Attention: Company Secretary) on facsimile number +61 2 8316 3999,

so that it is received not later than **10:00am (AEDT) on Sunday, 26 November 2017**.

Proxy Forms received later than this time will be invalid.

NOTICE OF MEETING

Notice is given that the Meeting of Shareholders will be held at **10:00am (AEDT) on Tuesday, 28 November 2017** at Level 15, 1 O'Connell Street, Sydney NSW 2000 Australia.

The Explanatory Statement to this Notice provides additional information on matters to be considered at the Meeting. It is recommended that this Notice and the Explanatory Statement are carefully read in full. The Explanatory Statement and the Proxy Form are part of this Notice.

The Directors have determined, pursuant to regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth), that the persons eligible to vote at the Meeting are those who are registered shareholders of the Company at 10:00am (AEDT) on Sunday, 26 November 2017.

Terms and abbreviations used in this Notice and Explanatory Statement are defined in the Glossary.

CORPORATE DIRECTORY

Board of Directors

Keith Perrett, Non-Executive Chairman
Anthony McClure, Managing Director
Peter Langworthy, Non-Executive Director
Jonathan Battershill, Non-Executive Director

Company Secretary

Trent Franklin

Registered Office

Level 11, 52 Phillip Street
Sydney NSW 2000
Australia

Company Website

www.silvermines.com.au

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Australia

Phone: 1800 000 639
Fax: +61 9290 9600

AGENDA

1. RECEIPT OF FINANCIAL REPORTS AND REPORTS OF DIRECTOR AND AUDITOR

To receive and consider the Financial Reports of the Company for the financial year ended 30 June 2017, together with the declaration of Directors, the Remuneration Report and the Report of the Directors and the Auditor, which relate to the Financial Reports.

A copy of the 2017 Annual Report may be obtained from the Company's website at www.silvermines.com.au.

2. RESOLUTION 1 - ADOPTION OF DIRECTORS' REMUNERATION REPORT

To consider, and if thought fit, pass with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Company's Remuneration Report, as set out in the Directors' Report within the Annual Report for the year ended 30 June 2017, prepared in accordance with section 300A of the Corporations Act."

Please note that in accordance with section 250R(3) of the Corporations Act, the votes cast on this Resolution are advisory only and do not bind the Company or the Directors.

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 1 by any person who is a member of the Key Management Personnel, details of whose remuneration is considered in the Remuneration Report or any person who is an Associate of those persons.

However, the Company need not disregard a vote on this Resolution 1 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 2 - RATIFICATION OF ISSUE OF OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 3,205,000 Options, quoted, each with an exercise price of \$0.30 and an expiry date of 20 June 2018, and otherwise on the terms and conditions contemplated in Section 2 of the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 2 by any person who participated in the issue of Options considered under Resolution 2 as described in Section 2 of the Explanatory Statement, and any Associate of any of the foregoing persons.

However, the Company need not disregard a vote on this Resolution 2 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 3 - RATIFICATION OF ISSUE OF DECEMBER 2016 PLACEMENT SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 32,223,856 Shares to Sophisticated Investors at \$0.165 per Share, on the terms and conditions contemplated in Section 3 of the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 3 by any person who participated in the issue of Shares considered under Resolution 3 as described in Section 3 of the Explanatory Statement, and any Associate of any of the foregoing persons.

However, the Company need not disregard a vote on this Resolution 3 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

AGENDA

5. RESOLUTION 4 - RATIFICATION OF ISSUE OF OCTOBER 2017 PLACEMENT SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 53,750,000 Shares to Sophisticated Investors at \$0.08 per Share, on the terms and conditions contemplated in Section 4 of the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 4 by any person who participated in the issue of Shares considered under Resolution 4 as described in Section 4 of the Explanatory Statement and any Associate of any of the foregoing persons.

However, the Company need not disregard a vote on this Resolution 4 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 5 - 10% PLACEMENT CAPACITY

To consider, and if thought fit, pass with or without amendment, the following resolution as a **special resolution**:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions contemplated in Section 5 of the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 5 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any associate of the foregoing persons.

However, the Company need not disregard a vote on this Resolution 5 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

As at the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

7. RESOLUTION 6 - ELECTION OF JONATHAN BATTERSHILL AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 14.4 and for all other purposes, Mr Jonathan Battershill, being a Non-Executive Director who was appointed by the Board on 16 June 2017 as an additional director, and being eligible, offers himself for election, is elected as a Director".

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 6 by Jonathan Battershill and any of his Associates.

However, the Company need not disregard a vote on this Resolution 6 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

AGENDA

8. RESOLUTION 7 - ISSUE OF OPTIONS TO RELATED PARTY - JONATHAN BATTERSHILL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholder approval is given for the issue of 1,000,000 Options, unquoted, each with an exercise price of \$0.30, an expiry date of 20 June 2019, and otherwise on the terms and conditions contemplated in Section 7 of the Explanatory Statement, to Mr Jonathan Battershill (or his nominee)."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 7 by Jonathan Battershill and any of his Associates.

However, the Company need not disregard a vote on this Resolution 7 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 8 - ISSUE OF OPTIONS TO RELATED PARTY - JONATHAN BATTERSHILL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholder approval is given for the issue of 5,000,000 Options, unquoted, with an exercise price of \$0.20, an expiry date which is three years from issue and otherwise on the terms and conditions contemplated in Section 8 of the Explanatory Statement, to Jonathan Battershill (or his nominee)."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 8 by Jonathan Battershill and any of his Associates.

However, the Company need not disregard a vote on this Resolution 8 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 9 - IMPLEMENTATION OF EMPLOYEE INCENTIVE SCHEME

To consider, and if thought fit, pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rules 7.1 and 7.2 (Exception 9(b)) and for all other purposes, Shareholders approve the Company's Employee Incentive Scheme (Incentive Scheme) and the issue of securities by the Board in its discretion in accordance with the provisions of the Incentive Scheme."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 9 by a Director of the Company who is eligible to partake in the Incentive Scheme and any Associate of any of the foregoing persons.

However, the Company need not disregard a vote on this Resolution 9 if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

OTHER BUSINESS

To transact any other business that may be validly brought before the Meeting.

Dated: 30 October 2017

By Order of The Board



Trent Franklin
Company Secretary
Silver Mines Limited

EXPLANATORY STATEMENT

This Explanatory Statement is included in and forms part of the Notice of Meeting. It contains background information pertaining to the Resolutions to be considered and voted upon at the Meeting as well as information required to be given to Shareholders under the Listing Rules in relation to the Resolutions.

