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31 July 2018

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

ACTIVITIES REPORT FOR THE QUARTER ENDED

30 June 2018

Highlights

Barabolar Project

- **Outstanding newly discovered area with substantial copper-gold-silver-lead-zinc-molybdenum anomalism over a corridor of 9,000 metres by 2,000 metres.**
- **Outcropping mineralised skarn mapped over an area of 5,000 metres by 800 metres.**
- **Multiple targets in several mineralisation styles including copper-gold porphyry, molybdenum porphyry, skarn mineralisation and volcanic hosted sulphide (VMS) deposits.**
- **Rock chip sampling continues to present areas of high grade across Zn, Pb, Cu, Ag, Au and Mo.**
- **Planning advanced for initial drilling program of up to 7,500 metres commencing September 2018.**

Bowdens Silver Project

- **Feasibility Study and Maiden Ore Reserve Statement complete.**
- **Environmental Impact Statement advanced.**
- **Continued exploration at Bowdens NW and Bowdens SW.**

Corporate

- **Share placement completed to institutional, professional and sophisticated investors raising $2.75m.**

Introduction

During the quarter, Silver Mines Limited ("Silver Mines" or "the Company") focused on the continuing mineral exploration at the Barabolar Project and Feasibility Study works at the Bowdens Silver Project, located in the Mudgee area in the Central Tablelands Region of New South Wales, Australia.

The Company also progressed the Environmental Impact Statement for the Bowdens Silver Project as it proceeds to the mine approval stage.

Silver Mines' principal project area is situated approximately 26 kilometres east of Mudgee in New South Wales (*see Figure 1*). The project area comprises 2,007 km^2 (496,000 acres) of titles covering approximately 80 kilometres of strike of the highly prospective Rylstone Volcanics and Ordovician volcanics, intrusions, and sediments of the Macquarie Arc. Multiple target styles and mineral occurrences exist throughout the district including analogues to Bowdens Silver, silver-lead-zinc epithermal and volcanogenic massive sulphide (VMS) systems and porphyry and skarn hosted copper-gold-molybdenum targets.

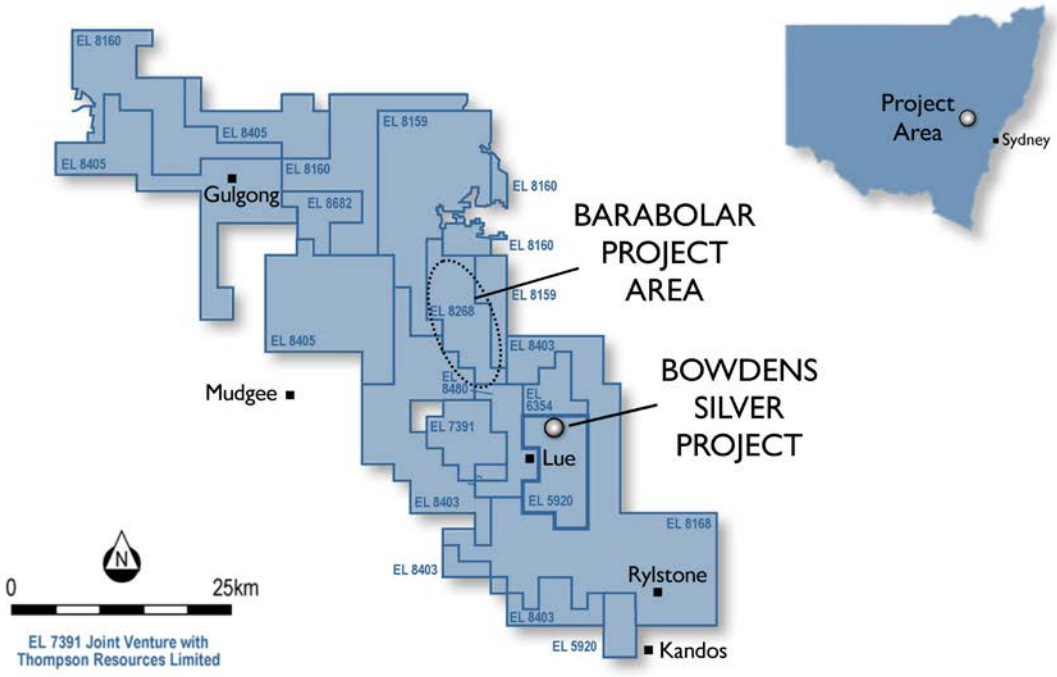

Figure 1. Silver Mines Limited tenement holdings in the Mudgee district.

Barabolar Project

During the quarter, Silver Mines continued soil sampling, rock sampling and mapping at the Barabolar Project which is located 10 kilometres northwest of the Company's Bowdens Silver Project (*see Figure 2*). Initial targeting in this area was a result of interpretation of a structural corridor identified in the detailed aeromagnetic survey that extended from the historic Bara Silver Mine in the south to north of the historic Botobolar Molybdenum Mine.

The soil sampling program at Barabolar consisted of sampling lines 160 metres apart with samples collected every 160 metres along the lines. Soil sampling has shown extensive and zoned anomalies defining a corridor of anomalous mineralisation 9,000 metres long by 2,000 metres wide. With a central area associated with a skarn consisting of anomalies of 5,000 metres long by 800 metres wide. The geochemical zoning shows variable molybdenum, copper, lead, zinc to silver zones which is a pattern consistent with an intrusive related mineral system such as a porphyry system.

Subsequent to the end of the quarter, the Company received the preliminary results and models from a recently completed Induced Polarisation (IP) geophysics survey at the Barabolar Project.

