



NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

Annual General Meeting to be held at:

Christie Corporate, Maasai Room, Level 4, 100 Walker Street, North Sydney, NSW,
on **Wednesday, 26 November 2008 at 4.00pm**

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that a Annual General Meeting of the Shareholder of Silver Mines Limited (The Company) will be convened held at Christie Corporate, Maasai Room, Level 4, 100 Walker Street, North Sydney, NSW, on Wednesday, 26 November 2008 at 4.00pm to consider, and if thought fit, to pass the following resolutions.

If you are unable to attend the meeting, we encourage you to complete and return the enclosed Proxy Form. The completed Proxy Form must be received by the Company at least 48 hours before the commencement of the meeting.

An Explanatory Statement is attached. Shareholder should read this in full.

ORDINARY BUSINESS

Annual Accounts

"To receive and consider the Annual Company Financial Statements and reports of the Directors and the Auditor for the period ended 30 June 2008."

Resolution 1 – Remuneration Report.

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"To adopt the remuneration report for the year ended 30 June 2008"

Note: the vote on this resolution is advisory only and does not bind the directors.

Resolution 2 – Re-election of Mr. David Straw as a Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr David Straw, a Director of the Company retiring in accordance with the Company's Constitution, be re-elected as a Director."

Resolution 3 – Re-election of Mr. Kim Slater as a Director.

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr Kim Slater, a Director of the Company retiring in accordance with the Company's Constitution, be re-elected as a Director."

Resolution 4 – Approval of an Issue of Shares by Company

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes, the Company be authorised to allot and issue up to 20 million fully paid ordinary Shares of the capital of the Company at an issue price no less than 80% of the weighted average price for 5 trading days prior to the announcement of a placement on the terms and conditions set in the Explanatory Statement accompanying this notice."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 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 and an associate related to that person, if the resolution is passed. However, the Company need not disregard a vote if:

- (i) the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- (ii) the vote is cast by the person chairing the meeting 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.*

Dated this 22 October 2008

By Order of The Board



Kevin Lynn

Company Secretary

NOTES

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. In accordance with Regulation 7.11.37 of the Corporations Regulations, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 4.00pm on 24 November 2008.
3. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the proxy instructions on that form.
4. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled.

EXPLANATORY STATEMENT

This Explanatory Statement accompanies and forms part of the Notice of General Meeting dated 22 October 2008 (**Notice**) and has been prepared to provide Shareholder with material information to enable them to make an informed decision on the business to be conducted at the General Meeting of the Company. Amongst other things, this Explanatory Statement provides Shareholder with the information required to be provided to Shareholders by the Corporations Act 2001 and the Official Listing Rules of the ASX (**ASX Listing Rules**).

The Explanatory Statement sets out an explanation of each of the resolutions to be put to Shareholders. Shareholders should read this Explanatory Statement carefully before determining how to vote in respect of the resolutions.

ANNUAL FINANCIAL REPORTS AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

The first item of the Notice is to receive and consider the annual financial reports and accounts of the Company for the year ended 30 June 2008, comprising the Financial Statements together with the Statement of the Directors, the Directors' Report and the Auditor's Report. No resolution is required in respect of this agenda item. However, it provides Shareholders with the opportunity to ask questions of the Company's management and auditors in relation to the Company's results and operations for that financial year.

Resolutions 2 and 3 – Election of Directors

Election of directors Items 2 and 3 of the notice of meeting deal with the election of directors. Under the Company's constitution and the listing rules, a director must not hold office without re-election past the third Annual General Meeting following the director's appointment or three years, whichever is longer. The director will be eligible for re-election. The directors required to retire under the above framework are David Straw and Mr Kim Slater. They have both indicated that they will offer themselves for re-election. The Company selects Board members for their knowledge of and familiarity with financial markets, their experience with relevant stakeholder groups and their individual contribution to the Board's ability to function efficiently and with integrity.

The Board's focus is achieving progressive renewal whilst maintaining stability and retaining experience and guidance which has been invaluable throughout the early stages of the Company's development. In the next years the Board will focus further upon renewal of its membership and ensuring that the Company's Board possesses the appropriate pool of skills and experience to take the Company into its next phase of growth as a listed company.