It is given to Shareholders to help them determine how to vote on the Resolutions set out in the Notice of Meeting.

Shareholders should read this Explanatory Statement in full and in conjunction with the other sections of this Document, in order to gain a more complete understanding of the Resolutions proposed in the Notice of Meeting.

If a Shareholder is in doubt about what to do in relation to a Resolution, it should consult its financial or other professional adviser.

1. RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

1.1 Background

The Annual Report for the year ended 30 June 2017 contains the Company's Remuneration Report on pages 16 to 19. The Remuneration Report sets out the Company's remuneration policies and reports the remuneration arrangements in place for the Directors of the Company. A copy of the 2017 Annual Report is available on the Company's website at www.silvermines.com.au, or upon request and free of charge.

The Corporations Act requires:

- (a) the agenda for an Annual General Meeting of a listed company to include a resolution for the adoption of the Remuneration Report (see Resolution 1); and
- (b) expressly provides that the vote on that resolution is advisory only and does not bind the Directors or the Company.

Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions and comment on the Remuneration Report.

1.2 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 1, and whose votes will be disregarded if cast on Resolution 1, is set out in the Notice.

2. RESOLUTION 2 - RATIFICATION OF ISSUE OF OPTIONS

2.1 Background

Resolution 2 proposes the ratification by Shareholders of the issue of 3,205,000 Options, with an exercise price of \$0.30 per option and an expiry date of 20 June 2018,

to Sophisticated Investors, that was completed on 18 November 2016.

2.2 Requirement to ratify issue of securities under Listing Rule 7.4

Listing Rule 7.1 requires Shareholder approval for the proposed issue of securities in the Company where such issue represents more than 15% of the Company's securities then on issue within the 12 month period immediately prior to the date of that issue or the date of agreement to effect that issue (**15% Threshold**). Listing Rule 7.4 permits the ratification of previous issues of securities made without Shareholder approval, provided such issue, in aggregate with any other applicable issues of Equity Securities by the Company, did not breach the 15% Threshold.

Shareholder ratification of an issue of securities under Listing Rule 7.4 enables the Company capacity to issue further securities up to the 15% Threshold, without additional Shareholder approval (but still subject to any other approval required under the Listing Rules), to the extent of the securities that were the subject of that ratification (**15% Placement Capacity**).

Resolution 2 seeks Shareholder ratification, under Listing Rule 7.4, for the issue of 3,205,000 Options that were issued on 18 November 2016, in order to restore the Company's capacity to issue further Equity Securities within the 15% Threshold.

2.3 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information in relation to the Options the subject of Resolution 2 is provided:

(a) *Number of securities issued*

3,205,000 Options.

(b) *Issue price of securities*

The Options were issued for nil cash consideration, as they were issued as consideration for the payment for services provided to the Company by the persons (or their respective Associates) to whom those Options were issued.

(c) *Terms of issue of the securities*

The Options are quoted, with an exercise price of \$0.30 and an expiry date of 20 June 2018.

(d) *Parties to whom the securities were issued*

The Options were issued to a number of Sophisticated Investors who are not related parties to the Company.

(e) *Use of funds raised*

No cash funds were raised from the issue of the Options.

EXPLANATORY STATEMENT

2.4 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 2, and whose votes will be disregarded if cast on Resolution 2, is set out in the Notice.

2.5 Recommendation of Directors

Each Director recommends that Shareholders vote **IN FAVOUR** of Resolution 2.

Each Director confirms that he:

- (a) has no personal interest in the outcome of Resolution 2 other than in his capacity as a Shareholder or an Associate of a Shareholder; and
- (b) will vote, and/or procure that any Shareholder that is an Associate of that Director votes, all its Shares in favour of Resolution 2.

3. RESOLUTION 3 - RATIFICATION OF ISSUE OF DECEMBER 2016 PLACEMENT SHARES

3.1 Background

On 29 June 2016, the Company completed its acquisition of 85% of the Bowdens Silver Project located near Mudgee in New South Wales. Upon completion of that acquisition, the Company announced that it had signed a further agreement to acquire the remaining 15% of the Bowdens Silver Project (**Remainder Acquisition**). That further agreement involved the Company paying a further A\$5 million to Kingsgate Consolidated Limited (ASX:KCN), the former owners of the Bowdens Silver Project.

To fund the Remainder Acquisition and as announced on 16 December 2016, the Company conducted a placement to Sophisticated Investors, raising approximately A\$5 million (net of fees) at an issue price of \$0.165 per Share (**December 2016 Placement**). The funds raised under the December 2016 Placement were used towards finalising the Remainder Acquisition and for general working capital purposes.

3.2 Requirement for Shareholder ratification under Listing Rule 7.4

Listing Rule 7.1 requires Shareholder approval for the proposed issue of securities in the Company where such issue may exceed the 15% Threshold. Listing Rule 7.4 permits the ratification of previous issues of securities made without Shareholder approval, provided such issue, in aggregate with any other applicable issues of Equity Securities by the Company, did not breach the 15% Threshold.

Shareholder ratification of an issue of securities under Listing Rule 7.4 enables the Company capacity to issue further securities up to the 15% Threshold, without additional Shareholder approval (but still subject to

any other approval required under the Listing Rules), to the extent of the securities that were the subject of that ratification.

Resolution 3 seeks Shareholder ratification, under Listing Rule 7.4, for the issue of 32,223,856 Shares issued under the December 2016 Placement, in order to restore the Company's capacity to issue further Equity Securities within the 15% Threshold.

3.3 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information in relation to the Shares the subject of Resolution 3 is provided:

(a) Number of securities issued

32,223,856 Shares.

(b) Issue price of securities

The Shares were issued for \$0.165 per Share, payable in full upon issue.

(c) Terms of issue of the securities

The Shares when issued, were and remain, fully paid ordinary shares in the issued capital of the Company and rank equally with all other Shares currently on issue.

(d) Parties to whom the securities were issued

The Shares were issued to Sophisticated Investors who are not related parties to the Company.

(e) Use of funds raised

The Company raised approximately A\$5,000,000 (net of costs) under the December 2016 Placement, which was primarily used to complete the Remainder Acquisition and for general working capital purposes.

3.4 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 3, and whose votes will be disregarded if cast on Resolution 3, is set out in the Notice.

3.5 Recommendation of Directors

Each Director recommends that Shareholders vote **IN FAVOUR** of Resolution 3.