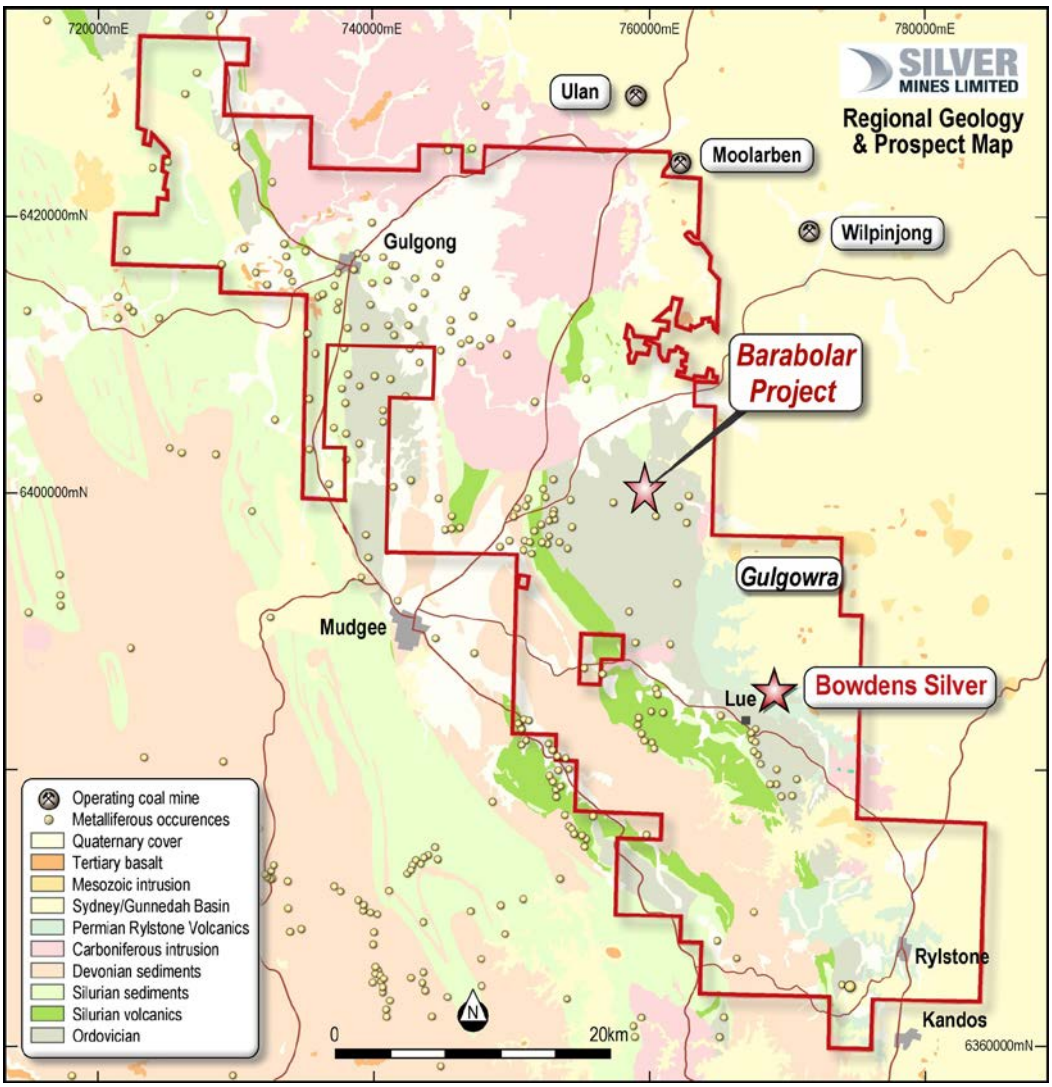

Figure 2. Location of Barabolar Project

Recent Barabolar IP Survey

The Company recently completed 30-line kilometres of dipole-dipole IP including the collection of both chargeability and resistivity data (*see Figure 3*). The survey was completed by Fender Geophysics and modelled and interpreted by GeoDiscovery Group and the

Company's own geological team. Areas of high chargeability are interpreted to represent accumulations of sulphide mineralisation whereas the resistivity is potentially indicative of increased quartz veining and silicification. The IP survey has generated at least 10 targets that are coincident or proximal to surface anomalism.

