

27th March 2017

Company Announcement Officer
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

DRILLING COMMENCING AT GUMAROOKA PORPHYRY INTRUSION TARGET

Highlights

- **Approvals achieved for Gumarooka drilling.**
- **Gumarooka Porphyry Intrusion target identified from the recently completed aerial magnetics survey.**
- **1300 metre by 800 metre oval shaped intrusion located 200 metres north west of the Bowdens Silver Deposit.**
- **Potentially a mafic to intermediate porphyry and the source of the volcanic hosted mineralisation at the Bowdens Silver Deposit.**
- **Newly identified second porphyry target located a further 800 metres to the north west of Gumarooka (Walkers Meadow target).**
- **A further target hosted in Rylstone Volcanics located south-east of the Bowdens Silver Deposit to also be tested (Plines target).**
- **A total of thirteen Stage 1 reverse circulation drill holes have been designed to test the various targets.**
- **Drilling falls part of a fifty hole approved program in the Gumarooka area.**

Gumarooka Intrusion Discovery

In late 2016, the Company advised that it had completed a high resolution aerial magnetic and radiometric geophysical survey covering over 20,000 line kilometres encompassing the entirety of the Bowdens Silver regional tenement area of 1,654 km².

Preliminary interpretations of the new high resolution airborne magnetic and radiometric data has identified an elliptical body approximately 1,300 metres by 800 metres located immediately to the north-west of the Bowdens Silver epithermal deposit (Figure 1) which has been named the Gumarooka Intrusion.

Apart from one drill hole of the northern margin, the magnetic body has not been previously drilled and is covered by thin Shoalhaven Group sediments. Intrusions, such as the Gumarooka Intrusion, formed from hot-molten rock, and are often the heat and metal sources for epithermal mineralisation such as that seen at Bowdens Silver.

In 2013, a drill hole (BD13147) on the northern margin of this magnetic body intersected an 89 metres zone (from 39.6 metres down hole) of intermediate to mafic porphyry which is heavily clay altered with pyrrhotite (iron sulphide).

Based on modelling and observation from the drill core in BD13147, this rock is older than the overlying mid-Permian Shoalhaven Group sediments and younger than the early Permian Rylstone Volcanics making it a likely similar age to the mineralisation at Bowdens Silver.

Geophysical modelling places the depth to the top of the main part of the intrusion at between 60 metres and 150 metres depth.

The drill program has been designed to intersect a variety of magnetic signatures at the Gumarooka Intrusion. The program is expected to take two to three weeks to complete with follow up drilling also planned.

In addition to the main Gumarooka target, a second intrusion target located to the north-west of Gumarooka will also be tested. This target area is located in an area known as Walkers Meadow where quartz veins, shear zones and sulphide mineralisation have been observed in outcrop.

Furthermore, the Plines target, located to the south west of Bowdens Silver will also be tested. The target consists of mapped millimetre scale base-metal veins anomalous in silver along with a 600 metre by 200 metre lead soil anomaly.

