Level 11, 52 Phillip St
Sydney NSW 2000
**P:** +61 2 8316 3997
**F:** +61 2 8316 3999
Info@silvermines.com.au
www.silvermines.com.au

**19th September 2017**

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

# SIGNIFICANT UPGRADE OF MINERAL RESOURCE ESTIMATE BOWDENS SILVER DEPOSIT

**Highlights**

- **After an extensive infill and extensional drill program, the Bowdens Silver Deposit mineral resource estimate for all categories has been upgraded to:**

## 128 million tonnes @ 67g/t silver equivalent ('Ag Eq') for 275 million ounces Ag Eq at a 30g/t Ag Eq cut off.

- **Compared to the 2012 Mineral Resource Estimate this resource represents a:**
  - **45% increase in total tonnes**
  - **4% increase in silver equivalent grade**
  - **22% increase in silver ounces**
  - **51% increase in total silver equivalent ounces**
- **Measured and Indicated Resources increased from 59% to 82% of the total resource.**
- **A higher-grade core has been estimated along the eastern and northern portions of the resource:**

## 46 million tonnes @ 106g/t Ag Eq for 158 million ounces Ag Eq at a 60g/t Ag Eq cut off.

- **This updated Mineral Resource Estimate will be used as the basis to establish an initial Ore Reserve at Bowdens Silver, due for completion in late 2017.**
- **The updated Mineral Resource Estimate has exceeded the Company's expectations and will enhance the outcome of the current Definitive Feasibility Study (DFS) for a robust open-pit mine development. The DFS is due for completion in early 2018.**

## Mineral Resource

Silver Mines Limited (ASX:SVL) ("Silver Mines" or "the Company") is pleased to provide an update on Mineral Resources for the Bowdens Silver Project located near Mudgee in New South Wales. The Bowdens Mineral Resource Estimate has been updated by H&S Consultants using Multiple Indicator Kriging and the reporting is compliant with the 2012 JORC Code and Guidelines. Please refer to Tables 1 and 2 and Appendix 1 for further details.

**Table 1 – Bowdens Silver Deposit Mineral Resource Estimate as at September 2017**

| Category | Tonnes (Mt) | Silver Eq. (g/t) | Silver (g/t) | Zinc (%) | Lead (% ) | Million Ounces Silver | Million Ounces Silver Eq. |
|---|---|---|---|---|---|---|---|
| Measured | 76 | 72 | 45 | 0.37 | 0.25 | 111 | 175 |
| Indicated | 29 | 59 | 31 | 0.38 | 0.25 | 29 | 55 |
| Inferred | 23 | 60 | 31 | 0.40 | 0.28 | 23 | 45 |
| **Total** | **128** | **67** | **40** | **0.38** | **0.26** | **163** | **275** |

Notes:

1. Refer to Table 1 in Appendix 1 for full details.
2. Bowdens' silver equivalent: Ag Eq (g/t) = Ag (g/t) + 33.48*Pb (%) + 49.61*Zn (%) calculated from prices of US$20/oz silver, US$1.50/lb zinc, US$1.00/lb lead and metallurgical recoveries of 85% silver, 82% zinc and 83% lead estimated from test work commissioned by Silver Mines Limited.
3. Bowdens Silver Mineral Resource Estimate is reported to a 30g/t Ag Eq cut off and extends from surface and is trimmed to 300 metres RL which is approximately 320 metres below surface representing a potential volume for open-pit optimisation models.
4. In the Company's opinion, the silver, zinc and lead included in the metal equivalent calculations have a reasonable potential to be recovered and sold.
5. Variability of summation may occur due to rounding.

**Table 2 – Bowdens Silver Deposit Mineral Resource Estimate by Cut Off Grade as at September 2017**

| Cut off g/t Ag Eq. | Tonnes (Mt) | Silver Eq. (g/t) | Silver (g/t) | Zinc (%) | Lead (%) | Million Ounces Silver | Million Ounces Silver Eq. |
|---|---|---|---|---|---|---|---|
| 0 | 397.2 | 30.7 | 17.6 | 0.18 | 0.12 | 225 | 392 |
| 10 | 261.7 | 43.7 | 25.2 | 0.26 | 0.17 | 212 | 368 |
| 20 | 185.2 | 54.6 | 31.7 | 0.32 | 0.21 | 189 | 325 |
| **30** | **127.9** | **66.8** | **39.6** | **0.38** | **0.26** | **163** | **275** |
| 40 | 89.2 | 79.7 | 48.6 | 0.43 | 0.29 | 139 | 229 |
| 50 | 63.6 | 92.8 | 58.4 | 0.47 | 0.33 | 119 | 190 |
| **60** | **46.1** | **106.3** | **69.1** | **0.51** | **0.36** | **102** | **158** |
| 70 | 33.7 | 120.8 | 80.9 | 0.54 | 0.39 | 87 | 131 |
| **80** | **25.1** | **135.5** | **93.4** | **0.57** | **0.42** | **75** | **109** |
| 90 | 19.2 | 149.9 | 105.6 | 0.59 | 0.45 | 65 | 93 |
| **100** | **15.1** | **163.7** | **117.5** | **0.62** | **0.47** | **57** | **80** |
| 120 | 9.6 | 192.3 | 141.4 | 0.67 | 0.53 | 44 | 59 |

The updated resource is the result of additional drilling conducted in 2013 by Kingsgate Consolidated (13 drill holes for 2,440 metres) and most recently by Silver Mines (127 drill holes for 22,531 metres) over the past 12 months. This additional information includes 86 reverse circulation drill holes for 10,848 metres and 54 diamond core holes for 14,123 metres.

The updated Mineral Resource Estimate compares to the previous estimate (October 2012) of 88 million tonnes @ 64g/t Ag Eq for 182Moz silver equivalent. The September 2017 update is a 45% increase in tonnes, a 4% increase in silver equivalent grade, a 22% increase in silver ounces and a 51% increase in silver equivalent ounces. In addition, the Measured and Indicated component of the total resource has increased from 59% to 82% (refer Table 3).

The majority of the increase is the result of resource extensions at depth beneath the northern portion of the deposit and more notably beneath the Bundarra Lens to the northwest. Additional resource extensions also occur down plunge to the northwest.

Reported at a 30 g/t silver equivalent cut off, the Bowdens Silver Mineral Resource extends from surface and is trimmed to approximately 320 metres below surface. It is the opinion of the company and its resource consultants that this represents a potential volume for open-pit optimisation models. Table 2 and Figure 1 demonstrate that the Bowdens Silver Deposit contains significant higher-grade portions within the resource estimate.

The Bowdens Silver Deposit remains open plunging to the northwest while at depth beneath the "Bundarra" lens (northwest quadrant of the resource), the resource remains open both along strike and down dip to the west.