Each Director confirms that he:

- (a) has no personal interest in the outcome of Resolution 3 other than in his capacity as a Shareholder or an Associate of a Shareholder; and
- (b) will vote, and/or procure that any Shareholder that is an Associate of that Director votes, all its Shares in favour of Resolution 3.

EXPLANATORY STATEMENT

4. RESOLUTION 4 - RATIFICATION OF ISSUE OF OCTOBER 2017 PLACEMENT SHARES

4.1 Background

As announced in an ASX Release dated 5 October 2017, the Company completed a Share placement, having received acceptances from Sophisticated Investors to raise a total of \$4.3 million (before costs) (**October 2017 Placement**). The Shares issued under the October 2017 Placement (**October 2017 Placement Shares**) utilised the Company's capacity under both Listing Rules 7.1 and 7.1A, as follows:

- (a) (**Tranche 1 October 2017 Placement Shares**): 18,282,394 Shares were issued on 10 October 2017 using the Company's then existing capacity under Listing Rule 7.1; and
- (b) (**Tranche 1A October 2017 Placement Shares**): 35,467,606 Shares were issued on 10 October 2017 using the Company's then existing capacity under Listing Rule 7.1A.

The funds raised under the October 2017 Placement are intended to be used primarily for further exploration and to fund continued progress of the Company's Definitive Feasibility Study and Environmental Impact Statement for the Bowdens Silver Project and for general working capital purposes.

4.2 Requirement for Shareholder ratification under Listing Rule 7.4

Listing Rule 7.1 requires Shareholder approval for the proposed issue of securities in the Company where such issue may exceed the 15% Threshold. Listing Rule 7.4 permits the ratification of previous issues of securities made without Shareholder approval, provided such issue, in aggregate with any other applicable issues of Equity Securities by the Company, did not breach the 15% Threshold.

Additionally, Listing Rule 7.1A allows a Company which has obtained approval from its Shareholders at its most recent Annual General Meeting to issue securities up to 10% of its issued capital, in addition to its 15% placement capacity under Listing Rule 7.1 (Additional Capacity Approval). At the Company's Annual General Meeting on 29 November 2016, the Company obtained Additional Capacity Approval under Listing Rule 7.1A.

Shareholder ratification of an issue of securities under Listing Rule 7.4 enables the Company capacity to issue further securities up to the 15% Threshold and also up to a further 10% of its issued capital under Listing Rule 7.1A, without additional Shareholder approval (but still subject to any other approval required under the Listing Rules), to the extent of the securities that were the subject of that ratification.

Resolution 4 seeks Shareholder ratification, under Listing Rule 7.4, for the issue of the October 2017 Placement Shares, in order to restore the Company's capacity to issue further Equity Securities within the 15% Threshold.

4.3 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information in relation to the Shares the subject of Resolution 4 is provided:

- (a) *Number of securities issued*

53,750,000 Shares.

- (b) *Issue price of securities*

The Shares were issued for \$0.08 per Share, payable in full upon issue.

- (c) *Terms of issue of the securities*

The Shares when issued, were and remain, fully paid ordinary shares in the issued capital of the Company and rank equally with all other Shares currently on issue.

- (d) *Parties to whom the securities were issued*

The Shares were issued to Sophisticated Investors who are not Related Parties to the Company.

- (e) *Use of funds raised*

The money raised from the issue of the October 2017 Placement Shares will be used primarily for further exploration, and to fund continued progress of the Company's Definitive Feasibility Study and Environmental Impact Statement for the Bowdens Silver Project, and for general working capital purposes.

4.4 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 4, and whose votes will be disregarded if cast on Resolution 4, is set out in the Notice.

4.5 Recommendation of Directors

Each Director recommends that Shareholders vote **IN FAVOUR** of Resolution 4.

Each Director confirms that he:

- (a) has no personal interest in the outcome of Resolution 4 other than in his capacity as a Shareholder or an Associate of a Shareholder; and
- (b) will vote, and/or procure that any Shareholder that is an Associate of that Director votes, all its Shares in favour of Resolution 4.

EXPLANATORY STATEMENT

5. RESOLUTION 5 - 10% PLACEMENT CAPACITY

5.1 Requirement for Shareholder Approval under Listing Rule 7.1A

Listing Rule 7.1A enables eligible entities to issue equity securities up to 10% of their issued capital through placements over a 12 month period expiring on the first anniversary of the date of that approval at its Annual General Meeting (**10% Placement Capacity**). This 10% Placement Capacity is in addition to the 15% placement capacity that a Company may utilise according to Listing Rule 7.1.

The Company is an “eligible entity” for the purposes of this Resolution 5, as it is not included in the S&P/ASX 300 Index and has a market capitalisation of less than A\$300 million.

The Company is seeking Shareholder approval to enable the Company to issue further Equity Securities under the 10% Placement Capacity. For the sake of clarity, the approval for the 10% Placement Capacity the subject of this Resolution 5, will entitle the Company to issue Equity Securities, without further Shareholder approval, that is in addition to Equity Securities that the Company may issue, without further Shareholder approval under:

- the 15% Placement Capacity that, if Resolutions 3 and 4 are both duly approved, the Company may utilise according to Listing Rule 7.1; and
- the 10% Placement Capacity that, if Resolution 4 is duly approved, the Company may utilise according to Listing Rule 7.1A at any time **prior to the 7.1A Approval Expiry Date**.

The exact number of Shares that may be issued by the Company pursuant to this Resolution 5, if duly approved, will be determined in accordance with the provisions of Listing Rule 7.1A.2.

5.2 Required information under Listing Rule 7.3A

For the purpose of Listing Rule 7.3A, the Company gives the following details in relation to this Resolution 5:

(a) Formula for calculating the 10% Placement Capacity:

The number of Equity Securities which the Company may issue pursuant to this Resolution 5, if duly approved, in accordance with Listing Rule 7.1A.2 may be calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement to issue:

- (i) **plus** the number of Shares issued in the previous 12 months under an exception in Listing Rule 7.2;
- (ii) **plus** the number of partly paid shares that became fully paid shares in the previous 12 months;
- (iii) **plus** the number of Shares issued in the previous 12 months with approval of Shareholders under Listing Rules 7.1 and 7.4 - this does not include an issue of Shares under the Company's 15% placement capacity (which is not subject to shareholder approval);
- (iv) **less** the number of Shares cancelled in the previous 12 months.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 and 7.4.

