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6 August 2018

Dear Shareholder

Silver Mines Limited – Renounceable Entitlements Issue

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

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

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

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

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

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

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

Purpose of the Offer

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

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

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

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

Eligibility

As an Eligible Shareholder, the Company is extending the Offer to you. You should read the Prospectus carefully and in full before deciding whether or not to participate in the Offer, and if so required, you are advised to seek professional investment advice before deciding what course of action to take.

The Prospectus, and Entitlement and Acceptance Form will be issued to Eligible Shareholders in paper form or as electronically where Eligible Shareholders have requested to receive notices by email.

A copy of the Prospectus is available on the ASX website (ASX:SVL). Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form. Your entitlement will be set out on your personalised Entitlement and Acceptance Form that will accompany the Prospectus.

For the purpose of calculating each Eligible Shareholders' entitlement, fractions have been rounded up to the nearest whole number of New Shares.

Actions required of Eligible Shareholders

There are a number of actions Eligible Shareholders may take, they being:

- You may wish to accept **all** of your rights to subscribe for New Shares pursuant to the Prospectus (**Entitlement**).
- You may wish to accept **all** of your rights to subscribe for New Shares pursuant to the Entitlement and apply for additional Shares under the Shortfall Offer.
- You may wish to accept **part** of your Entitlement.
- You may seek to sell **all** or **part** of your Entitlement on ASX.
- You may transfer **all** or **part** of your Entitlement to another person other than on ASX. To transfer all or part of your Entitlement you will either need to contact your CHESS Controlling Participant (usually your broker) and follow their instructions or complete a renunciation and transfer form (which can be obtained from the share registry) and return it, together with the purchaser's cheque for the Entitlement they wish to take up so that it is received by the share registry by no later than the Record Date.
- You may elect to do **nothing**. If you choose to do nothing with your Entitlements, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

Key Dates and Offer Timetable*

Event	Date
Announcement of Offer	3 August 2018
Lodgment of Prospectus with ASIC	3 August 2018
Copy of Prospectus given to ASX	3 August 2018

Notices sent to Shareholders	6 August 2018
Ex-date	9 August 2018
Trading of rights commences	9 August 2018
Record Date	10 August 2018
Prospectus despatched to Shareholders (and announcement of despatch)	15 August 2018
Closure of rights trading	24 August 2018
Last day to extend the Closing Date	28 August 2018
Closing Date	31 August 2018
ASX notified of under subscriptions	4 September 2018
Issue date	6 September 2018
Trading of Securities commences on a normal basis	7 September 2018

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

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

Yours sincerely

Trent Franklin
Company Secretary
Silver Mines Limited