**Table 3 – Bowdens Silver Deposit Mineral Resource Comparison**
**October 2012 compared with September 2017 Estimates**

| Category | Tonnes (Mt) | Silver Eq. (g/t) | Silver (g/t) | Zinc (%) | Lead (%) | Million Ounces Silver | Million Ounces Silver Eq. |
|---|---|---|---|---|---|---|---|
| Measured 2012 | 23.6 | 74.5 | 56.6 | 0.41 | 0.31 | 43 | 57 |
| Measured 2017 | 75.7 | 72.0 | 45.5 | 0.37 | 0.25 | 111 | 175 |
| Indicated 2012 | 28.4 | 63.6 | 48.0 | 0.36 | 0.27 | 44 | 58 |
| Indicated 2017 | 29 | 58.8 | 31.4 | 0.38 | 0.25 | 29 | 55 |
| Inferred 2012 | 36 | 58.0 | 41.0 | 0.4 | 0.30 | 47 | 68 |
| Inferred 2017 | 23.2 | 59.9 | 30.6 | 0.4 | 0.28 | 23 | 45 |
| Total 2012 | 88 | 64.4 | 47.4 | 0.39 | 0.29 | 134 | 182 |
| **Total 2017** | **127.9** | **66.8** | **39.6** | **0.38** | **0.26** | **163** | **275** |

1. The October 2012 estimate was based on metal prices of US$26.33/oz silver, US$0.94/lb zinc and US$0.98/lb lead with net smelter return metallurgical recoveries of 72% silver, 66% zinc and 75% lead, giving a formula of Ag Eq (g/t) = Ag (g/t) + 27.5*Pb (%) + 22.8*Zn (%).
2. The 2017 silver equivalent is based on Ag Eq (g/t) = Ag (g/t) + 33.48*Pb (%) + 49.61*Zn (%) calculated from prices of US$20/oz silver, US$1.50/lb zinc and US$1.00/lb lead and metallurgical recoveries of 85% silver, 82% zinc and 83% lead estimated from test-work commissioned by Silver Mines Limited.
3. Bowdens Silver Mineral Resource Estimate is reported to a 30g/t Ag Eq cut off and extends from surface and is trimmed to 300mRL which is approximately 320m below surface representing a potential volume for open-pit optimisation models.
4. In the Company's opinion, the silver, lead and zinc included in the metal equivalent calculations have a reasonable potential to be recovered and sold.
5. Variability of summation may occur due to rounding

The updated Mineral Resource Estimate will be used as the basis to establish an initial Ore Reserve for the Bowdens Silver Project, due for completion in late 2017. Pit optimisation and mine scheduling studies will be completed over the coming months to determine initial project economics. The initial Ore Reserve estimates will focus of the higher cut of grades of the Mineral

Resource and will facilitate completion of the final elements for the currently progressing Definitive Feasibility Study which is due for completion early 2018.

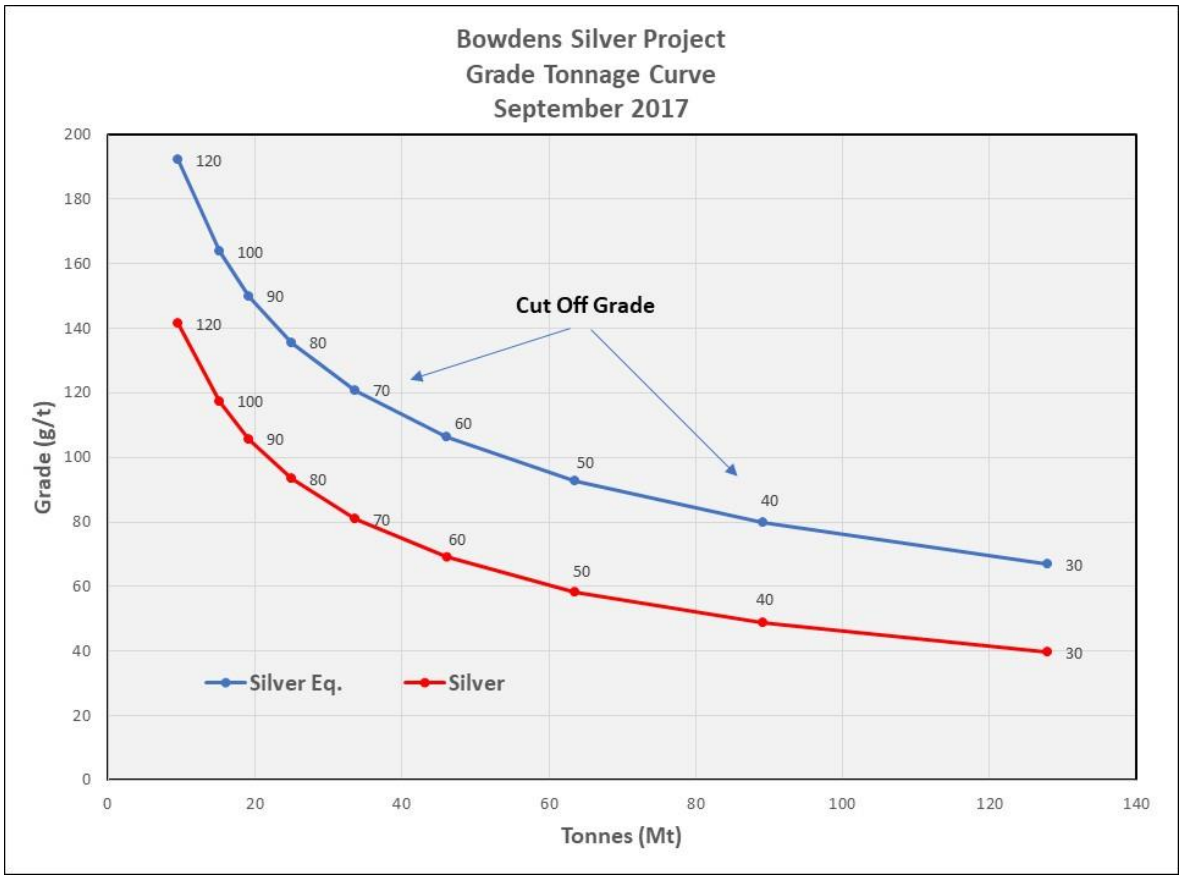



*Figure 1 Grade tonnage curve for the updated Bowdens Silver Deposit Mineral Resource.*

