

28 August 2018Company Announcement Officer
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

DRILL TARGETING UPDATE: BARABOLAR PORPHYRY AND POLYMETALLIC PROSPECTS

HIGHLIGHTS

- **Drilling to commence at Barabolar, New South Wales.**
- **Exceptional porphyry and polymetallic targets.**
- **30 hole program for 7,500 metres to commence in September (subject to approvals).**
- **Reverse circulation and diamond drilling average depth 250 metres, maximum depth of 450 metres.**
- **Specific drill targets defined by coincident:**
 - **Polymetallic geochemistry anomalies: copper, gold, and silver.**
 - **Chargeability highs suggesting an increase in sulphide mineralisation.**
 - **Resistivity highs suggesting an increase in silicification and quartz veins.**
 - **Discrete magnetic highs or lows from 3D modelling suggestive of buried porphyry bodies.**
- **Nine targets to be drilled including:**
 - **Porphyry copper & gold targets.**
 - **Copper-silver-lead-zinc polymetallic targets.**
 - **Epithermal silver (+gold) targets.**

Barabolar Project

Silver Mines Limited (ASX:SVL) ("Silver Mines" or "the Company") is pleased to advise that it has now fully integrated all available datasets to prioritise drilling on the Barabolar Project. All targets have been developed through the combination of the recent acquired Induced Polarisation (IP) geophysical data with recent remodelling of airborne magnetic data and the Company's geochemical and geological modelling. As a result of this work, the Company has designed its drill hole locations across multiple targets at the Barabolar Project. The Company

is aiming to conduct a 30 hole program with reverse circulation and diamond core drilling for approximately 7500 metres (subject to approvals).

Please refer press-releases dated 24 August 2018, 16 August 2018, 19 July 2018, 26 June 2018 and 14 December 2017 for further details.

The Barabolar Project is a high quality exploration project located within the highly prospective Macquarie Arc that also hosts world-class mineral systems such as the Cadia / Ridgeway Porphyry copper-gold deposit. Barabolar consists of a nine kilometre long corridor of copper, silver, lead and zinc soil anomalies with some association with gold in rock-chip samples (refer release 19 July 2018). The rocks of the project area are Ordovician age (the same as Cadia / Ridgeway) and include sedimentary and volcanic rocks, an extensive skarn (highly altered limestone), and several porphyritic intrusions. The presence of pyrophyllite alteration along with areas of intensive silicification, and argillic alteration are indicative of high-sulphidation epithermal systems consistent with copper-gold porphyry targets.

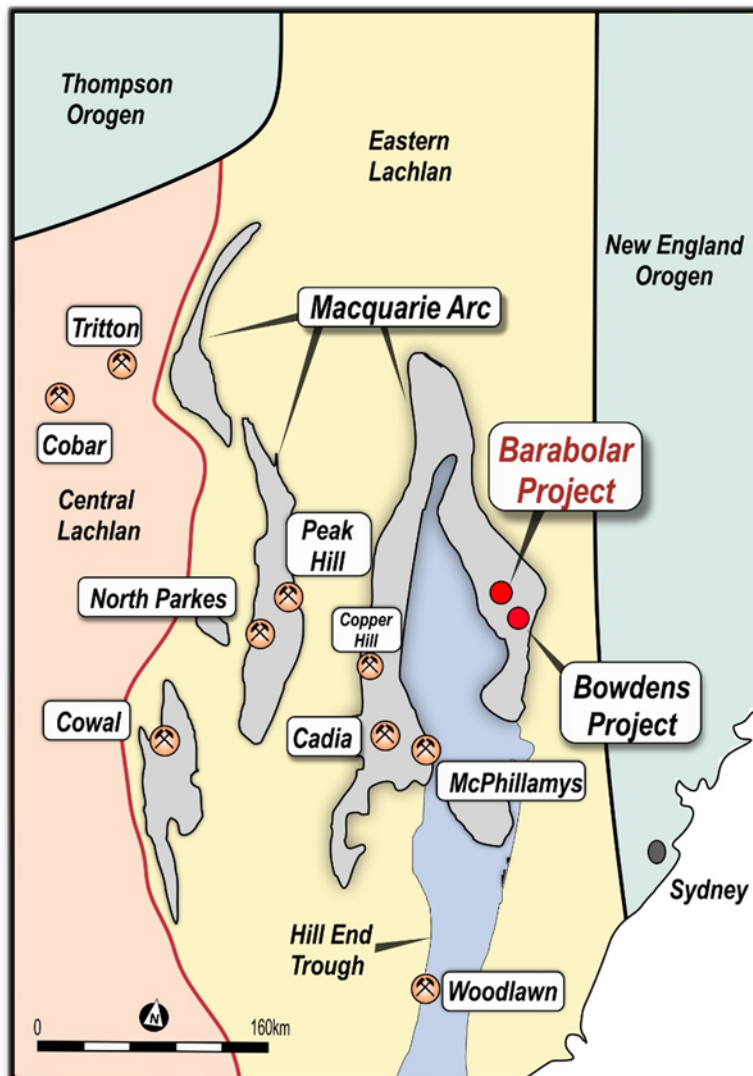


Figure 1. General geology of the Macquarie Arc & Lachlan Fold Belt. Modified from Huston, D.L., et al., "Metallogenesis and geodynamics of the Lachlan Orogen.