(b) Issue price of securities

The minimum price at which Equity Securities will be issued in utilisation of all or part of the 10% Placement Capacity approved under this Resolution 5, will not be less than 75% of the volume weighted average price (**VWAP**) of the Shares, calculated over the 15 trading days on which trades were recorded immediately before:

- (i) the date on which the Shares are issued or agreed to be issued; or
- (ii) if the Shares are not issued within five trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(c) Risk of economic and voting dilution of ordinary securities holders

Any issue of Shares under the 10% Placement Capacity will dilute the voting interests, and may dilute the economic interests, of current Shareholders who do not acquire Equity Securities under that issue.

EXPLANATORY STATEMENT

The table below seeks to demonstrate the potential dilution of current Shareholders from the issue of Shares under the 10% Placement Capacity calculated in accordance with the formula in Listing Rule 7.1A.2. The table considers the current number of Shares on issue, the effect of a change in the number of Shares on issue, and a variation in the issue price of Shares (noting that Shares may only be issued at up to a maximum 25% discount based on the volume weighted average price of the Shares calculated over the 15 trading days preceding the alternate dates referred to in sub-paragraph (b) immediately above).

VOTING DILUTION				
Number of Shares on issue	Dilution variable	\$0.05 (50% decrease in current issue price)	\$0.10 (current issue price)	\$0.15 (50% increase in current issue price)
440,050,856 (current)	Additional 10% shares issued	44,005,886	44,005,886	44,005,886
	Funds raised	2,200,294	4,400,589	6,600,883
660,076,284 (50% increase)	Additional 10% shares issued	66,007,628	66,007,628	66,007,628
	Funds raised	3,300,381	6,600,763	9,901,144
880,101,712 (100% increase)	Additional 10% shares issued	88,010,171	88,010,171	88,010,171
	Funds raised	4,400,509	8,801,017	13,201,526

This table makes the following assumptions:

- (i) the current number of Shares on issue is the Shares on issue at as the date of this Document;
- (ii) the current issue price is the closing price of Shares on 19 October 2017;
- (iii) the Company issues the maximum possible number of Shares under the 10% Placement Capacity;
- (iv) the calculations above do not show the dilution that any one Shareholder will be subject to - all Shareholders should consider the dilution caused to their own respective shareholding depending on their specific circumstances; and
- (v) this table does not consider any dilution which may occur subject to any issue of Equity Securities made in accordance with the provisions of either Listing Rule 7.1 or Listing Rule 7.4.

There is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the date of issue of the Shares than on the date of the Meeting; and
- (ii) the Shares may be issued at a price which is at a discount to the market price for the Shares on their date of issue.

(d) *Date approval will expire*

The approval given pursuant to Resolution 5 will expire on the earlier of:

- (i) 28 November 2018; or
- (ii) the date of approval by Shareholders of any transaction under either Listing Rule 11.1.2 (significant change to the nature or scale of the Company's activities) or Listing Rule 11.2 (disposal of the Company's main undertaking) or such longer period if allowed by the ASX.

(e) *Purpose*

The funds received from the proposed issue of Shares under the 10% Placement Capacity will be applied to the following purposes:

- (i) expansion of exploration programs, Feasibility Study and Environmental Impact Statement works;
- (ii) progression towards mine development; and
- (iii) general working capital purposes.

(f) *Allocation policy*

The allottees of the Shares under the 10% Placement Capacity have not yet been determined. However the Company may issue Shares under the 10% Placement Capacity to current Shareholders, new investors or both. No recipients of Shares under the 10% Placement Capacity will be a Related Party of the Company.

EXPLANATORY STATEMENT

The Company will determine who will receive Shares as a consequence of any issue made under the 10% Placement Capacity, if and when the Company decides to utilise the 10% Placement Capacity, taking into consideration the following:

- (i) the purpose of the issue;
- (ii) alternative fund raising methods available;
- (iii) the effect of the issue on the Company;
- (iv) the circumstances of the Company, financial and otherwise;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisors (as applicable).

(g) Prior approval

The Company obtained approval at the 2016 AGM under Listing Rule 7.1A. Since the 2016 AGM, the Company issued the Tranche 1A October 2017 Placement Shares using its Listing Rule 7.1A capacity, as part of the October 2017 Placement.

(h) Issues since 2016 AGM

The Company has issued 104,157,824 Equity Securities in the 12 months preceding the date of the Meeting, representing approximately 27% of the total number of Equity Securities (382,632,257 Shares and Options) on issue at the commencement of that 12 month period.

Description	Equity Securities issued	Recipients	Price	Discount to closing market price on day of issue	Total Consideration (before costs)	Amount spent	Use of funds
<i>Placement, December 2016</i>	32,223,856 fully paid ordinary Shares	Sophisticated Investors	\$0.165 per Share	Nil discount (closing price of \$0.16)	\$5,316,936	\$5,316,936	Acquisition of remaining 15% of Bowdens Silver Project
<i>Share Purchase Plan, March 2017</i>	18,181,968 fully paid ordinary Shares	Existing shareholders and participants in the shortfall underwriting	\$0.165 per Share	5.71%	\$3,000,000	\$3,000,000	Allocated towards continued works at the Bowdens Silver Project
<i>Placement, October 2017</i>	53,750,000 fully paid ordinary Shares	Sophisticated Investors	\$0.08 per Share	10.11%	\$4,300,000	\$725,000	Capital raising costs, continued exploration and works on the Definitive Feasibility Study and Environmental Impact Statement at the Bowdens Silver Project.
<i>Exercise of options, October 2017</i>	2,000 fully paid ordinary Shares	An option-holder	\$0.30	Nil.	\$600	\$0	Working Capital

EXPLANATORY STATEMENT

5.3 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 5 and whose votes will be disregarded if cast on Resolution 5, is set out in the Notice.

5.4 Recommendation of Directors

Each Director recommends that Shareholders vote **IN FAVOUR** of Resolution 5.

Each Director confirms that:

- (a) he has no personal interest in the outcome of Resolution 5 other than in his capacity as a Shareholder or an Associate of a Shareholder; and
- (b) will vote, and/or procure that any Shareholder that is an Associate of that Director votes, all its Shares in favour of Resolution 5.

6. RESOLUTION 6 - ELECTION OF JONATHAN BATTERSHILL

6.1 Background

Mr Jonathan Battershill was appointed to the Board as a Non-Executive Director on 16 June 2017. Mr Battershill graduated with a Bachelor of Engineering (Geology) degree (Hons) from the Camborne School of Mines, United Kingdom in 1995. His career spans over 20 years in mining, business development and finance both in Australia and internationally. His industry experience includes senior operational and business development roles with WMC Resources Limited as well as significant stockbroking experience at Hartleys, Citigroup and UBS both in Sydney and London. Mr Battershill was consistently voted one of the leading mining analysts in Australia between 2009 and 2015 by institutional investors.