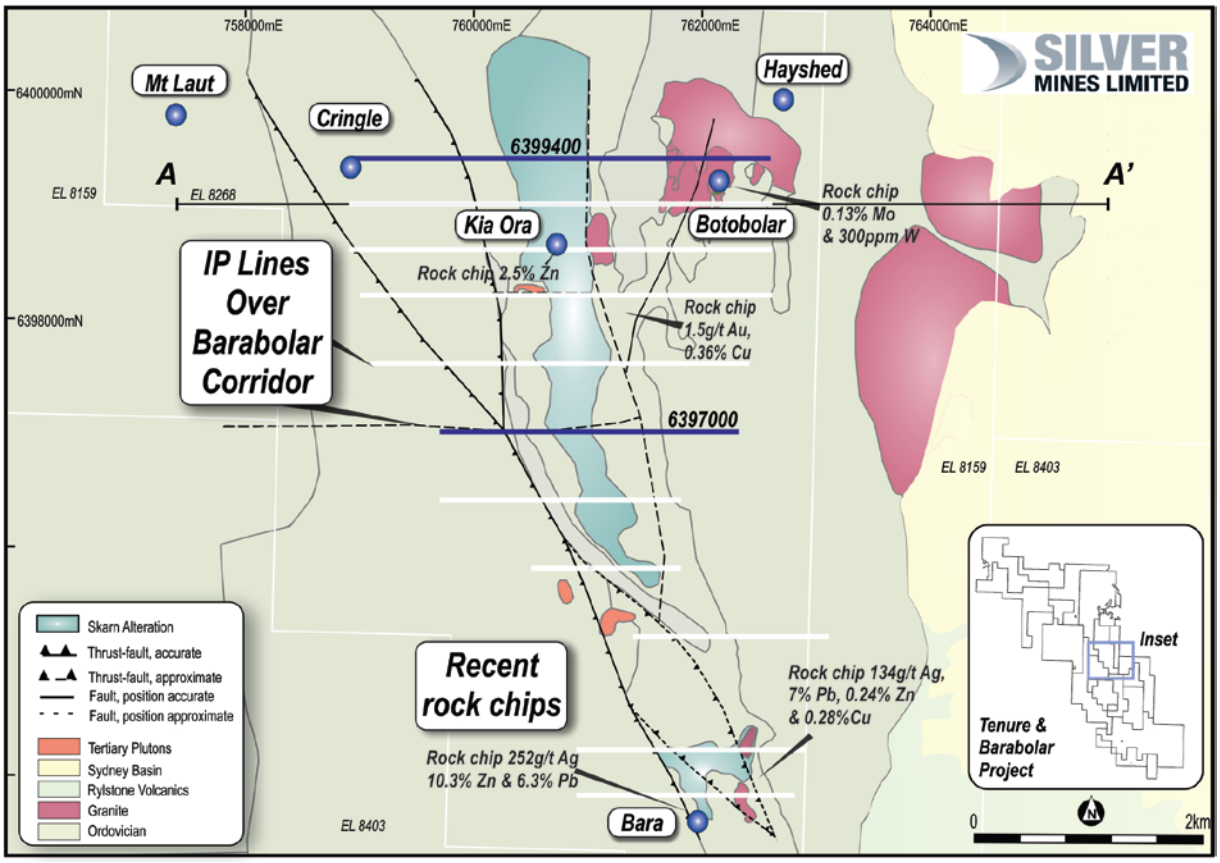

Figure 3. Barabolar Induced Polarisation Survey and recent rock chips on geology

Initial processing of the IP data into 2D format has been completed and further details along with 3D format analysis is expected to be completed in August 2018.

Several chargeability anomalies (inferred to be sulphide accumulations) as illustrated in the cross-sections of the IP data, are coincident with skarn mineralisation and anomalous copper, zinc and silver in the soil sampling. The convergence of datasets, namely the geophysics, the geochemistry, and the geological and structural mapping are producing a series of clear targets for various deposit styles from surface to beneath 300 metres depth.

Areas of high chargeability, high resistivity and mapped skarn are providing targets directly for skarn related mineralisation. Areas of low resistivity, high chargeability and copper anomalism are providing targets directly for porphyry related mineralisation. Further details of chargeability and resistivity will be provided shortly with the completion of 2D and 3D processing and interpretation.

For further details of the Barabolar Project refer to ASX Announcement 19 July 2018.

Barabolar Geology and Copper/Molybdenum Anomalism

The Barabolar IP survey was commissioned by the Company following an extensive surface program within the project area including geological and structural mapping and soil and rock chip geochemistry. The geological structural analysis was significantly aided by high resolution aerial magnetics and radiometrics flown by the Company in late 2016.

The Barabolar project extends from the historic Bara silver mine in the south to beyond the Botobolar molybdenum workings to the north. In addition, in the northwest, the Mt Laut quarry previously mined pyrophyllite (an aluminium silicate mineral), which is considered a strong distal indicator of high sulphidation epithermal mineralisation associated with porphyry related copper-gold systems.

Geologically, the Barabolar project consists of several intrusive phases including diorite and quartzolite intruding Ordovician stratigraphy consisting of volcanics, shales, and calcareous mudstones (replaced with skarn mineralisation). Mineralisation is observed in the volcanics (indicating the potential for volcanic hosted massive sulphide mineralisation); the skarn for epithermal mineralisation; and the intrusive rocks for porphyry related mineralisation. The Ordovician stratigraphy of this area is the eastern most representation of the Macquarie Arc that hosts the world-class Cadia-Ridgeway copper-gold mine. However, it is also possible that Permian age mineralisation, related to the nearby Bowdens silver deposit, is also represented in the Barabolar area. A research collaboration with the University of New South Wales to investigate the sources of mineralisation indicates that the main mineralising event is from an intrusive (porphyry) source not exposed at surface.

Rock chip sampling in the Barabolar area continues to identify areas of specific interest. Recent rock chip samples retrieved from the Bara area (*see Figure 3, Table 1 and Appendix 1*) from a newly discovered exposure of the Bara Silver Mine mineralisation, has returned assays including 10.3% zinc and 6.4% lead, 252g/t silver, 0.16g/t gold and 0.19% copper. These rock chips both validate the high grade polymetallic nature of the Bara area mineralisation, as well as establish a clear orientation for which to target drilling.

Table 1. Assay results for rock chip samples collected from the Barabolar Project.

Location	Sample Type	Silver (g/t)	Gold (g/t)	Copper (%)	Lead (%)	Zinc (%)	Molybde-num (%)	Tungsten (g/t)
Bara[1]	Rock chip	134	0.09	0.28	7.0	0.25	0.02	<0.1
Bara[1]	Rock chip	252	0.16	0.19	6.39	10.3	<0.01	1.2
Kia Ora[1]	Rock chip	2.4	0.05	0.12	0.08	2.5	<0.01	209
Kia Ora[1]	Rock chip	2.9	1.5	0.36	<0.01	<0.01	<0.01	5.95
Botobolar[1]	Rock chip	0.09	<0.02	<0.01	<0.01	<0.01	0.13	300

1. **Previously released, (refer to ASX release of 14 December 2017 and 19 July 2018)**

