

16th October 2017

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

DRILLING COMMENCES AT BOWDENS IP CHARGEABILITY TARGET

Highlights

- **Drilling commences at the Induced Polarisation chargeability anomaly.**
- **The anomaly is potentially a significant sulphide accumulation at depth directly beneath the Bowdens Silver resource.**
- **Target area/geophysical anomaly covers over 1000 metres of strike and is 250 metres wide extending from between 100 metres to 400 metres depth beneath the existing Bowdens Silver resource.**
- **Massive/semi massive sulphide including gold drill discovery (previously announced) is located on the northern edge of the anomaly.**
- **No drilling has been conducted to date into this geophysical anomaly.**
- **A program of sixteen drill holes has been designed to test the target with an initial total of up to 11,000 metres.**

Chargeability Target

In August 2017, Silver Mines Limited (“Silver Mines” or “the Company”) advised that it had completed an Induced Polarisation (“IP”) Geophysical program encompassing the entirety and surrounds of the Bowdens Silver resource area located near Mudgee in New South Wales.

The program had an objective of further understanding the recently discovered massive and semi-massive sulphide mineralisation below the north-western section of the Bowdens Silver resource.

The results indicate a large (+1000 metres by 250 metres) anomaly extending between 100 metres and 400 metres depth beneath the surface and below the Bowdens Silver resource area. Within this zone are several areas of very high chargeability which may be related to intense sulphide mineralisation. Recent drilling within the northern edge of this area has encountered massive and semi massive sulphide mineralisation (zinc, lead and silver) along with gold mineralisation. As this recent discovery in drilling is located on the northern edge of

the IP anomaly, approvals processes for additional drilling were commenced and have now been completed. Drilling will commence immediately.

The drilling program includes reverse circulation pre-collars to approximately 250 metres followed by diamond drilling to depth. A total of 16 drill holes for a total program of up to approximately 11,000 metres is planned in a first pass program. Initially, four high-priority holes are planned with the program to be adjusted as results are returned.

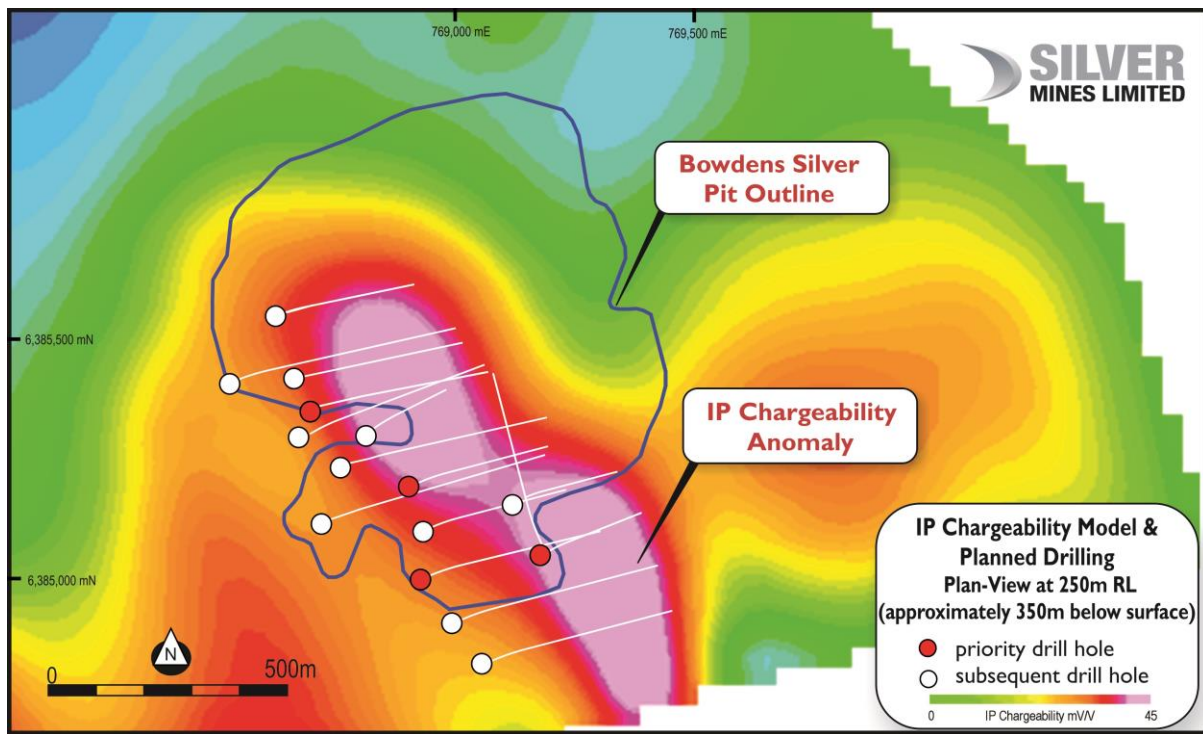


Figure 1. Plan view slice of IP chargeability anomaly at 250mRL (approximately 350 metres below surface) and the planned drilling program.

Induced Polarisation Geophysics Interpretation

In the first and second quarters of calendar 2017, the Company announced the discovery of massive to semi-massive sulphide mineralisation approximately 100 metres beneath the Bundarra zone on the western side of the Bowdens Silver project. This mineralisation is a different style to the main Bowdens Silver deposit and consists of coarse grained sphalerite (zinc sulphide), galena (lead sulphide) and associated silver and gold mineralisation. Chalcopyrite (copper sulphide) has also been noted. Beneath the zone, intense disseminated and fracture controlled mineralisation continues deep into the basement Ordovician rocks. Drilling in the zone indicates that the mineralisation strikes approximately south-southeast to north-northwest and dips shallowly to the west. It is referred to as the “Bundarra Deeps” zone.

The latest IP geophysical survey has enabled a definition of the Bundarra Deeps target zone which is now modelled to be +1000 metres in strike and 250 metres wide extending from between 100 metres to 400 metres beneath the surface. Within this zone are several areas of very high chargeability (>35mv/v). The response indicated from the survey is believed to be related to the intense disseminated sulphide mineralisation surrounding the massive/semi-massive sulphide zones.

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 results is based on information compiled or reviewed by Mr Scott Munro who is a full-time employee of the company. Mr Munro is a member of the Australian Institute of Geoscientists (AIG) 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 Munro consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.