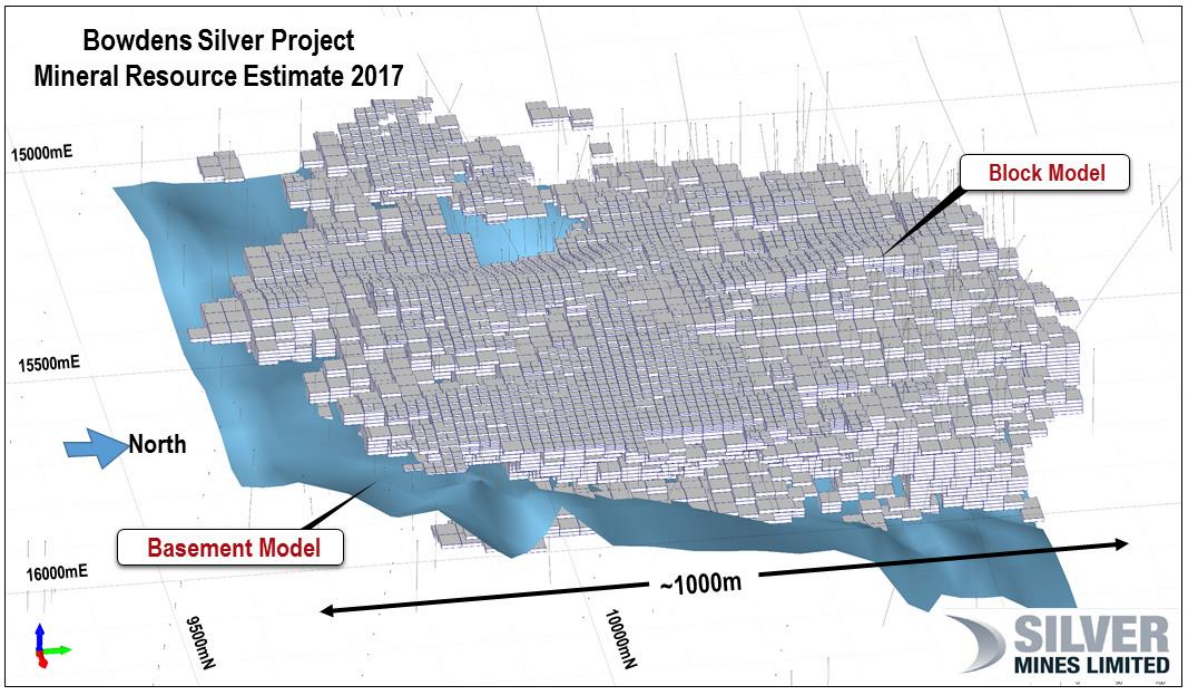
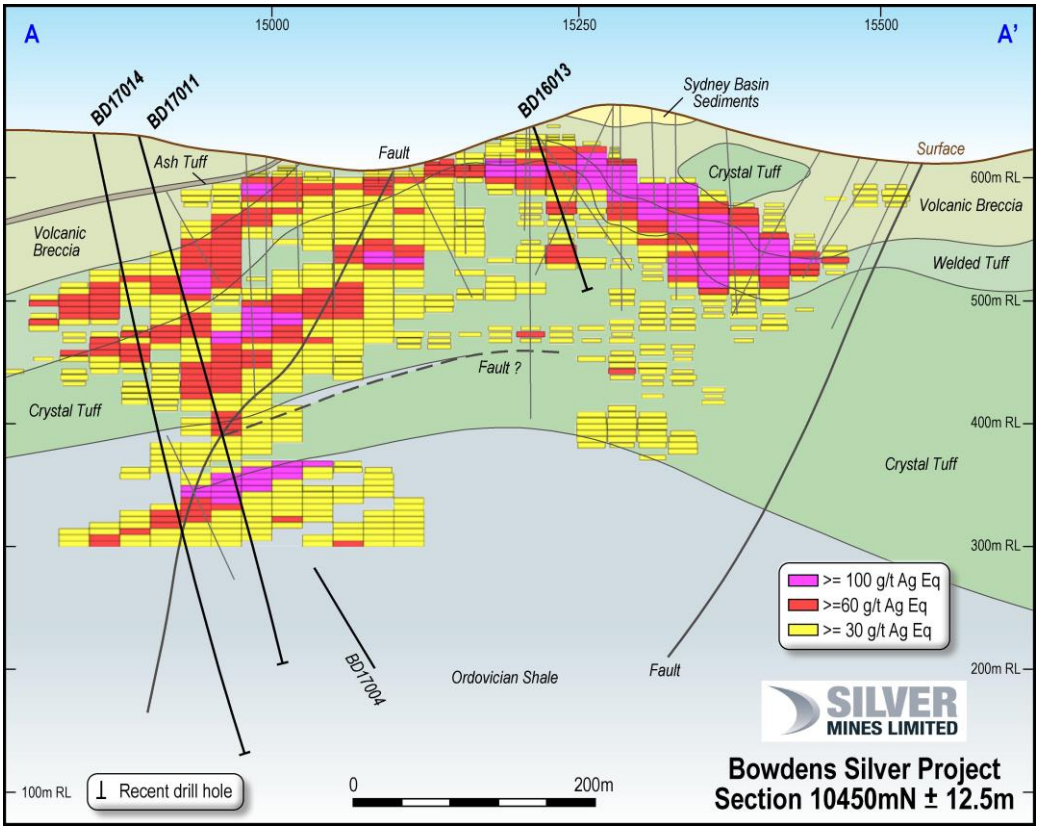



*Figure 2 Bowdens Silver Deposit Mineral Resource, 30g/t silver equivalent cut off (3D view west).*