Until recently, Mr Battershill was the Global Mining Strategist (Executive Director) with the UBS investment bank in London and is currently the Principal of JJB Advisory Limited, a private advisory and consulting firm based in the UK.

6.2 Requirement for Shareholder Approval

Listing Rule 14.4 requires that a director (other than a managing director) of an ASX listed company must not hold office (without re-election) past the third annual general meeting following their appointment, or three years, whichever is longer. Listing Rule 14.4 also provides that any director (except a managing director) whom has been appointed throughout the year must not hold office past the next annual general meeting without re-election.

Accordingly, Shareholders are asked to consider and vote upon the election of Jonathan Battershill as a Director.

6.3 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 6, and whose votes will be disregarded if cast on Resolution 6, is set out in the Notice.

6.4 Recommendation of Directors

Each Director, other than Jonathan Battershill, recommends that Shareholders vote **IN FAVOUR** of Resolution 6.

Each Director, other than Jonathan Battershill, confirms that he:

- (a) has no personal interest in the outcome of Resolution 6 other than in his capacity as a Shareholder or an Associate of a Shareholder; and
- (b) will vote, and/or procure that any Shareholder that is an Associate of that Director votes, all its Shares in favour of Resolution 6.

7. RESOLUTION 7 - ISSUE OF OPTIONS TO RELATED PARTY - JONATHAN BATTERSHILL

7.1 Background

As mentioned in section 6.1 of this Document, Mr Jonathan Battershill was appointed to the Board of the Company as a Non-Executive Director on 16 June 2017. For his duties as a Non-Executive Director of the Company, Mr Battershill is paid remuneration of \$60,000 per annum and the Company has agreed to issue to Mr Battershill 1,000,000 Options (**Director Options**), subject to the Company obtaining Shareholder approval. The Director Options issued pursuant to this Resolution 7 will be exercisable at \$0.30, expire on 30 June, 2019 and are intended to form part of an existing class of unquoted Options.

7.2 Requirement for Shareholder Approval

Listing Rule 10.11 requires that unless an exception applies, an entity must not without the prior approval of its shareholders, issue or agree to issue Equity Securities to:

- (a) a Related Party of the entity; or
- (b) a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that approval of shareholders should be obtained.

Mr Battershill is a Related Party of the Company by virtue of his being a Director.

Section 208 of the Corporations Act requires that a company obtain shareholder approval where a financial benefit is proposed to be given to a Related Party of that company. However, section 11 of the Corporations Act provides that shareholder approval is not required where a financial benefit constitutes "reasonable remuneration"

EXPLANATORY STATEMENT

for the purposes of section 211(1). The Directors have resolved that the issue of the Director Options to Mr Battershill constitutes 'reasonable remuneration' in accordance with section 211 of the Corporations Act and accordingly the Company is not seeking Shareholder approval in respect of that proposed issue.

7.3 Information required by Listing Rule 10.13

For the purpose of Listing Rule 10.13, the following information in relation to the Shares the subject of Resolution 7 is provided:

(a) *Parties to whom the securities will be issued*

Mr Jonathan Battershill or his nominee.

(b) *Maximum number of securities to be issued*

1,000,000 Director Options.

(c) *Date of issue*

The Company intends to issue the Director Options on the day immediately after the date of upon which Resolution 7 is duly approved or in any event, within one month from the date on which this Resolution 7 is duly approved.

(d) *Relationship of Related Party*

Mr Battershill is a Director.

(e) *Issue price and terms of issue*

The Director Options will be issued for nil consideration. They will be unquoted and have an expiry date of 20 June 2019 and an exercise price of \$0.30 per Director Option.

(f) *Use of funds raised*

There will be no cash funds raised from the issue of the Director Options.

7.4 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 7, and whose votes will be disregarded if cast on Resolution 7, is set out in the Notice.

7.5 Recommendation of Directors

Each Director, other than Jonathan Battershill, recommends that Shareholders vote **IN FAVOUR** of Resolution 7.

Each Director, other than Jonathan Battershill, confirms that he:

- (a) has no personal interest in the outcome of Resolution 7 other than in his capacity as a Shareholder or an Associate of a Shareholder; and
- (g) will vote, and/or procure that any Shareholder that is an Associate of that Director votes, all its Shares in favour of Resolution 7.

8. RESOLUTION 8 - ISSUE OF OPTIONS TO RELATED PARTY - JONATHAN BATTERSHILL

8.1 Background

As mentioned in section 6.1 of this Document, Mr Jonathan Battershill was appointed to the Board of the Company as a Non-Executive Director on 16 June 2017. In addition to his duties as a non-executive Director, Mr Battershill has been engaged to assist the Company with services outside the scope of his Non-Executive Director duties, including in relation to the achievement of various financing arrangements for the progression of mine development at the Bowdens Silver Project.

Once the Company has completed its Definitive Feasibility Study and lodged its Environmental Impact Statement in respect of the mine development at the Bowdens Silver Project, the Company will undergo an approval process for the grant of a Mining Lease for the Bowdens Silver Project. Subject to receiving those relevant approvals, the Company will commence the development and operation of a mine at Bowdens Silver. In order to facilitate the construction of a plant and development of the mine and due to the substantial expenditure associated with such activities, the Company will require substantial project financing. This financing is expected to be in the vicinity of \$150-200 million, on the basis of an approximately 2.0 million tonne per annum mine development. Accordingly, the Company has determined that such project financing must achieve a minimum of \$150 million (**Financing Milestone**). Due to the substantial experience, industry relationships and financing capabilities of Mr Battershill, the Company views his engagement as critically important to achieving the Financing Milestone.

In addition, the Company has agreed, subject to due approval of this Resolution 8 and the achievement of the Financing Milestone, to the issue of unquoted Options with an exercise price of \$0.20 and an expiry date which is three years from the date of issue (**Milestone Options**) to Mr Battershill or his nominee. The Milestone Options will only vest following satisfaction of the Financing Milestone.

Accordingly, subject to Shareholders duly approving this Resolution 8, the Company will issue 5,000,000 Milestone Options to Mr Battershill or his nominee which will vest subject to and upon the achievement of the Financing Milestone.