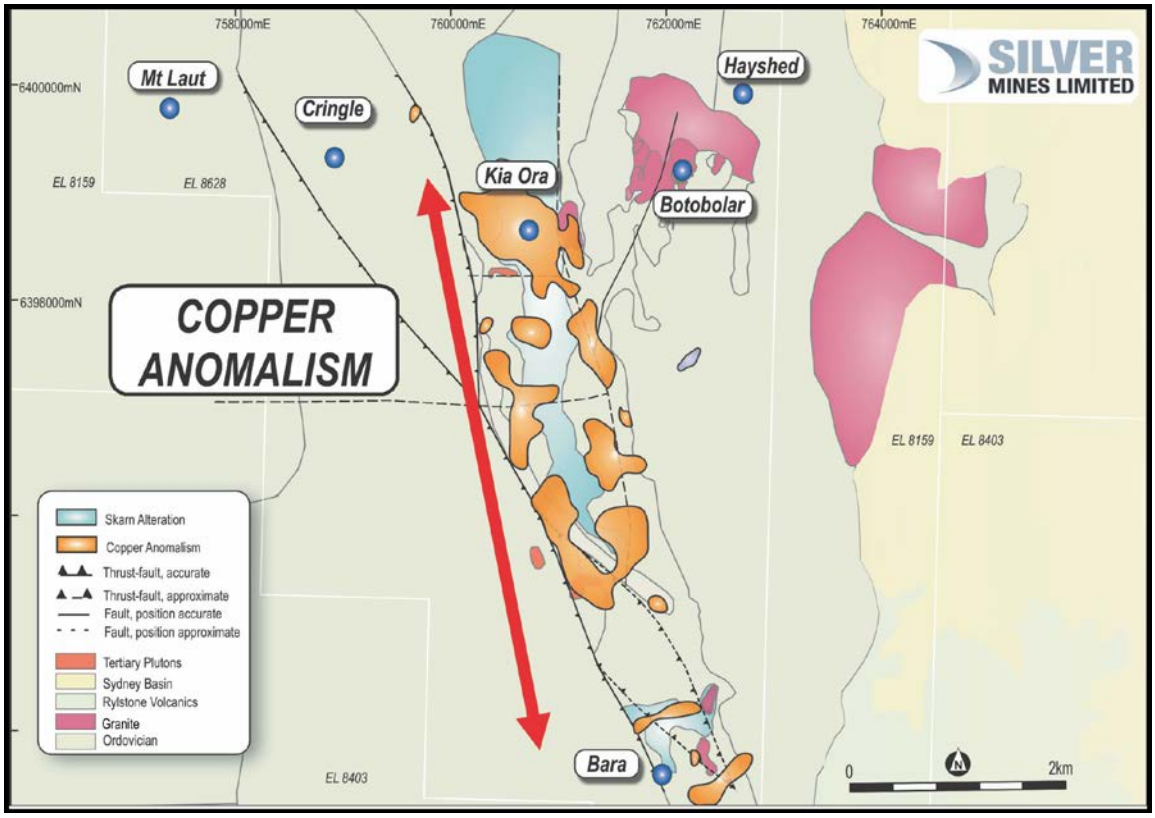

Figure 4. Copper anomalism > 100ppm in soils at Barabolar

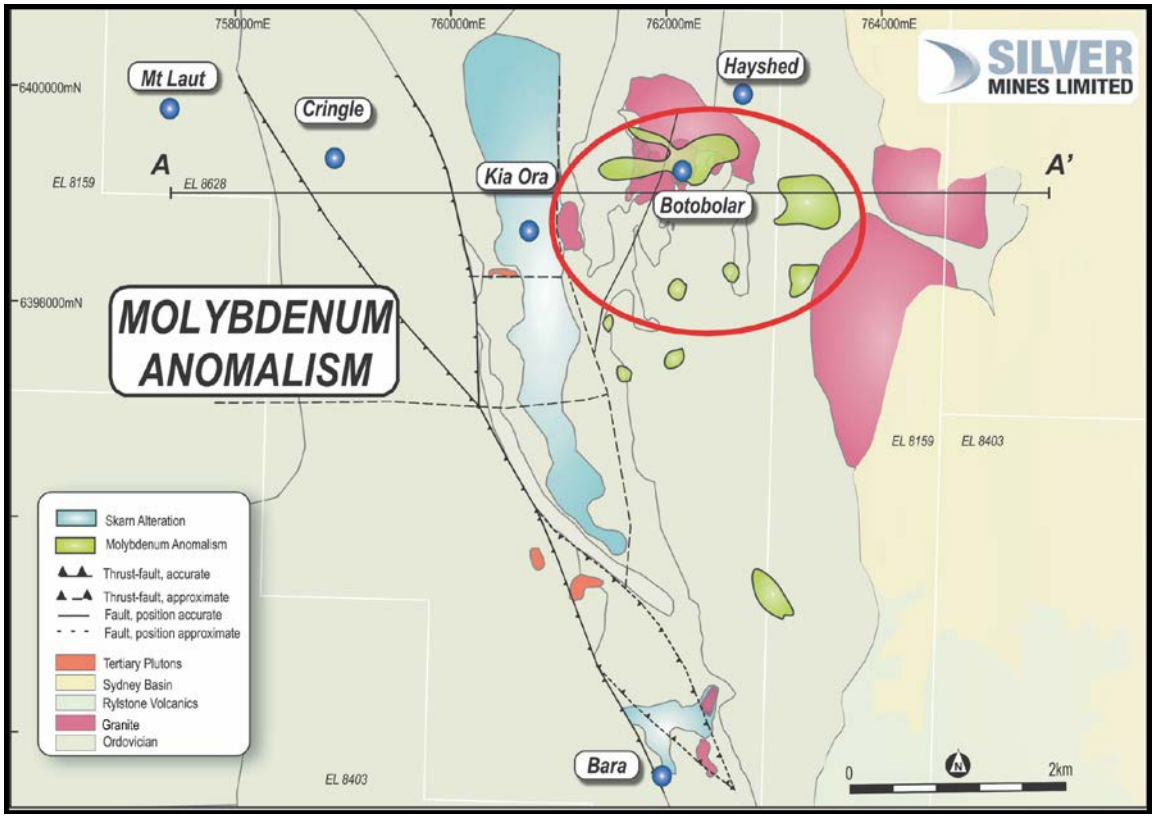

Figure 5. Molybdenum anomalism > 5ppm in soils at Barabolar

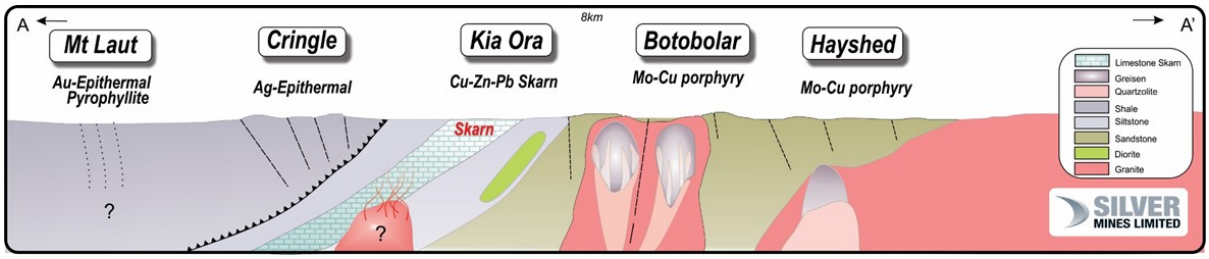

Figure 6. Barabolar schematic cross section.