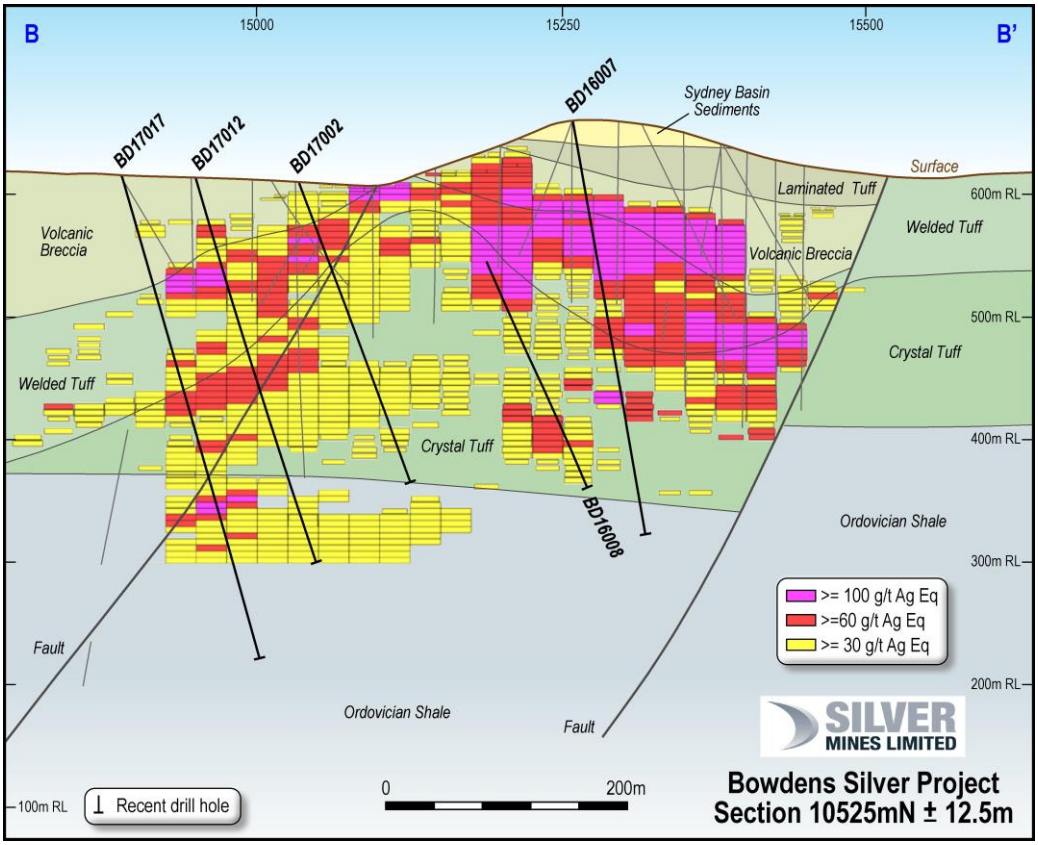



**Figure 3 Cross-sections A (10450mN) and B (10525mN) through the northern portion of the Bowdens Silver Deposit.**

## Resources – Other Material Information Summary

A summary of other material information pursuant to ASX Listing Rules 5.8 is provided below for in the updated Bowdens Silver Mineral Resource Estimate. The Assessment and Reporting Criteria in accordance with the 2012 JORC Code and Guidelines are presented in Appendix 1 to this announcement.

### Geology and Geological Interpretation

The Bowdens Silver Project is situated on the north-eastern margin of the Lachlan Fold Belt. The deposit is hosted by flat-lying early Permian Rylstone Volcanics and extends into basement Ordovician mafic-derived sediments. The Rylstone Volcanics are partially overlain by a sequence of post mineralisation marine sediments of the Sydney Basin (Shoalhaven Group). The Rylstone Volcanics range from 10 to 200 metres thick and are dominated by silica-rich volcanically derived rocks. The silver mineralisation is associated with sulphides of iron, arsenic, lead and zinc and is hosted within flow banded rhyolite and rhyolite breccia ignimbrites and tuffs of the early Permian Rylstone Volcanics. The mineralisation occurs as flat-lying to moderately dipping zones of disseminations and silicic/carbonate fracture-fill.

### Sampling and Sub-Sampling Techniques

Resources were estimated from reverse circulation ('RC') and diamond core sampling by Silver Mines Limited 24%, Kingsgate Consolidated 21%, Silver Standard 47%, Golden Shamrock Mines 3% and CRAE 5%. The resource database totals 533 generally vertical to inclined reverse circulation holes for a total of 58,644 metres and 120 inclined to vertical diamond core holes for a total 24,868 metres. Drilling has been completed on a nominal 25 metre (northing) by 25 to 50 metre (easting) spacing.

The majority of RC sampling was collected with either a riffle or cone splitter over 1 metre intervals. The majority of diamond core was either half or quarter cored into minimum sample intervals of 1 metres. The minimum sample interval was 0.2 metres and the maximum sample interval was 5 metres.

### Drilling Techniques

The drilling used for the resource estimation includes RC and diamond drilling. All RC drilling used face sampling bits and diamond drill diameters are nominally HQ (63mm) with either PQ or NQ for a minority of holes. Some of the diamond holes were pre-collared by RC to various depths. Core orientations were completed using both spear and REFLEX ACT tools.

### Sample Analysis Method

For pre-Kingsgate Consolidated drilling, samples were analysed by acid digestion and AA or ICP determination. Since Kingsgate, samples have been analysed by a 4-acid digest with a multi-element ICP-AES determination.

### Estimation Methodology

Silver was estimated by recoverable Multiple Indicator Kriging ('MIK'), while all other attributes were estimated by Ordinary Kriging ('OK'). Estimates were generated for Ag, Pb, Zn, As, Sb, Mn, S, Cd, Cu, V and dry bulk density.

Detailed statistical and geostatistical investigations have been completed on the estimation data set. A three-pass search strategy was employed.

The resource model block size is 25x25x5m, which is identical to the hole spacing and is considered appropriate for recoverable MIK and OK estimation. The MIK assumes a selective mining unit ('SMU') of 6.25 x 12.5 x 5.0m.

MIK estimates were generated using the GS3M software package, while OK estimates were generated in the Datamine software package.

Each of the major stratigraphic units (Rylstone, Coomber, Shoalhaven) were estimated separately, with each unit sub-divided into domains based on changes in mineralisation orientation.

Samples were composited to nominal 2.0m intervals within each unit for data analysis and resource estimation.

**Classification Criteria**

The classification scheme is based on the estimation search pass for Ag. This scheme is considered to take appropriate account of all relevant factors, including the relative confidence in tonnage and grade estimates, confidence in the continuity of geology and metal values, and the quality, quantity and distribution of the data.

The classification appropriately reflects the Competent Person's view of the deposit.

Specifically:

- Measured Resources are effectively based on a nominal drill hole spacing of 25x25m
- Indicated Resources are based on a spacing of 50x50m
- Inferred Resources are based on a spacing of 100x100m

**Cut-off Grades**

The cut-off grade is an equivalent Ag ('Ag Eq') value, based on grades and recoveries for Ag, Zn and Pb as shown below.

| Metal | Unit | Price (USD) | Recovery |
|---|---|---|---|
| Silver (Ag) | Ounce (oz) | $20.00 | 85% |
| Zinc (Zn) | Pound (lb) | $1.50 | 82% |
| Lead (Pb) | Pound (lb) | $1.00 | 83% |

The equivalent silver formula is: Ag Eq = Ag + Pb x 33.48 + Zn x 49.61

The adopted cut-off grade of 30 g/t Ag Eq is considered likely to be economic for the mining method and scale of operation envisioned for Bowdens Silver.

**Mining and Metallurgical Methods and Parameters and other modifying factors considered to date.**

The company is currently engaged with GR Engineering Services Ltd and AMC consultants as part of the pre-feasibility to facilitate potential mine optimisation scenarios and co-ordinate process plant flowsheet and design criteria.

The Bowdens Silver Mineral Resource is reported as a potential open-pit mining scenario. The mineral resource estimate has been reported extending from surface to 300mRL which is approximately 320m below surface representing a potential volume for open-pit optimisation models.

The recoverable MIK method implicitly incorporates internal mining dilution at the scale of the assumed SMU. No specific assumptions were made about external mining dilution in the Mineral Resource estimates.

There has been considerable previous metallurgical test work completed for the Bowdens Silver deposit. Additionally, Silver Mines is commissioning additional metallurgical test work to confirm the results of previous work. Together this work has been reviewed by both GR Engineering and AMC consultants to suggest that the recovery of silver, lead and zinc to concentrate via flotation is a viable processing option.

**Future Work**

The updated Mineral Resource model will be passed on to specialist consultants for detailed pit optimisation and design as the project moves toward detailed feasibility stage. It is envisaged that an initial Ore Reserve will be announced prior to years end.

Additionally, planning is underway to commence significant Bowdens Silver Project extensional and regional exploration programs. The initial focus will be to drill test the recently identified induced polarisation geophysical anomaly at depth beneath the Bowdens Silver Deposit before drill testing high grade resource extensions plunging to the northwest from the Deposit.