In accordance with the Clause 20.2 of the Company's Constitution, Messrs Straw and Slater retire and being eligible, have offered themselves for re-election. The remaining Director recommends to Shareholders that Messrs Straw and Slater be re-elected as directors.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 4 – Approval of an Issue of Securities by Company

Resolution 4 of the Notice of Meeting proposes the issue and allotment of up to 20 million fully paid ordinary Shares in the capital of the Company per the ASX Listing Rules.

In compliance with the information requirements of ASX Listing Rule 7.3, members are advised of the following particulars in relation to the proposed issue:

1. Maximum number of Shares to issued – up to 20 million shares.
2. Date by which the Company will issue and allot Shares – No later than 3 months after the date of the meeting.
3. Price at which Shares to be issued – Minimum being no less than 80% of the average market price calculated in accordance with ASX Listing Rule 7.3.3.
4. Basis upon which allottees will be determined – The allottees will be determined by the Board having regard to a number of issues, including:
 - (i) the level of demand for placement Shares;
 - (ii) the identification of Shareholder with a long term commitment to the Company; and,
 - (iii) other issues which the board may consider appropriate from time to time.
5. Terms of issue – The Shares will rank equally in all respects with the existing ordinary Shares on issue.
6. Intended use of funds raised – The issue of Shares will provide additional funding required by the Company for the following purposes:
 - (i) exploration programmes on tenements, primarily within the New England region;
 - (ii) assessment of capital acquisitions and joint venture opportunities; and
 - (iii) general working capital.
7. Dates of allotment – Allotment will occur progressively.

Pursuant to the placement proposed under resolution 4, no single Shareholder/placee will be permitted to exceed 20% of the issued capital of the Company and therefore no change in control of the Company is anticipated. This prohibition will be included in the placement Information Statement.

It is proposed that the placement be made to selected allottees pursuant to a placement Information Statement.

OTHER INFORMATION

There is no other information known to the Company that is material to a Shareholder's decision on how to vote on the resolutions set out in the Notice. However, should any Shareholder be in doubt as to how they should vote on any resolution and/or as to how a resolution may affect them, they should seek advice from their accountant, solicitor or other professional adviser as soon as possible.

Queries as to the lodgement of proxies and other formalities in relation to the Meeting should be directed to the General Manager (Telephone: (02) 9436 0533).

ACTION TO BE TAKEN BY SHAREHOLDERS

Attached to the Notice of Meeting accompanying this Explanatory Statement is a proxy form for use by Shareholders. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person and are eligible to vote, to complete, sign and return the proxy form to the Company in accordance with the instructions contained on the proxy form and the Notice of Meeting. Lodgement of a proxy form will not preclude a Shareholder from attending and voting at the Meeting in person.

PROXY FORM

The Secretary

Silver Mines Limited
Suite 201,109 Alexander Street
Crows Nest, NSW 2065 Australia

SHAREHOLDER DETAILS

Name of Shareholder: _____
(Surname) (Given Names)

Address of Shareholder: _____

I/We being a member(s) of Silver Mines Limited, hereby appoint the following person or failing him/her the Chairman of the Meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Christie Corporate, Maasai Room, Level 4, 100 Walker Street, North Sydney, NSW, on Wednesday, 26 November 2008 at 4.00pm (and at any adjournment thereof) in the manner indicated below or as he/she thinks fit.

PROXY'S DETAILS

Name of Shareholder: _____
(Surname) (Given Names)

Address of Shareholder: _____

INSTRUCTIONS AS TO VOTING – Refer attached Notes to the Proxy Form

If you wish to direct your proxy how to vote with respect to the proposed resolutions, please indicate the manner in which your proxy is to vote by placing a "X" in the appropriate box below, otherwise your proxy will vote or abstain from voting as he/she thinks fit.

<input type="checkbox"/> If the Chairman 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 a resolution, please place a mark in the box. By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the meeting for those resolutions 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 Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

PROXY'S VOTING INSTRUCTIONS (OPTIONAL)

Ordinary Resolutions	For	Against	Abstain
1) Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) Re-election of David Straw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3) Re-election of Kim Slater	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4) Approval of an Issue of Shares by Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