Planned Drill Testing

Due to the number of high-order target zones, the Company is planning a comprehensive initial drilling program of up to 7,500 metres of reverse circulation and diamond core drilling. Broad targets will be initially tested with shallow drill holes with 3 to 5 holes per target in a program amounting to up to 5,000 metres of drilling. Specifically, targeted deeper holes (minimum 250 metres in depth) totalling approximately 2,500 metres will also be undertaken. Subject to planning and approvals, drilling is expected to commence in the September quarter of 2018.

Bowdens Silver Project

The Bowdens Silver Project is the largest known undeveloped silver deposit in Australia with substantial resources. A considerable body of high quality technical work has been completed. The Project boasts outstanding logistics for future mine development.

During the quarter, the Company and its consultants completed a Feasibility Study along with the Project's maiden Ore Reserve Statement. The Feasibility Study details a single open-cut mine with an initial mine life of 16 years. A new processing plant designed to process 2.0 million tonnes per annum would include a conventional SAG and ball mill circuit, differential flotation, thickening and dewatering to produce two concentrates that will be sold for smelting and refining to finished metals. The Feasibility Study has demonstrated that the Project will produce an average of 3.4 million ounces of silver per annum, together with approximately 6,900 tonnes of zinc and 5,100 tonnes of lead per annum. Due to higher silver grades in the early stages of mining, average production during the first three years of operation will be approximately 5.4 million ounces of silver per annum, 6,000 tonnes of zinc per annum and 5,200 tonnes of lead per annum.

For further details of the Feasibility Study, refer to the ASX Announcement of 14 June 2018.

Following completion of the Feasibility Study, Silver Mines has continued to progress the final elements of the Environmental Impact Statement (EIS).

The Company, in conjunction with its 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.

A Mining Lease application will be lodged in conjunction with the Development Application (DA) and EIS.

Bowdens Silver Project Exploration

During the quarter the Company advised that it received assay results from drill hole BRD18001. The hole was drilled to target an extension of the high-grade Northwest Zone beneath the Bowdens Silver Deposit. The drill hole was completed to a depth of 483.6 metres and targeted the down-dip extent of high-grade mineralisation northwest of BD17021 and west of BD17018 (*see Figures 7 and 8*).

BRD18001 intersected a significant high-grade zone approximately 100 metres from any previous high-grade intercepts. The Northwest Zone remains open in several directions and the Company is currently modelling and targeting further extensions of this exciting new discovery.

For further details refer to the ASX Announcement of 22 June 2018.

Table 2: Drill hole intersections using: 1. A minimum 100g/t silver cut-off over 1 metre interval and up to 6 metre internal continuous dilution; 2. A minimum 200g/t silver cut-off over 1 metre interval and up to 1 metre internal continuous dilution; and 3. A minimum 250 g/t silver cut-off over 1 metre interval and up to 1 metre internal continuous dilution. Refer to "Data aggregation methods" in Section 2 of the JORC tables below for the silver equivalent calculation.

Hole	Cut off	From (metres)	To (metres)	Interval (metres)	Silver (g/t)	Zinc (%)	Lead (%)	Silver Eq (g/t)
BRD18001	1	283	307	24	108	0.37	0.73	150
Incl.	2	283	288	5	216	0.37	0.32	245
	3	**284**	**285**	**1**	**270**	**0.28**	**0.30**	**294**
	3	**286**	**288**	**2**	**288**	**0.57**	**0.51**	**333**
	3	**306**	**307**	**1**	**377**	**0.30**	**3.53**	**510**

The Northwest Zone is a high-grade silver zone that extends from beneath the base of the 2018 Bowdens pit design (*refer to ASX release 30 May 2018*) to the north. The Northwest Zone is a gently dipping, fracture to vein hosted mineralised body.

Table 3: Drill hole intersections using a minimum 60g/t silver cut-off over 5 metre internal dilution. Refer to "Data aggregation methods" in Section 2 of the JORC tables below for the silver equivalent calculation.

Hole	Cut off	From (metres)	To (metres)	Interval (metres)	Silver (g/t)	Zinc (%)	Lead (%)	Silver Eq (g/t)
BD17015 *	4	235	268	33	167	0.29	1.17	215
*Incl.**	**4**	**235**	**242**	**7**	**483**	**0.75**	**1.38**	**555**
BD17018 *	4	179	190.7	11.7	270	0.22	1.18	316
Incl.	**4**	**183.6**	**190.7**	**7.1**	**391**	**0.32**	**1.86**	**494**
BD17013	4	128	171	43	110	0.36	0.86	**157**
Incl.	**4**	**151**	**165**	**14**	**203**	**0.55**	**0.99**	**254**
BD17020	4	193	211	18	74	0.81	0.68	136
Incl.	**4**	**204**	**205**	**1**	**596**	**0.62**	**1.18**	**667**
BRC12037	4	186	200	14	284	0.11	0.89	319
Incl.	**4**	**196**	**200**	**4**	**935**	**0.14**	**2.01**	**1010**
BD17021	4	198	213	15	209	0.09	1.16	252

***Previously reported intercepts. For further information on previous results please refer to ASX releases of 7th June 2017 and 31st July 2017**.*