## About the Bowdens Silver Project

The Bowdens Silver Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (Figure 4). The recently consolidated project area comprises 1,654 km$^2$ (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 boasts outstanding logistics for future mine development.

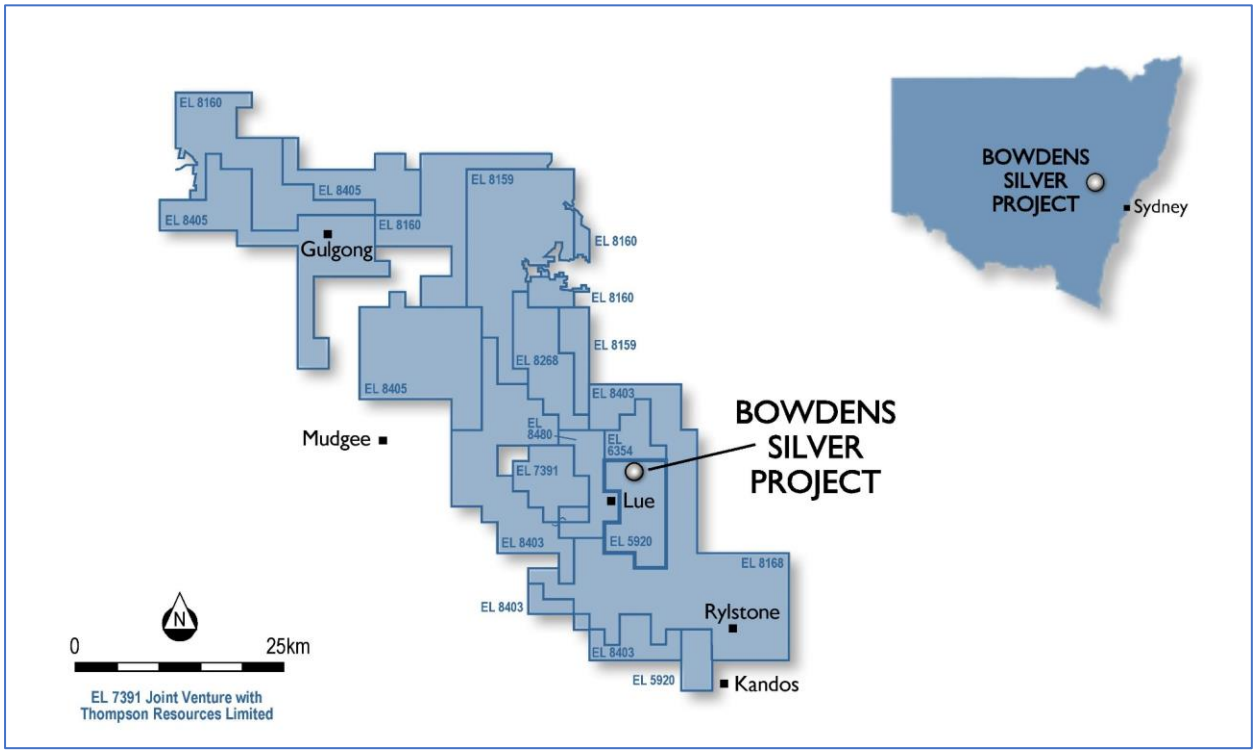
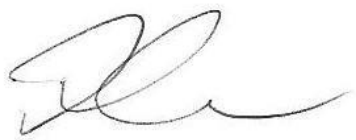



*Figure 4. Bowdens Silver tenement holdings in the Mudgee district.*

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 drill results from Bowdens Silver 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.

The information in this report that relates to mineral resources is based on work compiled by Mr Arnold van der Heyden who is a Director of H & S Consultants Pty Ltd. Mr van der Heyden is a member and Chartered Professional (Geology) of the Australian Institute of Mining and Metallurgy 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 van der Heyden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

