

16 March 2018

Company Announcement Officer
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

CORPORATE UPDATE

Highlights

- **Inaugural Bowdens Reserve Statement due early April.**
- **Feasibility Study being finalised for completion towards the end of April.**
- **Environmental Impact Statement (EIS) nearing completion for review.**
- **Planning is well underway for commencement of drilling at several high-order targets including the recently discovered porphyry intrusive proximate to Bowdens.**

Silver Mines Managing Director, Anthony McClure, said:

“As we approach the completion of the Feasibility Study and the announcement of the Company’s first Mineral Reserve statement, we are working towards the next growth phase: the permitting and development of the Bowdens Silver Mine and unlocking the exceptional near-mine exploration potential. The feasibility work has involved a substantial amount of re-engineering in light of the major expansion to resources which was announced in September 2017. The Company and its consultants have been very thorough in the approach and we are particularly pleased with the way the Study is shaping up and we have further enhanced what is already a robust project.

Also, with the completion of the Feasibility Study, we can now finalise the Environmental Impact Statement for submission. Specialty consultant work and review processes are comprehensive and will demonstrate an environmentally responsible proposal along with very positive social and economic impacts.

With regards to exploration, recent exploration success has proven the existence of a major mineralised system with new high-order discoveries. The recent discovery of a porphyritic

felsic intrusion beneath Bowdens is a major milestone in developing our understanding of this comprehensive mineral system. We are getting closer to the source of the Bowdens system with every hole drilled.

Overall, we expect it to be a very exciting next few months for the Company. Eighteen months of hard work will culminate in the release and lodgment of several critical documents, plus the commencement of an expanded exploration program with extraordinary world-class potential.”

Reserve Statement and Feasibility Study

In September 2017, the Company announced its maiden Mineral Resource Estimate which added almost 100 million ounces of silver equivalent to the previous resource estimate. Please refer to the ASX release of 19th September 2017. The considerable success of this program along with changing development options has considerably enhanced the outcome of the economics for mine development.

With these achievements, in the coming weeks the Company will release its maiden Reserve Statement as the critical elements of the Feasibility Study are completed.

Final elements for the Feasibility Study for the development of a 2 million tonne per annum operation are now scheduled to be released towards the end of April 2018. Final optimisation work has been completed and final costing and modelling is well advanced.

Environmental Impact Statement ('EIS')

With the completion of the Feasibility Study, the final elements of the EIS can now be completed. Review processes will shortly commence with lodgement expected mid-year.

The Company, in conjunction with its specialty consultants, has been extremely thorough in its approach and while this has caused an extension to the planned lodgement timeline, management remains confident this approach will yield a smoother approval process.

Importantly, the Company sees no foreseeable issues that would cause concern with the awarding of development approvals and the granting of a Mining Lease. The Company has been very diligent in ensuring complete compliance with the many components required for a successful EIS process.

Exploration Program

Planning is well underway for the commencement of exploration drilling on the Company's recently identified high-order targets.

The recently completed deep drilling campaign has provided a platform to significantly extend the Bowdens NW and Bundarra Deeps zones as well as provide valuable geological data to allow exploration to be vectored towards the source of the mineralisation. Of particular focus will be the

follow up to the recent significant discovery of the porphyritic felsic intrusion beneath the Bowdens Silver deposit.

The results of this work has identified that the likely source of the mineralised system is located to the northwest of the current Mineral Resource. As previously reported, this understanding is based on:

- The intersection of felsic to dacitic porphyry dykes, interpreted to be extensions of a larger intrusion, in the deepest and northern most holes;
- Identification of a major northwest-southeast extensional structural corridor through interpretation of detailed structural data and airborne magnetic data;
- The presence of the highest grade silver-zinc-lead mineralisation at depth down plunge of the north margin of the Bowdens Silver resource;
- A distinct geochemical zonation with increasing zinc and gold with depth along with background copper (at Bundarra Deeps);
- Bonanza drill results including 7 metres at 555g/t silver-equivalent in the Company's recent northern most drilling;
- Highly anomalous molybdenum content to the north west of Bowdens (high level indicator in mineralised porphyry systems); and
- The location of a regional gravity low immediately north and northwest of the Bowdens Silver resource, considered to represent an underlying magmatic system.

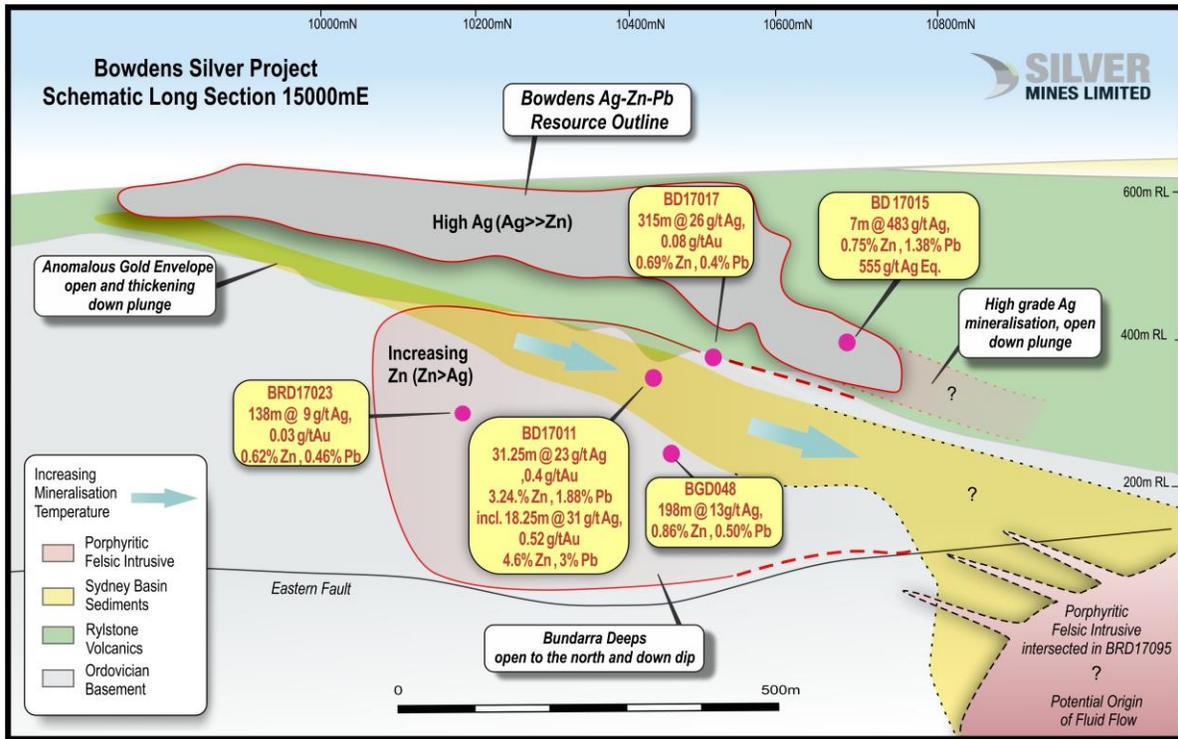


Figure 1. Schematic Long Section highlighting the Bowdens Resource and the northwest exploration target area.

Additional early stage targets have also been identified and will form the basis of ongoing evaluation by the Company's geologists. These targets have been identified by field work and early stage exploration techniques. Furthermore, regional geophysical surveys have generated several interesting targets.

Further detail on the planned holes will be provided prior to commencement of the program.



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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.