

FRIDAY 30 JANUARY, 2009

## ACTIVITIES REPORT

For the Quarter Ended 31st December 2008

**To: Company Announcement officer**

### EXPLORATION

During the December Quarter last year Silver Mines Limited (SVL) focused on cost reductions to conserve funds whilst maintaining momentum on moving the Webbs Silver Project forward.

The Scoping Study was temporarily put on hold but it is anticipated that work will be started again in February 2009 with metallurgical studies plus engineering and mining components continuing.

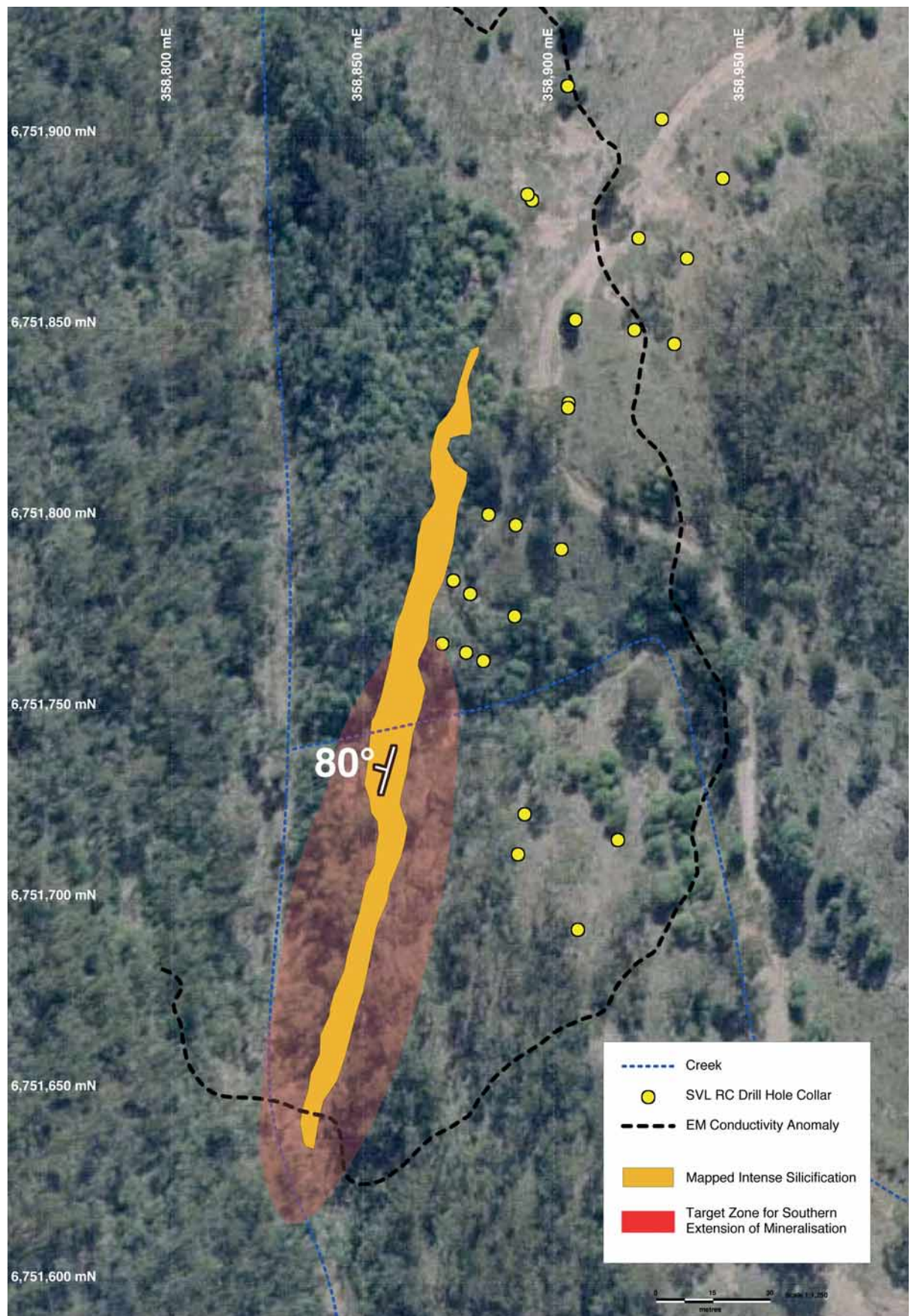
Exploration work was reduced with all field programs put on hold and data interpretation on previous drilling programs the key focus for the quarter. The interpretations have demonstrated that the continuity of the mineralisation, particularly at the Webbs Silver South prospect, is sound with excellent potential for extensions to the current inferred resource likely to the south of the current drilling at Webbs South as well as along strike of the other 5 key prospects within the 2000m mineralised corridor within EL5674. A drilling program to test this model is being planned. Further drilling will focus on extending areas of known mineralisation and increasing the existing resource inventory.

Work in the present quarter will stay focussed on consolidating existing data and planning future drilling at the Webbs Silver Project.

Please direct any queries regarding the content of this report to Charles Straw (CEO) on **+61 2 9436 0533** or **cstraw@silverminesltd.com.au**

The information in this report that relates to Exploration Results is based on information compiled by Charles Straw, consulting geologist and General Manager, who is a Member of The Australasian Institute of Mining and Metallurgy. Charles Straw has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Charles Straw consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### WEBBS SILVER SOUTH PROSPECT



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

SILVER MINES LIMITED

ABN

45 107 452 942

Quarter ended ("current quarter")

December 2008

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 mths to Dec 08) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(170)	(593)
(b) development	-	-
(c) production	-	-
(d) administration	(88)	(237)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (Exploration Bonds)	-	-
	(241)	(798)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	-	-
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(241)	(798)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(241)	(798)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(48)	(170)
<b>Net financing cash flows</b>		(48)	(170)
<b>Net increase (decrease) in cash held</b>		(289)	(968)
1.20	Cash at beginning of quarter/year to date	813	1,492
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	524	524

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	17
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
<b>Total</b>	-

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	69	107
5.2 Deposits at call	455	706
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	524	813

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>*Ordinary securities</b>	43,447,500 OFP	43,447,500 OFP	-	-
7.4 Changes during quarter				
(a) Increases through issues IPO Tenements Placement	-	-	-	-
(b) Decreases through returns of capital, buy-backs				
7.5 <b>*Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>	11,635,000	Escrowed	<b>Exercise price</b>	<b>Expiry date</b>
	5,685,000	-	20 cents	Nov 2009
	2,000,000	19 Jan 2009	20 cents	Nov 2009
	300,000	19 Jan 2009	25 cents	Nov 2009
		-	20 cents	Nov 2009
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )	-	-
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## Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: ..JANUARY 2009.....  
(Director/Company Secretary)

Print name: .KEVIN LYNN.....

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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