8.2 Requirement for Shareholder Approval

Listing Rule 10.11 requires that unless an exception applies an entity must not without the approval of its shareholders, issue or agree to issue Equity Securities to:

- (a) a Related Party of the entity; or
- (b) a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that approval of Shareholders should be obtained.

EXPLANATORY STATEMENT

Jonathan Battershill is a Related Party of the Company by virtue of being a Director.

Section 208 of the Corporations Act requires that a company obtain shareholder approval where a financial benefit is proposed to be given to a Related Party of that company. However, section 211 of the Corporations Act provides that shareholder approval is not required where a financial benefit constitutes "reasonable remuneration" for the purposes of section 211(1). The Directors have resolved that the issue of the Milestone Options to Mr Battershill constitutes 'reasonable remuneration' in accordance with section 211 of the Corporations Act and accordingly the Company is not seeking Shareholder approval in respect of that proposed issue.

8.3 Information required by Listing Rule 10.13

For the purpose of Listing Rule 10.13, the following information in relation to the Shares the subject of Resolution 8 is provided:

(a) Parties to whom the securities will be issued

Mr Jonathan Battershill or his nominee.

(b) Maximum number of securities to be issued

5,000,000 Milestone Options.

(c) Date of issue

The Company will issue the Milestone Options within one month of the date of Meeting. The Milestone Options will not vest until such time as the Financing Milestone has been achieved.

(d) Relationship of Related Party

Mr Jonathan Battershill is a Director.

(e) Issue price and terms of issue

The Milestone Options will:

- be issued for nil cash consideration;
- not be quoted on the official list of ASX;
- be exercisable at \$0.20 per Milestone Option;
- not vest until such time as the Financing Milestone has been achieved. and
- expire and no longer be capable of exercise on and after the Milestone Option Expiry Date.

For full terms and conditions of the Milestone Options, please see Appendix A to this Document.

(f) Use of funds raised

There will be no cash funds raised from the issue of the Milestone Options.

8.4 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 8, and whose votes will be disregarded if cast on Resolution 8, is set out in the Notice.

8.5 Recommendation of Directors

Each Director, other than Jonathan Battershill recommends that Shareholders vote **IN FAVOUR** of Resolution 8.

Each Director, other than Jonathan Battershill, confirms that he:

- (a) has no personal interest in the outcome of Resolution 8 other than in his capacity as a Shareholder or an Associate of a Shareholder; and
- (b) will vote, and/or procure that any Shareholder that is an Associate of that Director votes, all its Shares in favour of Resolution 8.

9. RESOLUTION 9 - ADOPTION OF EMPLOYEE INCENTIVE SCHEME

9.1 Background

The Company and its wholly owned subsidiary, Bowdens Silver Pty Limited, currently have 25 full-time employees (including the managing director), 1 part-time employees and 1 casual employees, in addition to three Non-Executive Directors. Since the acquisition of and recommencement of activities at the Bowdens Silver Project in June 2016, these employees have been integral in advancing the Company's exploration objectives and progressing the Company's stated objectives to fast-track the Bowdens Silver Project towards mine development and production.

The Board believes that it will be in the interests of all Shareholders in strengthening the interdependence between the Company, as an employer, and its employees and consultants, for the long term mutual benefit of both and all Shareholders. Accordingly, the Board has resolved to implement an employee incentive plan with the intended effect that the objectives of employees are more closely aligned with the interests of the Company and the Shareholders, in addition to attracting, motivating and retaining valuable employees.

EXPLANATORY STATEMENT

9.2 Requirement for Shareholder Approval

Shareholder approval is not required by the Corporations Act or the Listing Rules for the establishment or operation of the Incentive Scheme.

However, Shareholder approval is being sought in accordance with the provisions of Resolution 9, to allow the Company to rely on Listing Rule 7.2, Exception 9(b). That Exception:

- excludes any Equity Securities issued under an “employee incentive scheme” from being included in the Equity Securities that the Company would otherwise be required to include in determining whether it remains in compliance with the 15% Threshold; and
- provides that a company is not required to obtain shareholder approval for an issue of Equity Securities under an “employee incentive scheme” provided that shareholders have approved the issue of securities under that scheme, as an exception to Listing Rule 7.1, no later than three years before the date of a proposed issue of any Equity Securities under that scheme.

9.3 Information required by Listing Rule 7.2, exception 9(b)

For the purpose of Listing Rule 7.2, exception 9(b), the following information in relation to the Incentive Scheme Plan the subject of Resolution 9 is provided:

(a) *The terms of the Incentive Scheme*

A summary of the terms and conditions of the Incentive Scheme is set out in Appendix B of this Document.

(b) *The number of securities issued under the scheme since the date of the last approval*

The Company has not sought approval for the implementation of an employee incentive scheme within the past three years.

9.4 Voting Exclusion Statement

A description of the persons not permitted to vote on Resolution 9, and whose votes will be disregarded if cast on Resolution 9, is set out in the Notice.

9.5 Recommendation of Directors

Each Director recommends that Shareholders vote **IN FAVOUR** of Resolution 9.

Each Director confirms that he:

- (c) has no personal interest in the outcome of Resolution 9 other than in his capacity as a Shareholder or an Associate of a Shareholder; and
- (d) will vote, and/or procure that any Shareholder that is an Associate of that Director votes, all its Shares in favour of Resolution 9.

10. ENQUIRIES

Shareholders are advised to contact Mr Trent Franklin, the Company Secretary, on +61 2 8316 3997 if they have any queries in respect of the matters set out in these documents.

DEFINITIONS

For the purposes of this Document, the following terms have the meanings prescribed below:

\$	Australian dollars.
2016 AGM	The Company's 2016 Annual General Meeting, held on 29 November 2016.
AEDT	Australian Eastern Daylight Time.
ASIC	Australian Securities & Investments Commission.
Associate	has the meaning given in Listing Rule 19.12.
ASX	ASX Limited ACN 008 624 691 or the securities exchange market operated by it, as the context requires.
Board	the board of directors of the Company as constituted from time to time.
Bowdens, Bowdens Silver or Bowdens Silver Project	The Bowdens Silver Project, located in Lue, New South Wales.
Business Day	a day which is not a Saturday, Sunday, a bank holiday or a public holiday in Sydney, and any other day that ASX declares is not a business day.
Chair	the person chairing the Meeting.
Company or Silver Mines	Silver Mines Limited ACN 107 452 942.
Constitution	the constitution of the Company as amended from time to time.
Corporations Act	the Corporations Act 2001 (Cth).
Director	a director of the Company as at the date of this Document.
Document	this document entitled "Notice of Extraordinary Meeting", including any annexures or schedules to or of this document.
Equity Security	has the meaning given in Listing Rule 19.12.
Explanatory Statement	the section entitled "Explanatory Statement" of this Document, forming part of the Notice.
Incentive Scheme	the employee incentive scheme that is proposed to be established and operated by the Company in accordance with the terms and conditions set out in Appendix A.
Key Management Personnel	has the meaning given to that term in section 9 of the Corporations Act.
Listing Rules	the listing rules of the ASX as amended from time to time.
Meeting	the Annual General Meeting of the Company convened pursuant to in the Notice.
Notice or Notice of Meeting	the notice convening this Meeting as set out in this Document.
ordinary resolution	a resolution of Shareholders that is approved by a simple majority of the votes cast by Shareholders present at the Meeting (whether in person or by proxy) and entitled to vote on that resolution.
Option	the right of the holder of an Option to acquire a Share, in accordance with the terms and conditions of that Option.
Proxy Form	the 'Appointment of Proxy' form attached to this Document.
Related Party	has the meaning given to that term in Listing Rule 19.12.
Resolution	a resolution set out in the Notice.

DEFINITIONS

Share	a fully paid ordinary share in the issued share capital of the Company.
Share Registry	Boardroom Pty Limited ACN 003 209 836.
Shareholder	a person recorded on the register of members maintained by the Company pursuant to sections 168 and 169 of the Corporations Act as a holder of one or more Shares.
Sophisticated Investor	a person to whom an offer of the Company's Equity Securities may be made without disclosure in reliance on section 708(8) or section 708(11) of the Corporations Act and that is not already a Related Party of the Company.
special resolution	a resolution of Shareholders that is approved by a majority of no less than seventy five per cent (75%) of the votes cast by Shareholders present at the Meeting (whether in person or by proxy) and entitled to vote on that resolution.
trading day	has the meaning given in Listing Rule 19.12.

INTERPRETATION

In this Notice, headings are for convenience only and do not affect interpretation and except where the context otherwise requires:

- (a) the singular includes the plural and vice versa and a gender includes other genders;
- (b) other grammatical forms of a defined word or expression have a corresponding meaning;
- (c) a reference to a section, paragraph, schedule or annexure is to a section or paragraph of or schedule or annexure to this Notice and a reference to this Notice includes any schedule and annexure;
- (d) a reference to a document or agreement includes the document or agreement as novated, altered, supplemented or replaced from time to time;
- (e) a reference to A\$, \$A, dollar or \$ is to Australian currency;
- (f) a reference to a year (other than a financial year) or a month means a calendar year or calendar month respectively;
- (g) a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (h) a reference to a person includes a natural person, partnership, firm, body corporate, trust, joint venture, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (j) any authorities, associations, bodies and entities, whether statutory or otherwise, will, in the event of such authority, association, body or entity ceasing to exist or being reconstituted, replaced or the powers or functions thereof being transferred to or taken over by any other authority, association, body or entity, be deemed to refer respectively to the authority, association, body or entity established, constituted or substituted in lieu thereof which exercises substantially the same powers or functions; and
- (k) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions.

APPENDIX A - TERMS AND CONDITIONS OF MILESTONE OPTIONS

The Milestone Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Milestone Option gives the Milestone Option holder the right to subscribe for one Share. To obtain the right given by each Milestone Option, the Milestone Option holder must exercise the Milestone Options in accordance with the term and conditions of the Milestone Options.
- (b) The commencement date (**Commencement Date**) for the exercise of the Milestone Options is the date of achievement of the Financing Milestone.
- (c) The Milestone Options will, except to the extent earlier exercised, expire at 5:00pm (AEST) on the date that is three (3) years after the Commencement Date (**Milestone Option Expiry Date**). Any Milestone Option not exercised before the Milestone Option Expiry Date will automatically lapse on the Milestone Option Expiry Date.
- (d) The exercise price for each Milestone Option will be \$0.20 (**Exercise Price**).
- (e) The Milestone Option exercise period will be the period commencing on the Commencement Date of the relevant Milestone Options and expiring on the Milestone Option Expiry Date of the relevant Milestone Options (**Exercise Period**).
- (f) The Company will not apply for quotation of the Milestone Options.
- (g) The Milestone Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise specifying the number of Milestone Options being exercised together with a cheque for the exercise price to the Company (**Exercise Notice**) at any time during the Exercise Period.
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Milestone Options specified in the Exercise Price.
- (j) All Shares allotted upon exercise of Milestone Options will upon allotment rank pari passu in all respects with the then issued ordinary shares of the Company.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of a Milestone Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
- (l) A Milestone Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Milestone Option can be exercised.
- (m) There are no participating rights or entitlements inherent in the Milestone Options and Milestone Option holders will not be entitled to participate in new issues of securities of the Company offered to Shareholders during the currency of the Milestone Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four Business Days after the issue is announced. This will give Milestone Option holders the opportunity to exercise its Milestone Options prior to the date for determining entitlements to participate in any such issue.
- (n) If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Milestone Option is exercisable may be increased by the number of shares which the Milestone Option holder would have received if the Milestone Option had been exercised before the record date for the bonus issue.
- (o) The terms of the Milestone Options may only be changed if holders of ordinary shares in the Company who are not excluded from voting approve of such a change. However, the terms of the Milestone Options cannot be changed to reduce the exercise price, increase the number of Milestone Options or change any period for exercise of the Milestone Options.
- (p) If at any time a meeting of holders of Milestone Options is required or proposed, the rules applicable to the convening and holding of, and voting at, a general meeting of the Company will apply so far as they are capable of application (and with all necessary changes) to that meeting on the basis that on a poll a holder is entitled to one vote for each Milestone Option held.