# APPENDIX 1:JORC Code, 2012 Edition – ANNEXURE 1

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| *Sampling techniques* | • *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*<br>• *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.*<br>• *Aspects of the determination of mineralisation that are Material to the Public Report.*<br>• *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1m samples from which 3kg was pulverised to produce a 30g charge for fire assay.') In other cases, more explanation may be required such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.* | • Resources were estimated from RC and diamond core sampling by Silver Mines 24%, Kingsgate 21%, Silver Standard 47%, Golden Shamrock Mines 3% and CRAE 5%.<br>• Results from exploratory RAB and Aircore drilling were not included in the resource dataset.<br>• For pre-Kingsgate drilling, RC holes were generally sub-sampled by riffle splitting, or spear or grab sampling for rare wet samples and diamond core was halved with a diamond saw. Samples were analysed by several accredited commercial laboratories by either 3, 4 or aqua-regia acid digestion and AA or ICP determination. Quality control measures included use of standards, blanks, field duplicates and external laboratory checks by a variety of methods including neutron activation<br>• For Kingsgate and Silver Mines drilling, RC holes were sub-sampled by cyclone mounted cone splitters and diamond core was either halved or quartered with a diamond saw to provide representative assay sub-samples. The samples were analysed for a suite of elements including silver, lead and zinc by multi-acid digest with ICPAES determination. Measures taken to ensure the sample representivity included routine monitoring of sample recovery, RC field duplicates, and comparison of assay grades from closely spaced drill holes of different phases and types. Assay quality control measures included field duplicates, coarse blanks and reference standards. The available QAQC data demonstrate that the sampling and assaying are of appropriate quality for use in the current estimate. |
| *Drilling techniques* | • *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).* | • Diamond core diameters are nominally either HQ or NQ.<br>• Selected diamond core prior to Silver Mines was orientated by conventional spear.<br>• Silver Mines diamond core was oriented using Reflex ACT orientation tools.<br>• RC drilling was completed using face sampling hammers. |
| *Drill sample recovery* | • *Method of recording and assessing core and chip sample recoveries and results assessed.*<br>• *Measures taken to maximise sample recovery and ensure representative nature of the samples.*<br>• *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.* | • Core recovery is estimated at greater than 95%.<br>• Some zones (less than 10%) were broken core with occasional clay zones where some sample loss may have occurred. However, this is not considered to have materially affected the results.<br>• RC samples are weighed for each metre and assessed for recovery, contamination and effect of water if present.<br>• No significant relationship between sample recovery and grade exists. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| *Logging* | • *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*<br>• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.*<br>• *The total length and percentage of the relevant intersections logged.* | • All diamond holes are logged using lithology, alteration, veining, mineralization and structure including geotechnical structure.<br>• RC chip samples are logged using lithology, alteration, veining and mineralization.<br>• All core and chip trays are photographed using both wet and dry photography.<br>• In all cases the entire hole is logged by a geologist.<br>• Additionally, a selection of holes have been analysed using HyLogger™. This is a non-destructive spectroscopic scanning technique to assess the mineralogical distribution in drill core or chip trays. |
| *Sub-sampling techniques and sample preparation* | • *If core, whether cut or sawn and whether quarter, half or all core were taken.*<br>• *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.*<br>• *For all sample types, the nature, quality and appropriateness of the sample preparation technique.*<br>• *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.*<br>• *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance, results for field duplicate/second-half sampling.*<br>• *Whether sample sizes are appropriate to the grain size of the material being sampled.* | • Minor selective sub-sampling based on geology to a maximum size of 1.3m and a minimum of 0.3m.<br>• Pre-Kingsgate RC holes were sampled over one to two metre intervals with sub-samples generally collected by riffle splitting, or spear or grab sampling for rare wet samples. Un-mineralised samples were composited over intervals of up to five metres for assaying. Diamond core was halved with a diamond saw with samples collected over intervals ranging from 0.2 to 5.0 metres and averaging 1.0 metres.<br>• Kingsgate's RC drilling was sampled over one metre intervals and sub-sampled by cyclone mounted cone splitters. The majority of these samples (97%) were dry with wet samples generally coming from deeper drilling testing Inferred portions of the estimated resources. Kingsgate's diamond core was sampled over lengths ranging from 0.3 to 2.2 with around 92% of samples representing one metre lengths. Core was either halved or more commonly quartered with a diamond saw to provide assay sub-samples.<br>• Silver Mines RC samples are collected from a cone splitter at a 6% split. The cyclone/splitter system is checked periodically throughout each hole and cleaned when necessary. To assess the representation of material sampled a duplicate 6% split sample is collected from a secondary -sample chute on the opposite side of the rotary cone splitter at the rate of 1/20.<br>• Silver Mines core is cut using a Corewise core saw over lengths ranging from 0.5 to 1.5m with the majority of samples representing one metre lengths with core rotated 10 degrees to the orientation line to preserve the orientation for future reference. The half (NQ) or quarter (HQ) of the core without the orientation line is removed, bagged and sent to the laboratory for assay.<br>• Sample sizes are considered appropriate for the rock type, style of mineralisation, the thickness and consistency of the intersections and assay ranges expected at Bowdens. |
| *Quality of assay data and laboratory tests* | • *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*<br>• *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibration factors applied and their derivation, etc.*<br>• *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.* | • Samples from all drilling phases were sent to commercial laboratories for preparation and analysis. No geophysical methods or hand-held XRF devices have been used for resource estimation.<br>• Samples from pre Kingsgate drilling were analysed by several accredited commercial laboratories by either 3, 4 or aqua-regia acid digestion and AA or ICP determination. Quality control measures included use of standards, blanks, field duplicates and external laboratory checks by a variety of methods including neutron activation assaying.<br>• Kingsgate's samples were analysed by ALS in Orange, NSW. After oven drying, and jaw crushing for core samples, the samples were pulverised to nominally 85% passing 75 microns and 25 gram sub-samples digested by multi-acid digest and analysed by |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | | ICPAES for a suite of elements including silver, lead and zinc. Quality control measures included field duplicates, coarse blanks and reference standards.<br>• Silver Mines samples were dispatched to ALS Global laboratories in Orange and SGS laboratories in West Wyalong, NSW. At both ALS and SGS the samples were pulverised to nominally 85% passing 75 microns with subsequent 4 acid digest and 33 multi-element analysis completed at ALS Brisbane using method ME-ICP61 and 4 acid digest and 38 multi-element analysis at SGS Townsville using method DIG41Q.<br>• Site Standards are inserted every 20 samples to check quality control and laboratory standards and blanks every 25 samples to further check results. |
| *Verification of sampling and assaying* | • *The verification of significant intersections by either independent or alternative company personnel.*<br>• *The use of twinned holes.*<br>• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*<br>• *Discuss any adjustment to assay data.* | • Significant intersections calculated by site-geologists and verified by an independent geological consultant.<br>• Several independent authors reviewed pre-Silver Mines sampling data during preparation of previous resource estimates.<br>• Both Silver Mines and Kingsgate's sampling, logging and survey data were electronically merged into a central database directly from original source files using Logchief field software and imported into an SQL database in accordance with database protocols and manuals. Data was viewed and interpreted using Micromine software.<br>• No adjustments were made or required to be made to the assay data for resource estimation. |
| *Location of data points* | • *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*<br>• *Specification of the grid system used.*<br>• *Quality and adequacy of topographic control.* | • Accredited surveyors using high accuracy DGPS surveys accurately surveyed all resource drill hole collars.<br>• Pre-Kingsgate holes were down-hole surveyed by single shot cameras. Kingsgate's drilling was surveyed by either Reflex EZ-shot or Eastman camera. Silver Mines drilling was surveyed by a Reflex EZ-shot electronic camera at 30m intervals down hole.<br>• The terrain includes steep hills and ridges and with a LIDAR topographical model of 0.034 metre accuracy.<br>• All collars recorded in MGA94 zone 55 and also re-projected to a locally defined mine-grid system. |
| *Data spacing and distribution* | • *Data spacing for reporting of Exploration Results.*<br>• *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.*<br>• *Whether sample compositing has been applied.* | • This drilling is designed as both infill and extensional to the overall mineral resource envelope. The nominal drill hole spacing is 25m (northing) by 50m (easting).<br>• Hole spacing varies from around 25 by 25 m and locally closer in central portions of the deposit to more than 50 by 50 m in peripheral areas.<br>• The majority of holes were either orientated vertically or orientated local grid east. A small number of holes were orientated local grid west and local grid south.<br>• The data spacing and distribution establishes geological and grade continuity adequately for the current resource estimates. |
| *Orientation of data in relation* | • *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*<br>• *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.* | • Drill orientation was designed to intersect the projection of breccia zones and zones of veins within an overall mineralized envelope.<br>• An interpretation of the mineralization has indicated that no sampling bias has been introduced. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| *to geological structure* | | |
| *Sample security* | • *The measures taken to ensure sample security.* | • All samples bagged on site under the supervision of two senior geologists with sample bags tied with cable ties before being driven by site personnel to the independent laboratory or sample pickup by the independent laboratory. |
| *Audits or reviews* | • *The results of any audits or reviews of sampling techniques and data.* | • Pre-Kingsgate sampling techniques and data have been reviewed previously by renowned external geological consultants and most recently by Silver Mines geoscience staff.<br>• Kingsgate sampling techniques and data have been reviewed by several external geological consultants including MPR and AMC.<br>• Silver Mines sampling techniques and data have been independently reviewed by a number of external geological consultants including AMC, GeoSpy and H&S. |

## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| *Mineral tenement and land tenure status* | • *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*<br>• *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.* | • The Bowdens Resource is located wholly within Exploration Licence No EL5920, held wholly by Silver Mines Limited and is located approximately 26km east of Mudgee, New South Wales.<br>• The tenement is in good standing.<br>• The project has a 2.0% Net Smelter Royalty which reduces to 1.0% after the payment of US$5 million over 100% of the EL5920.<br>• The project has a 1.85% Gross Royalty over 100% of EL5920. |
| *Exploration done by other parties* | • *Acknowledgment and appraisal of exploration by other parties.* | • The Bowdens project was previously managed by Kingsgate Consolidated, Silver Standard Ltd, Gold3en Shamrock Mines and CRAE. |
| *Geology* | • *Deposit type, geological setting and style of mineralisation.* | • The Bowdens Deposit is a low sulphidation epithermal base-metal and silver system hosted in Permian Volcanic rocks.<br>• Mineralisation includes veins, shear veins and breccia zones within tuff and ignimbrite rocks.<br>• Mineralisation is overall shallowly dipping (~15 degrees to the north) with high-grade zones preferentially following a volcanic dome. There are several vein orientations within the broader mineralized zones including some areas of stock-work veins. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| *Drill hole Information* | • *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*<br>  ○ *easting and northing of the drill hole collar;*<br>  ○ *elevation or RL (Reduced Level elevation above sea level in metres) of the drill hole collar;*<br>  ○ *dip and azimuth of the hole;*<br>  ○ *down hole length and interception depth; and*<br>  ○ *hole length.*<br>• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.* | • Not applicable as there are no exploration results reported as part of this statement. |
| *Data aggregation methods* | • *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.*<br>• *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.*<br>• *The assumptions used for any reporting of metal equivalent values should be clearly stated.* | • This release is in relation to a Mineral Resource estimate and Ore Reserve, with no exploration results being reported. |
| *Relationship between mineralisation widths and intercept lengths* | • *These relationships are particularly important in the reporting of Exploration Results.*<br>• *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*<br>• *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').* | • Mineralisation is both stratabound and vein hosted. The stratigraphy dips shallow to moderately to the north while the majority of mineralised veins dip west.<br>• The majority of holes have been drilled either vertically or angled -60° to -80° to the east. |
| *Diagrams* | • *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to, a plan view of drill hole collar locations and appropriate sectional views.* | • Maps and cross-sections provided in the body of this report. |
| *Balanced reporting* | • *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.* | • Not applicable as there are no exploration results reported as part of this statement. |
| *Other substantive exploration data* | • *Other exploration data, if meaningful and material, should be reported including but not limited to: geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics and potential deleterious or contaminating substances.* | • The Bowdens diamond holes were also utilised for bulk density measurements. Geotechnical logging has determined suitable ground conditions for open pit mining. |

| Criteria | JORC Code explanation | Commentary |
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| *Further work* | • *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).*<br>• *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.* | • Further drilling along strike and at depth will continue in 2017. |

## Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in the preceding sections also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| *Database integrity* | • *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.*<br>• *Data validation procedures used.* | All geological data is stored electronically with limited automatic validation prior to upload into the secure DataShed database, managed in the on-site office by the GIS and Database Geologist. The master drill hole database is located on an SQL server, which is backed up on a daily basis.<br><br>Basic checks were performed prior to this resource estimate to ensure data consistency, including checks for FROM_TO interval errors, missing or duplicate collar surveys, excessive down hole deviation, and extreme or unusual assay values.<br><br>All data errors/issues were reported to the GIS and Database Geologist to be corrected or flagged in the primary DataShed database. |
| *Site visits* | • *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.*<br>• *If no site visits have been undertaken indicate why this is the case.* | The Competent Person visited the Bowdens project site over a 2 week period in late July and early August, 2017. During this visit, core samples and outcrops were examined and discussion were held with SML personnel about the geology and mineralisation of the deposit. The Competent Person also performed database validation and a review of the geological interpretation while on site. The Competent Person concluded that data collection and management were being performed in a professional manner. |
| *Geological interpretation* | • *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.*<br>• *Nature of the data used and of any assumptions made.*<br>• *The effect, if any, of alternative interpretations on Mineral Resource estimation.*<br>• *The use of geology in guiding and controlling Mineral Resource estimation.*<br>• *The factors affecting continuity both of grade and geology.* | There is a reasonable level of confidence in the geological interpretation of the Bowdens deposit.<br><br>SML has developed a geological interpretation of the Bowdens deposit based on logged stratigraphy, aided by vanadium assays. The Rylstone Volcanics, which hosts the bulk of the mineralisation, are informally divided into 4 units – crystal tuff, welded tuff, rhyolite breccia and upper ash tuff. There is also mineralisation in places within the underlying Coomber Formation, while the overlying Shoalhaven Group is barren.<br><br>Within the Rylstone Volcanics, the mineralisation tends to occur preferentially around the crystal tuff – welded tuff boundary, although there is not a strong stratigraphic control.<br><br>Surfaces for base of complete oxidation and top of fresh rock were also interpreted, based on geological logging. Only a small proportion of mineralisation occurs within the relatively |

| Criteria | JORC Code explanation | Commentary |
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| | | thin oxide zone, and there is no obvious evidence of depletion or enrichment of silver due to oxidation.<br><br>There is limited scope for alternative geological interpretations of the deposits, principally in the location and influence of faulting, which appears unlikely to have a significant effect on Mineral Resource estimation.<br><br>Geology guides and controls Mineral Resource estimation through constraining the mineralisation to the major stratigraphic units – Rylstone Volcanics and Coomber Formation, while the eastern edge of mineralisation is controlled but not constrained by the Eastern fault.<br><br>The continuity of geology at Bowdens is controlled by stratigraphy and faulting. Continuity of grade has a weak stratigraphic control and is primarily controlled by local fracturing; faulting also appears to act as a broad but weak control on localising mineralisation. |
| *Dimensions* | • *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.* | The Mineral Resource at Bowdens has an approximate extent of:<br>• 1,100m north-south<br>• 800m east-west<br>• From surface to a depth of approximately 360m below surface<br>• Mineralisation is somewhat patchy and discontinuous. |
| *Estimation and modelling techniques* | • *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters, maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.*<br>• *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.*<br>• *The assumptions made regarding recovery of by-products.*<br>• *Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).*<br>• *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.*<br>• *Any assumptions behind modelling of selective mining units.*<br>• *Any assumptions about correlation between variables.*<br>• *Description of how the geological interpretation was used to control the resource estimates.*<br>• *Discussion of basis for using or not using grade cutting or capping.*<br>• *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.* | Silver was estimated by recoverable Multiple Indicator Kriging (MIK), while all other attributes were estimated by Ordinary Kriging (OK). Estimates were generated for Ag, Pb, Zn, As, Sb, Mn, S, Cd, Cu, V and dry bulk density. OK is considered appropriate because the coefficients of variation (CV=SD/mean) are generally low to moderate and the grades are reasonably well structured spatially. Recoverable MIK was chosen for Ag primarily because it allows better mining selectivity than OK.<br><br>MIK estimates were generated using GS3M software, while OK estimates were produced in Datamine software.<br><br>Each of the major stratigraphic units (Rylstone, Coomber, Shoalhaven) were estimated separately, with each unit sub-divided into domains based on changes in mineralisation orientation.<br><br>Samples were composited to nominal 2.0m intervals within each unit for data analysis and resource estimation.<br><br>A three pass search strategy was used for the OK estimates:<br><br>1. 35x35x12.5m search, 16-32 samples, minimum of 4 octants informed<br>2. 52.5x52.5x12.5m search, 16-32 samples, minimum of 4 octants informed<br>3. 105x105x25m search, 8-32 samples, minimum of 4 octants informed<br><br>The MIK estimates used 16-48 samples; search radii and octant constraints were identical to the OK estimates.<br><br>The oxide zone was estimated using a dynamic search parallel to topography. |