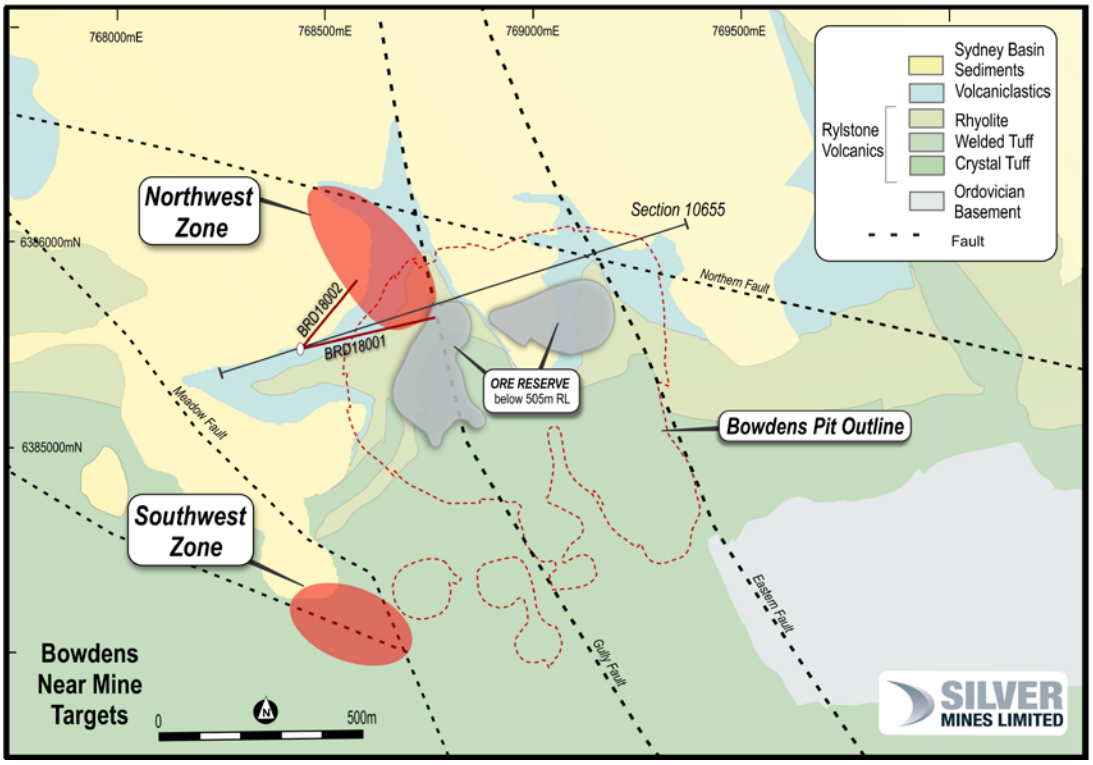

Figure 7. Location of current drilling programs – Northwest Zone and Southwest Zone

The Northwest Zone

The Northwest Zone is a gently west dipping zone that resides beneath the northwest quadrant of the Bowdens open pit design and is constrained to the welded tuff unit of the Permian Rylstone volcanic. Predominantly the zone is a concentration of veining and fracture fill style mineralisation with silver being the dominant metal.

With the completion of drilling BRD18001, it is evident the zone continues to the west and well beyond the current pit design. The 100 metre westward extension highlights further potential for an extensive system beneath and outboard from the Bowdens pit. This zone extends from 10600mN at the base of the pit design and dips gently to the west. Its apparent plunge extends to the northwest and steepens from 10700mN. The overall lateral extent is some 150 metres west and 150 metres to the north. The zone remains open to the west. Current drilling of BRD18002 is testing 120 metres north of BRD18001.

The insights from initial drilling of the Northwest Zone are encouraging with a high potential to extend the high-grade silver zone towards the source of mineralisation. With further successful drilling in the area and in particular the continued demonstration of high-grade silver over considerable widths, this zone may have the potential for the development of underground mining tonnages.

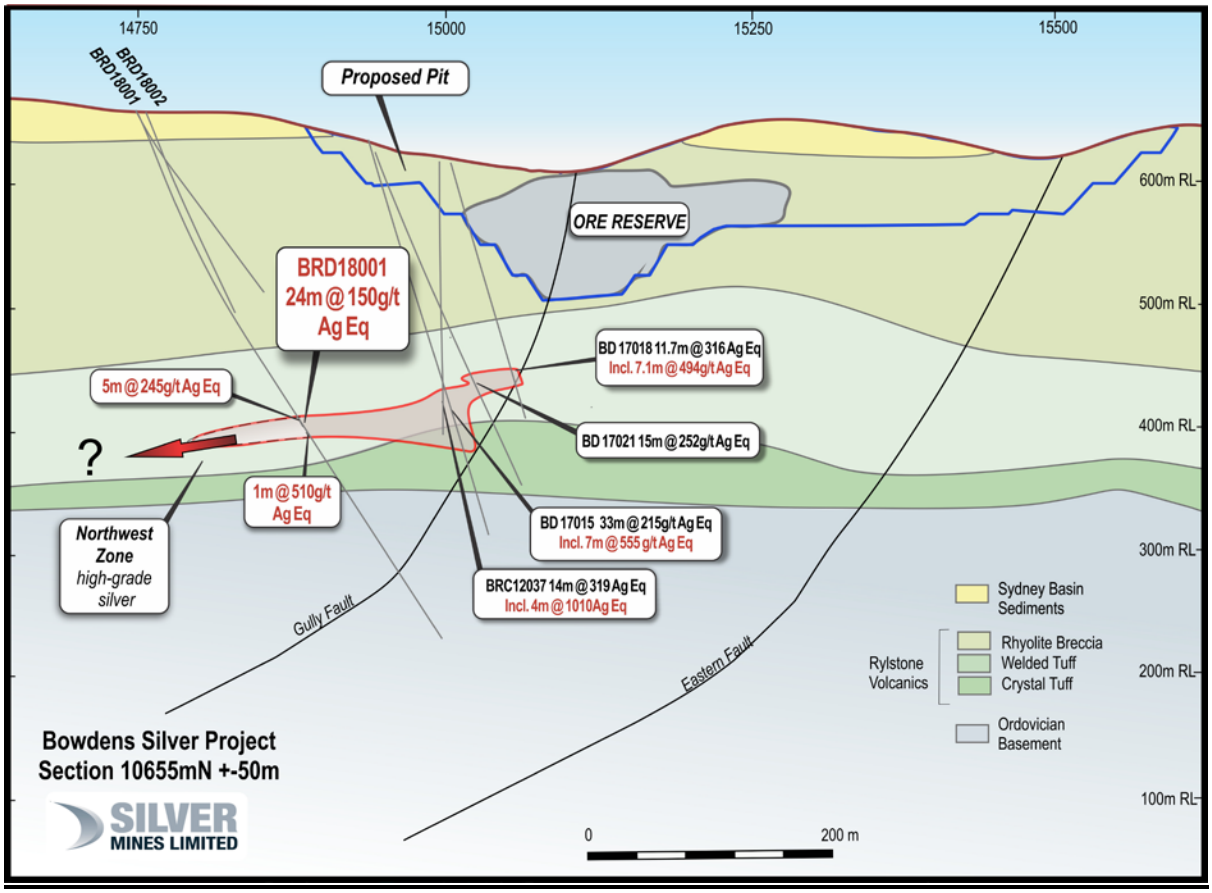

Figure 8. Section 10665mN +/-50m, looking north, showing drill hole intercepts to date for BRD18001

Government and Community Engagement

Silver Mines continues an extensive program of consultation with relevant Government departments, local communities, and other interested stakeholders. The program examines the potential impacts and benefits of exploration and development across the substantial Bowdens Silver tenement portfolio. Consultation processes focus on the current potential mine development area and also the wider area where the Company is commencing exploration programs.