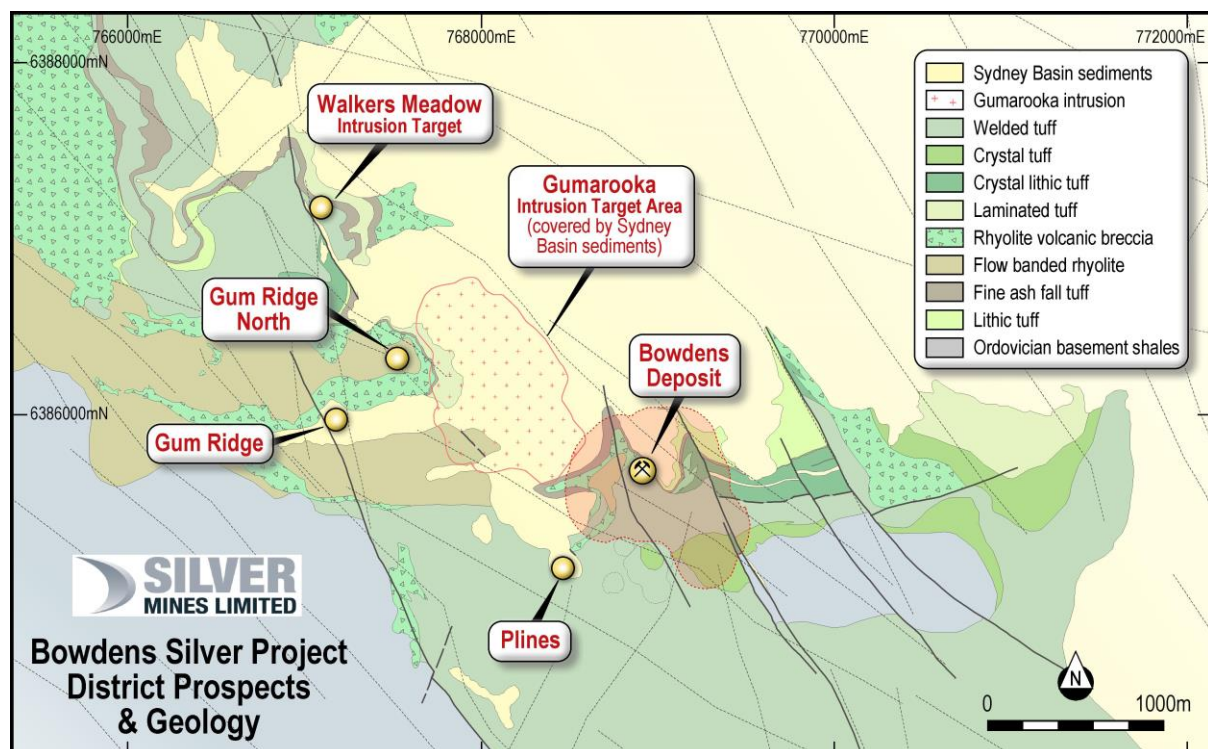


Figure 1. Geological interpretation map of the Bowdens Silver district showing the location of prospects.

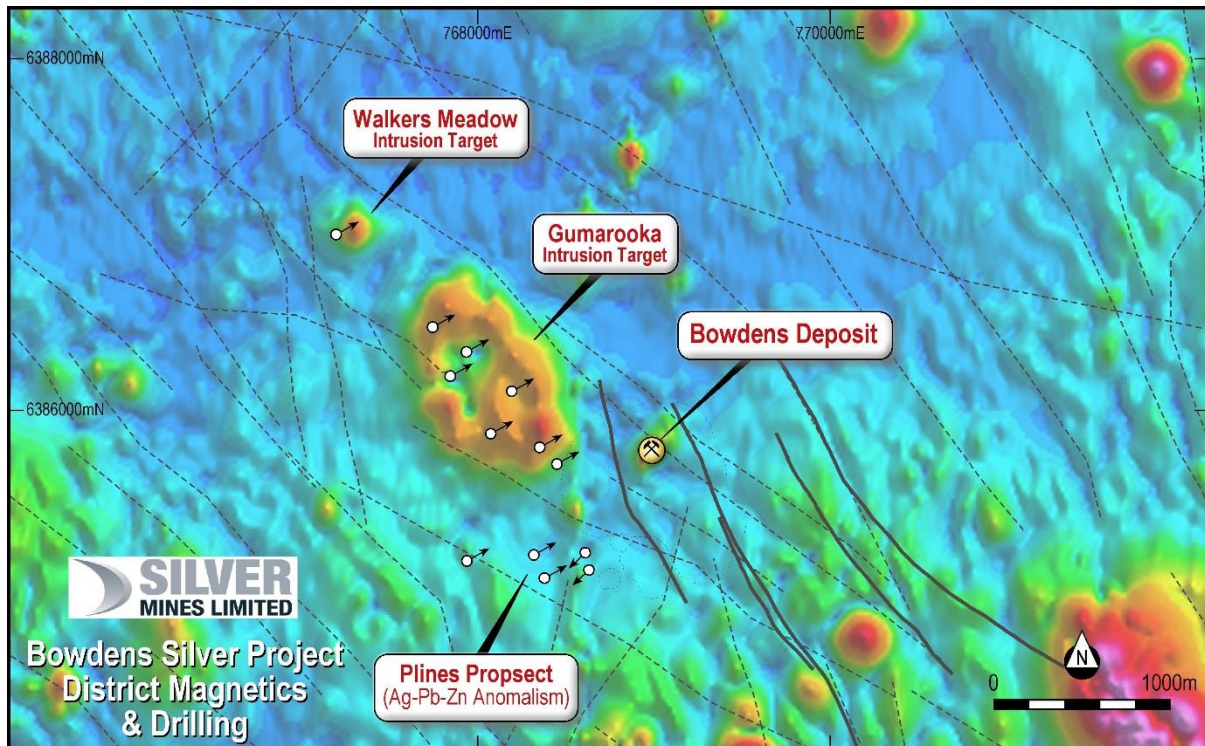


Figure 2. Analytical signal magnetics showing prospects and the initial drill plan (white dots & arrows showing drill direction). Black solid lines are mapped faults, and dashed lines are lineaments interpreted from geophysical data.