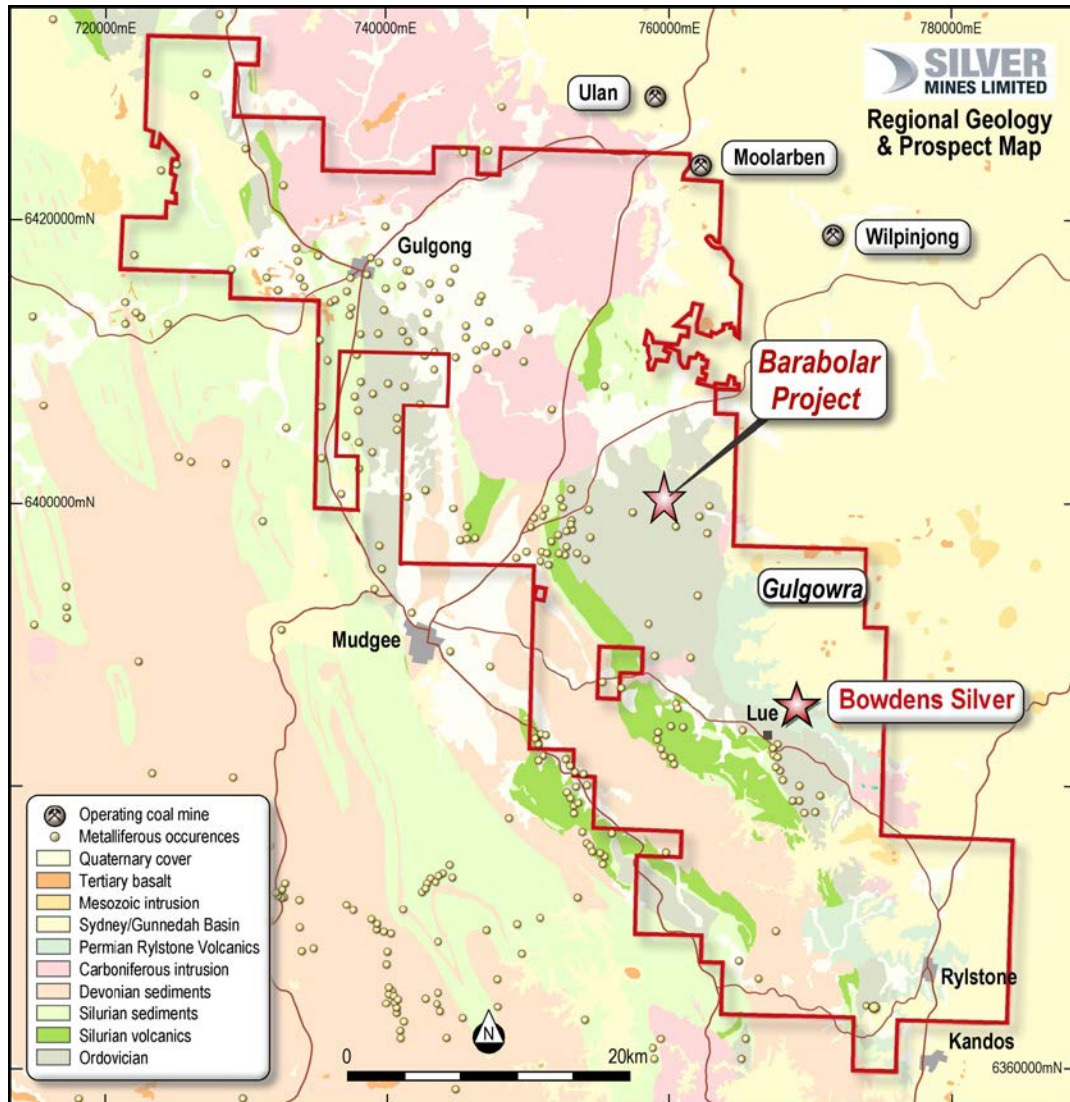


Figure 2. Location of Barabolar Project and regional geology

About the Barabolar Project

The Barabolar Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (see Figure 3). The recently consolidated project area comprises 2,007 km² (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 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.