Other Projects

The Company and its wholly owned subsidiaries also continue to maintain the following projects, all of which are located in New South Wales, Australia:

- Webbs Project (silver/polymetallic);
- Conrad Project (silver/polymetallic); and
- Tuena Project (gold/silver).

The Conrad polymetallic project is located near Inverell, New South Wales. The tenements include three mining leases (MLs 5992, 6040 and 6041), one EPL (EPL 1050) and one exploration licence (EL 5977).

The Webbs polymetallic project (EL 5674) is located near Glen Innes in the New England region of northern New South Wales.

Conrad and Webbs are 100% held by the Company and both contain high grade silver and polymetallic resources.

The Company also holds 100% of EL8526, being the Tuena Project. The Tuena Project tenement is located in the south of Orange, New South Wales and the area is targeted for precious metals.

Conrad, Webbs and Tuena are non-core assets to the Company, and as such, a divestment strategy for these projects is being considered.

Further details on each project can be found below or on the Company's website (www.silvermines.com.au).

Share Placement

On 4th April 2018, the Company announced the completion of a share placement to institutional, professional and sophisticated investors. This resulted in the issue of 68,750,000 shares raising $2.75 million. These funds will be allocated towards further exploration and progression of the Bowdens Silver Feasibility Study and Environmental Impact Statement.

About the Barabolar and Bowdens Silver Projects

The Barabolar and Bowdens Silver Projects are located in central New South Wales, approximately 26 kilometres east of Mudgee (*see Figure 11*). The recently consolidated project area comprises 2,007 km^2 (496,000 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 porphyry and skarn hosted copper-gold-molybdenum targets.

Nearby to Barabolar, the Bowdens Silver Project 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.

Further information:

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Competent Persons Statement

The information in this report that relates to mineral exploration from the Barabolar and Bowdens Silver Projects is based on information compiled by the Company's technical team and reviewed by Mr Darren Holden who is an advisor to the Company. Mr Holden is a member of the Australasian 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 Holden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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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.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *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.*	• Sampling taken from NQ diamond core and from reverse circulation (RC) drill chips. • NQ size core - all samples taken as nominal 1 metre intervals from half-cut core and from the same side of the core. • RC samples collected on a 1m interval from a cone splitter. • Each sample represents approximately 2 kilograms of material • Each sample was sent for multi-element assay using ICP techniques with the entire sample pulverized and homogenized with a 50g extract taken for assay. • Assays are considered representative of the sample collected.
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 drilling undertaken using HQ & NQ diamond core rig with standard tube. • All core, where unbroken ground allows, is oriented by drilling team and an orientation line along the base of the hole. • RC drilling using a 139mm hammer.
Drill sample	• *Method of recording and assessing core and chip sample*	• Core recovery is estimated at greater than 95%.

Criteria	JORC Code explanation	Commentary
recovery	*recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *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.*	• 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. • RC samples are weighed for each metre and assessed for recovery, contamination and effect of water if present. • No significant relationship between sample recovery and grade exists.
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.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *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. • RC chip samples are logged using lithology, alteration, veining and mineralization. • All core and chip trays are photographed using both wet and dry photography. • In all cases the entire hole is logged by a geologist. •
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core were taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *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.* • *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. • All core is cut using a Corewise core saw with core rotated 10 degrees to the orientation line to preserve the orientation for future reference. • The half (NQ) of the core without the orientation line is removed, bagged and sent to the laboratory for assay. • 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. • 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 cone splitter at the rate of 1/20.
Quality of assay data	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is*	• Samples dispatched to ALS Global laboratories in Orange NSW for sample preparation and gold analysis Au-AA25. 33 multi-element

Criteria	JORC Code explanation	Commentary
and laboratory tests	*considered partial or total.* • *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.* • *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.*	analysis completed at ALS Brisbane using method ME-ICP61. • Site Standards are inserted every 20 samples to check quality control and laboratory standards and blanks every 25 samples to further check results. • The IP survey method is commonly used to determine the location of disseminated sulphides. An external current is applied and charge separation can occur on sulphide grain boundaries. When the transmitter is turned off the charge decays. The degree to which this current forms and the nature of its decay once the primary current is switched off, can be measured over a short time period. • On IP: Rock mass containing disseminated sulphides, including pyrite, chalcopyrite, arsenopyrite and galena, become more readily charged than rock mass without these minerals. • On IP: The geophysical method utilised by Silver Mines is entirely appropriate to the style of mineralisation under consideration. • Rock chip samples dispatched to ALS Global in Orange, NSW for sample preparation by crushing and pulverising. Samples then undergo 33 multi-element analyses by 4 acid digestion using method ME-ICP61 and by fire assay method Au-AA25.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Significant intersections calculated by site-geologists. • All geological logging is entered digitally before inputting into a Maxwell Geoservices database schema. • Primary assay data is sent electronically from the lab to the SVL database administrator and then entered into the geological database for validation. • All assays matched with the logging sheets and loaded directly from the output provided by the laboratory with no manual entry of assays undertaken. • No adjustments were made or required to be made to the assay data. • All IP data was quality controlled and checked by Fender Geophysics geophysicists and then reviewed by GeoDiscovery Group for modelling.
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.*	• The collar position is initially surveyed using hand-held GPS with accuracy of +- 5 metres. Periodically, Real Time Kinetic by VRS Now surveys are conducted with accuracy of +-1cm.