The current thirteen hole drilling program at Gumarooka falls part of a larger approved fifty hole reverse circulation and/or diamond drilling program. A total of thirty-five drill holes are designed to test the Gumarooka target and surrounds in Stage 1 (thirteen holes) and Stage 2 (twenty-two holes). A further 15 drill holes are planned as geotechnical and sterilisation drilling as part of the current Definitive Feasibility Study.

A reverse circulation rig has been mobilised and is located on site. This is in addition to the two diamond rigs active on the Bowdens Silver Deposit completing infill and extensional drilling.

All targets are within 100% owned tenements held by Bowdens Silver (Exploration License EL5920 along with all surface rights).

About the Bowdens Silver Project

The Bowdens Silver Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (Figure 3). The recently consolidated project area comprises 1,654 km² (408,000 acres) of titles covering approximately 80 kilometres of strike of the highly mineralised Rylstone Volcanics. Multiple target styles and mineral occurrences have potential throughout the district including analogues to Bowdens Silver, high-grade silver-lead-zinc epithermal and volcanogenic massive sulphide (VMS) systems and copper-gold targets.

Bowdens Silver is the largest undeveloped silver deposit in Australia with substantial resources and a considerable body of high quality technical work already completed. The projects boast outstanding logistics for future mine development.

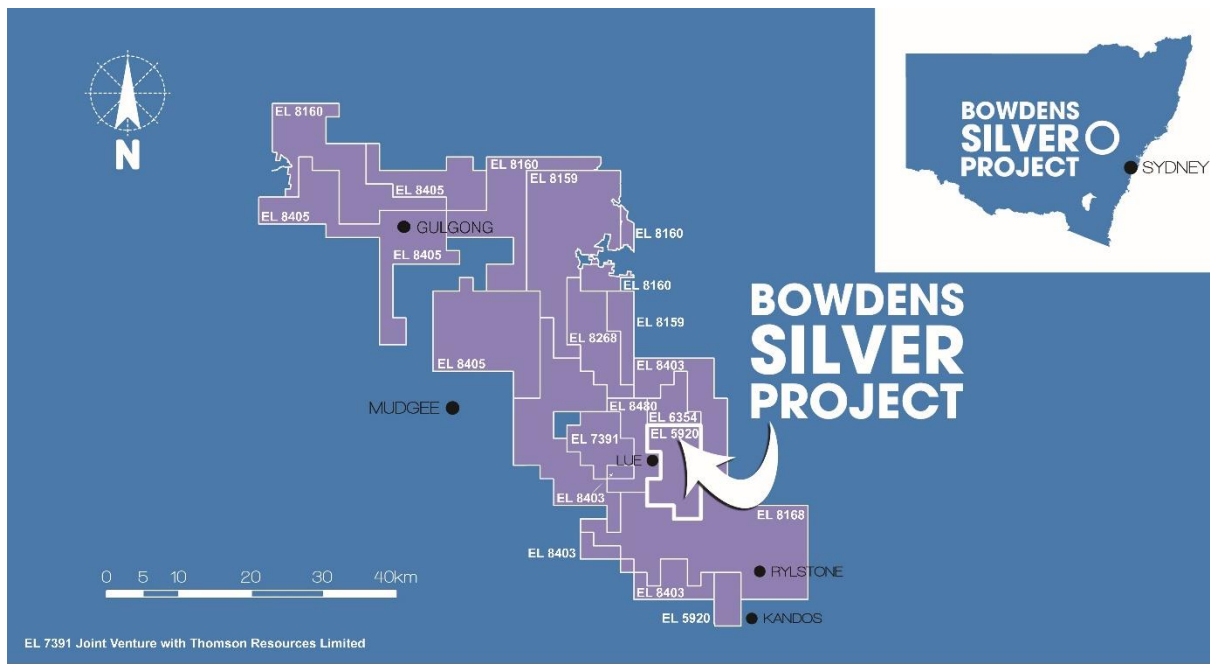
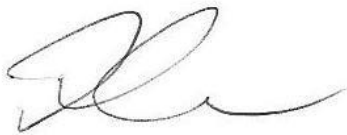


Figure 3. Bowdens Silver tenement holdings in the Mudgee district.

Yours faithfully
Silver Mines Limited



Trent Franklin
Company Secretary

About Silver Mines Limited

The Silver Mines strategy has been to consolidate quality silver deposits in New South Wales and to form Australia's pre-eminent silver company.

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

Competent Persons Statement

The information in this report that relates to mineral exploration is based on information compiled or reviewed by Mr Darren Holden of GeoSpy Pty Ltd who is an exploration advisor to Silver Mines Limited. Mr Holden is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC code). Mr Holden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.