| Criteria | JORC Code explanation | Commentary |
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| | | The maximum extrapolation distance will be somewhat less than the maximum search radius due to the octants constraints requiring at least 2 drill holes. Maximum extrapolation distance is around 90m.<br><br>It is assumed that a Ag-Pb-Zn sulphide concentrate will be produced. All elements have been estimated independently for each domain.<br><br>A few potentially deleterious elements have been estimated, being As, Sb and S.<br><br>Dry bulk density was estimated directly into the model from the drill hole samples, using a similar methodology to the other elements.<br><br>The resource model block size is 25x25x5m, while drill hole spacing is nominally 25x25m in the better drilled areas of the deposit. So, the block size is identical to the hole spacing, which is considered appropriate for recoverable MIK and OK estimation. The MIK assumes an SMU (selective mining unit) of 6.25 x 12.5 x 5.0m.<br><br>The current resource model uses a local grid, rotated 18° clockwise from GDA (Geocentric Datum of Australia).<br><br>No assumptions were made regarding the correlation of variables during estimation as each element is estimated independently. Some elements do show moderate to strong correlation in the drill hole samples, and the similarity in variogram models effectively guarantees that this correlation is preserved in the estimates.<br><br>The geological interpretation controls the Mineral Resource estimates through the use of stratigraphic boundaries, which were used as hard boundaries during estimation. The Eastern fault also controls the Mineral Resource estimates locally, with mineralisation parallel to this structure.<br><br>The new model was validated in a number of ways – visual comparison of block and drill hole grades, statistical analysis, examination of grade-tonnage data, and comparison with the previous model. All the validation checks indicate that the grade estimates are reasonable when compared to the composite grades, allowing for data clustering.<br><br>No grade cutting was applied to any of the grade estimates because none of the grade distributions are strongly skewed. Sensitivity analysis on Ag estimates indicated that grade cutting has minimal impact on the grade estimates.<br><br>The new Mineral Resource estimate is comparable to the previous (November 2012) version. The new model has higher tonnage and metal content, but similar grades at the same cut-off grade as the old model. Differences are mostly attributed the substantial quantity of new drilling: ~20% more holes and ~30% more assays. This indicates that the new Mineral Resource estimate takes appropriate account this previous estimate. |
| *Moisture* | • *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.* | Tonnages are estimated on a dry weight basis. Moisture content has been determined for some of the density samples, by comparing sample weights before and after oven drying. |

| Criteria | JORC Code explanation | Commentary |
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| *Cut-off parameters* | • *The basis of the adopted cut-off grade(s) or quality parameters applied.* | The cut-off grade is an equivalent Ag (Ag Eq) value, based on grades and recoveries for Ag, Pb and Zn as shown below.<br><br>**Metal** / **Unit** / **Price (USD)** / **Recovery**<br>Ag / g/t / $20.00 / 85%<br>Pb / lb / $1.00 / 83%<br>Zn / lb / $1.50 / 82%<br><br>The equivalent silver formula is: Ag Eq = Ag +Pb x 33.48 + Zn x 49.61<br><br>The adopted cut-off grade of 30 g/t Eq Ag is considered likely to be economic for the mining method and scale of operation envisioned for Bowdens. |
| *Mining factors or assumptions* | • *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It may not always be possible to make assumptions regarding mining methods and parameters when estimating Mineral Resources. Where no assumptions have been made, this should be reported.* | Surface mining by open pit method is currently planned for Bowdens.<br><br>The recoverable MIK method implicitly incorporates internal mining dilution at the scale of the assumed SMU. No specific assumptions were made about external mining dilution in the Mineral Resource estimates. |
| *Metallurgical factors or assumptions* | • *The basis for assumptions or predictions regarding metallurgical amenability. It may not always be possible to make assumptions regarding metallurgical treatment processes and parameters when reporting Mineral Resources. Where no assumptions have been made, this should be reported.* | The recoveries for each metal are based on available metallurgical test work. It is assumed that fresh (sulphide) ore will be treated by conventional froth flotation to produce a bulk Ag-Pb-Zn concentrate. |
| *Environmental factors or assumptions* | • *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.* | It is currently assumed that all process residue and waste rock disposal will take place on site in purpose built and licensed facilities.<br><br>All waste rock and process residue disposal will be done in a responsible manner and in accordance with any mining license conditions. |
| *Bulk density* | • *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* | Dry bulk density is measured on-site using an immersion in water method (Archimedes principle) on selected core intervals for nominal 10cm samples. The Bowdens database contains 1,889 of these measurements in 83 drill holes. There are also a number of density measurements derived from weighing trays of core – this information confirms the immersion method results.<br><br>Samples are weighed before and after oven drying overnight at 110ºC to determine dry weight and moisture content. |
| *Classification* | • *The basis for the classification of the Mineral Resources into varying confidence categories.* | The classification scheme is based on the estimation search pass for Ag; in the Rylstone Volcanics, Pass 1 = Measured, Pass 2 = Indicated and Pass 3 = Inferred. For the Coomber Formation, Passes 1&2 are classified as Indicated and Pass 3 = Inferred. |

| Criteria | JORC Code explanation | Commentary |
|---|---|---|
| | • *Whether appropriate account has been taken of all relevant factors (i.e., relative confidence in tonnage/grade estimations, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).*<br>• *Whether the result appropriately reflects the Competent Person's view of the deposit.* | This scheme is considered to take appropriate account of all relevant factors, including the relative confidence in tonnage and grade estimates, confidence in the continuity of geology and metal values, and the quality, quantity and distribution of the data.<br><br>The classification appropriately reflects the Competent Person's view of the deposit. |
| *Audits or reviews* | • *The results of any audits or reviews of Mineral Resource estimates.* | This Mineral Resource estimate has been reviewed by SML personnel and no material issues were identified. |
| *Discussion of relative accuracy/ confidence* | • *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.*<br>• *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.*<br>• *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.* | The relative accuracy and confidence level in the Mineral Resource estimates are considered to be in line with the generally accepted accuracy and confidence of the nominated 2012 JORC Mineral Resource categories. This has been determined on a qualitative, rather than quantitative, basis, and is based on the estimator's experience with a number of similar deposits elsewhere. The main factor that affects the relative accuracy and confidence of the Mineral Resource estimate is drill hole spacing, because there are no strong geological controls on the primary mineralisation.<br><br>The estimates are local, in the sense that they are localised to model blocks of a size considered appropriate for local grade estimation. The tonnages relevant to technical and economic analysis are those classified as Measured and Indicated Mineral Resources.<br><br>No production data is available because this deposit has not been previously mined. |