Criteria	JORC Code explanation	Commentary
	• *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Down hole surveys collected every 30 metres using an electronic downhole reflex survey camera. • The terrain includes steep hills and ridges and with a topographical model of 0.034 metre accuracy. • All collars recorded in MGA94 zone 55 and also re-projected to a locally defined mine-grid system. • On IP: all transmitter and receiver electrode locations were located by hand held GPS to an accuracy of 3 metres. • Elevation for the survey area has been sourced from the Company's own digital terrain model data acquired in conjunction with the airborne magnetic and radiometric survey, flown in 2016. • Rock chip samples are surveyed with a hand-held GPS Garmin unit which has an accuracy to around 3m.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *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.* • *Whether sample compositing has been applied.*	• This drilling is designed as preliminary exploration targeting a geophysically derived induced polarization chargeability model on approximate 200m spaced sections. • The IP survey is configured with a 100 metre receiver dipole size and a 100 metre transmitter dipole size. • All survey lines are oriented east to west. • Rock chip samples randomly taken from prospective outcrop and mine spoil locations.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *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. • An interpretation of the mineralization has indicated that no sampling bias has been introduced. • On IP: The primary line direction is oriented perpendicular to the key geological, structural and mineralisation trends within the Barabolar Corridor, which is 330° to 350° magnetic trend.
Sample security	• *The measures taken to ensure sample security.*	• All drill 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 laboratory in Orange, NSW (~200km from the site). • All IP data was reviewed for quality and accuracy and stored daily by

Criteria	JORC Code explanation	Commentary
		Fender Geophysics. • IP data was transferred securely via email to Silver Mines and GeoDiscovery Group, where at Silver Mines it is stored on a local secure server and backed up daily. • Rock chip samples boxed on site under the supervision of Silver Mines geologists with sample bags tied with cable ties before being driven by site personnel to the laboratory in Orange, NSW (~200km from the site)
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• The drilling campaign and drill work includes on-going internal auditing with advice taken on process from external advisors. • On IP: All data was quality assured by Fender Geophysics, and again by GeoDiscovery Group. • No major issues with data quality have arisen during the survey. • No external reviews of the rock chip geochemical data have been undertaken.

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.* • *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. • The tenement is in good standing. • 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. • 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 and Silver Standard Ltd, however the new drilling reported under this table is based on work conducted solely by Silver Mines/Bowdens Silver.

Criteria	JORC Code explanation	Commentary
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. • Mineralisation includes veins, shear veins and breccia zones within tuff and ignimbrite rocks. • 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.
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:* o *easting and northing of the drill hole collar;* o *elevation or RL (Reduced Level elevation above sea level in metres) of the drill hole collar;* o *dip and azimuth of the hole;* o *down hole length and interception depth; and* o *hole length.* • *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.*	• All information is included in this report.
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.* • *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.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Intersection calculations based weighted averages on; 0.5% combined lead + zinc cut-off for low grade results, 1% combined lead + zinc cut-off for higher-grade results or a 2% combined lead + zinc cut-off for high-grade results.
Relationship between mineralisation widths and	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*	• Mineralisation at Bowdens is both stratabound and vein hosted. The stratigraphy dips moderately to the north while the majority of mineralised veins dip west. Some individual veins intersected were sub-parallel (~10 degrees to core axes). The drilling width is

Criteria	JORC Code explanation	Commentary
intercept lengths	• *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').*	estimated to be 120% of true-width for stratabound mineralisation.
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.*	• All results received and compiled to date are reported in this release. Drilling is ongoing with further results expected to provide a more detailed assessment of the mineralised zones.
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.*	• This report relates to drill data reported from this program. • The IP data is preliminary in nature, with further modelling on-going.
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).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• This report relates, in part, to a drill program that is designed to test a geophysical induced polarization chargeability target. Drilling is on-going with further results pending. • Drill testing of IP data at Barabolar is planned.

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Tenement Information as at 30th June 2018

Tenement	Project Name	Location	Silver Mines Ownership	Change in Quarter
EL 5920	Bowdens Silver	NSW	100%	-
EL 6354	Bowdens Silver	NSW	100%	-
EL 8159	Bowdens Silver	NSW	100%	-
EL 8160	Bowdens Silver	NSW	100%	-
EL 8168	Bowdens Silver	NSW	100%	-
EL 8268	Bowdens Silver	NSW	100%	-
EL 7391[1]	Bowdens Silver	NSW	0%	-
EL 8403	Bowdens Silver	NSW	100%	-
EL 8405	Bowdens Silver	NSW	100%	-
EL 8480	Bowdens Silver	NSW	100%	-
EL 8682	Bowdens Silver	NSW	100%	-
EL 8526	Tuena	NSW	100%	-
EL 5674	Webbs	NSW	100%	-
EPL1050	Conrad	NSW	100%	-
EL 5977	Conrad	NSW	100%	-
ML 6040	Conrad	NSW	100%	-
ML 6041	Conrad	NSW	100%	-
ML 5992	Conrad	NSW	100%	-

1. Under Joint Venture with Thomson Resources Limited. Silver Mines Limited earning 80%.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Silver Mines Limited

ABN	**Quarter ended ("current quarter")**
45 107 452 942	30 June 2018

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	4	110
1.2	Payments for		
	(a) exploration & evaluation	(1,071)	(5,160)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(687)	(2,529)
	(e) administration and corporate costs	(348)	(1,384)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	25
1.5	Interest and other costs of finance paid	(2)	(7)
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	267
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,101)**	**(8,678)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(4)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	(30)	(895)

Consolidated statement of cash flows		Current quarter $A'000	Year to date $A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(30)**	**(899)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	959	7,050
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	1
3.4	Transaction costs related to issues of shares, convertible notes or options	(111)	(384)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (transfer for June capital raising)	-	-
3.10	**Net cash from / (used in) financing activities**	**848**	**6,667**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,014	3,641
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,101)	(8,678)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(30)	(899)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	848	6,667
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**731**	**731**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	731	2,014
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**731**	**2,014**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	163
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors' fees

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	Nil
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	650
9.2	Development	-
9.3	Production	-
9.4	Staff costs	470
9.5	Administration and corporate costs	210
9.6	Other (provide details)	-
9.7	**Total estimated cash outflows**	**1,330**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil			

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: SIGNATURE ON FILE (Company secretary) Date: 31 July 2018

Print name: Trent Franklin

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.