APPENDIX B - TERMS AND CONDITIONS OF EMPLOYEE INCENTIVE SCHEME

The Employee Incentive Scheme involves the potential issue to eligible participants of Shares and Options. Outlined below is a summary of the key terms of the Incentive Scheme:

- (a) *Purpose* The purpose of the Incentive Scheme is to develop and strengthen a relationship of interdependence between the Company, as an employer, and its employees and consultants, for the long term mutual benefit of both. Through the implementation of the Incentive Scheme, the Company hopes to align the interests of its employees with that of the Company and its Shareholders, in addition to attracting, motivating and retaining current and future employees.
- (b) *Eligibility to participate in Incentive Scheme* Persons who are eligible to participate in the Incentive Scheme include:
- (i) full, part-time and casual employees;
 - (ii) officers of the Company (excluding Directors); and
 - (iii) consultants of the Company,
- each as and subject to the determination of the Board (each an **Eligible Person**).
- (c) *Administration of Incentive Scheme* The Board will establish an Incentive Scheme Plan Committee (**ISP Committee**) to administer the Incentive Scheme. The ISP Committee will:
- (i) initially be constituted by no less than three Directors; and
 - (ii) may later be comprised of other officers or senior management of the Company as the Board deems appropriate.
- (d) *Offer* The Board may issue an offer to any Eligible Person to participate in the Incentive Scheme (**Participation Offer**). The Participation Offer will:
- (i) invite application for the number of Shares or Options (**Offer Securities**) specified in the Participation Offer (or specify the manner in which the number of Offer Securities was or is to be calculated;
 - (ii) specify the issue price for the Offer Securities or the method of its calculation;
 - (iii) specify any other amount payable to subscribe for the Offer Securities;
 - (iv) specify a period within which the Eligible Person will be required to provide written evidence to the Company of that Eligible Person's acceptance of the Participation Offer, in the absence of which that Eligible Person will be deemed to have rejected the Participation Offer;
 - (v) disclose any conditions applicable to the participation by the Eligible Person in the Incentive Scheme;
 - (vi) disclose any conditions applicable to the Offer Securities that are the subject of that Participation Offer;
 - (vii) whether or not it is the intent of the Company to apply for or maintain the official quotation of any Offer Securities the subject of that Participation Offer, upon or at any time after, their issue. and
 - (viii) specify any other terms and conditions attaching to the Offer Securities, as determined by the Board in its absolute discretion.
- (e) *Participant* Upon the acceptance of a Participation Offer in accordance with its terms and conditions, and otherwise in accordance with the terms and conditions of the Incentive Scheme (**Acceptance**), that Eligible Person will thereafter, and for the purposes of the Incentive Scheme, be referred to as a **Participant**.

APPENDIX B - TERMS AND CONDITIONS OF EMPLOYEE INCENTIVE SCHEME

- (f) *Vesting Conditions* Offer Securities issued under the Incentive Scheme may be subject to vesting conditions determined by the Board in its absolute discretion. As an example, the Board may determine that Offer Securities will vest in the Participant in increments pursuant to the achievement of stated or to be agreed continuous performance levels or events.
- (g) *Forfeiture or lapsing of Offer Securities* If a vesting condition is not satisfied by the last date on which it is due to have occurred or by the date on which the Participant ceases to be an Eligible Person, the Company will:
- (i) be entitled (but not required) to buy-back and cancel the relevant Offer Securities; or
 - (ii) require that Participant to transfer all or any of the Offer Securities to a party nominated by the Company for that purpose, in accordance with the Listing Rules and the Corporations Act.
- (h) *Power of Attorney* Each Participant, will upon or after Acceptance, each appoint each of the Directors severally as its attorney to:
- (i) deal with all or any of the Offer Securities issued pursuant to an Acceptance of a Participation Offer; and
 - (ii) give effect to any transaction contemplated by the terms or conditions of any Participation Offer,
- as if that Attorney was the registered beneficial holder of any such Offer Security.
- (i) *Voting, dividend and restrictions on participation in new issues* Participants will not be entitled to participate in any new issue of Equity Securities, bonus issue, or capital reduction if and to the extent that any of the Offer Securities that were the subject of a Participation Offer, have not vested in that Participant on or before the record date applicable to such issue.
- (j) *Reconstruction of Capital* In the event that the Company undergoes a reconstruction of capital, the Board will, in co-operation with the ISP Committee, adjust the number and terms and conditions of issue of any or all Offer Securities that a Participant may receive, whether or not they have vested in that Participant on or before the date of that reconstruction, in order to ensure that that Participant does not receive any advantage or suffer any detriment solely as a result of the occurrence of that reconstruction.
- (k) *Plan Limit* The Company must ensure that the number of Offer Securities offered by the Company to any Eligible Person under the Incentive Scheme when aggregated with the number of Offer Securities:
- (i) that would be issued or required to be issued, if each outstanding Participation Offer, under the Incentive Scheme or under any other employee incentive scheme operated by the Company or any subsidiary or related body corporate of the Company, was accepted; and
 - (ii) issued under the Incentive Scheme during the five consecutive calendar years immediately preceding the date of making that abovementioned offer,
- does not, on a fully diluted basis, exceed five per cent (5%) of the total number of Shares on issue at the time of making a Participation Offer (but disregarding any offer of Offer Securities that may be disregarded in accordance with applicable ASIC regulatory guidelines or class orders).

PROXY FORM



ACN 107 452 942

ANNUAL GENERAL MEETING

I/we

of

being a member of Silver Mines Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR

☐

the Chair of the Annual General Meeting as my/our proxy

or failing the person so named or, if no person is named, the Chair of the Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Meeting to be held at **10:00am (AEDT) on Tuesday, 28 November 2017** at Level 15, 1 O'Connell Street Sydney NSW 2000 Australia, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

☐

If the Chair of the Meeting is appointed as your proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 9** please place a mark in this box..

By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1-9 and that votes cast by the Chair of the Meeting for Resolutions 1-9 other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1-9 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1-9.

OR

Voting on Business of the Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 Adoption of Remuneration Report	☐	☐	☐
Resolution 2 Ratification of Issue of Options	☐	☐	☐
Resolution 3 Ratification of December 2016 Placement	☐	☐	☐
Resolution 4 Ratification of October 2017 Placement Shares	☐	☐	☐
Resolution 5 Approval to issue Shares under Listing Rule 7.1A	☐	☐	☐
Resolution 6 Election of Jonathan Battershill as a Director	☐	☐	☐
Resolution 7 Approval to issue Director Options to Jonathan Battershill	☐	☐	☐
Resolution 8 Approval to issue Milestone Options to Jonathan Battershill	☐	☐	☐
Resolution 9 Implementation of Employee Incentive Scheme	☐	☐	☐

Please note: If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Signatures of Member(s):

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____

Contact Ph (daytime): _____

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

1. **(Appointing a Proxy):** A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members must sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the *Corporations Act*) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to GPO Box 225, Sydney NSW 2001, Australia; or
 - (b) facsimile to the Company on facsimile number (+61 2) 8316 3999so that it is received not later than **10:00am (AEDT) on Sunday, 26 November 2017.**

Proxy Forms received later than this time will be invalid.