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31 October 2018

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

ACTIVITIES REPORT FOR THE QUARTER ENDED

30 September 2018

Highlights

- **Drilling commenced at the Barabolar Project, in New South Wales.**
- **Exceptional porphyry and polymetallic targets.**
- **Initial program of up to 7,500 metres of reverse circulation and diamond drilling.**
- **Specific drill targets include;**
  - **Epithermal gold systems at Cringle Prospect where surface sampling recently returned high-grade gold and silver.**
  - **Copper-silver-lead-zinc (+gold) polymetallic systems at Bara Mine & Bara North Prospects.**
  - **Porphyry copper-gold targets at several locations highlighted by strong induced polarization and geochemical anomalies.**
- **First results from this program are expected in November.**
- **High-grade gold bearing structures at the Cringle Prospect within the Barabolar Project area.**
  - **>400 metres of strike length inferred from mapped gossanous outcrop.**
  - **Both gold and silver-rich structures identified.**
  - **Gold-rich surface rock assays include:**
    - **5.9g/t gold and 95.2g/t silver;**
    - **4.9g/t gold and 59.9g/t silver;**
- **Cringle will be drilled as part of current program.**
- **Barobalar Induced Polarisation (IP) geophysical survey completed and integrated with geochemistry and geology.**
- **Corporate: Partially underwritten Entitlements Issue raising approximately A$3.85 million completed.**

Introduction

During the September 2018 quarter, Silver Mines Limited ("Silver Mines" or "the Company") continued to progress exploration activities at the Barabolar Project and progress the Environmental Impact Statement at the Bowdens Silver Project both located in central New South Wales. The projects are situated approximately 26 kilometres east of Mudgee (*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. 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.

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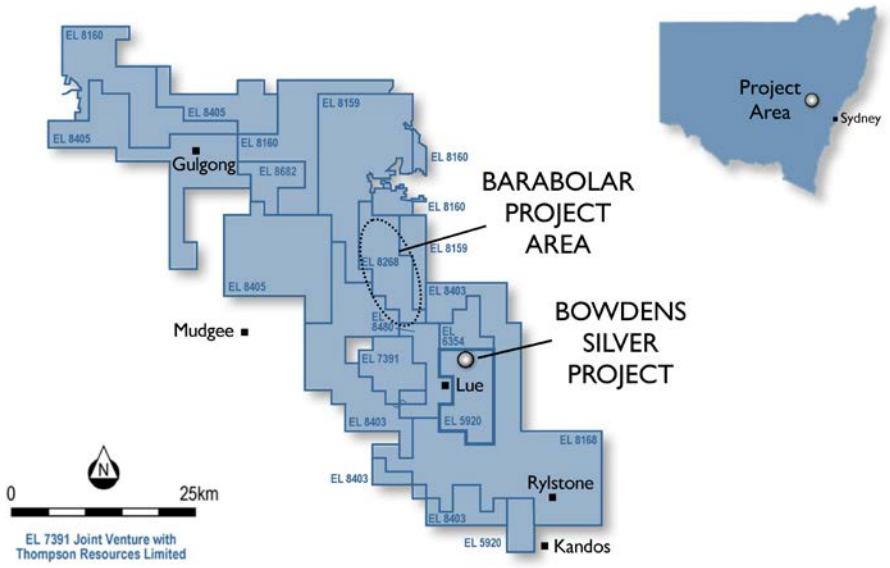

Figure 1. Bowdens Silver tenement holdings in the Mudgee district.

Barabolar Project

During the September 2018 quarter, the Company advised that it has received and interpreted geophysical data recently collected from the Barobalar Project. The data has been placed in the context of geological mapping and soil geochemistry and has assisted in the identification of five high-priority targets for immediate drilling.

The Barabolar Project is a high-quality exploration project located within the highly prospective Macquarie Arc that 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, is indicative of high-sulphidation epithermal systems consistent with copper-gold porphyry targets.

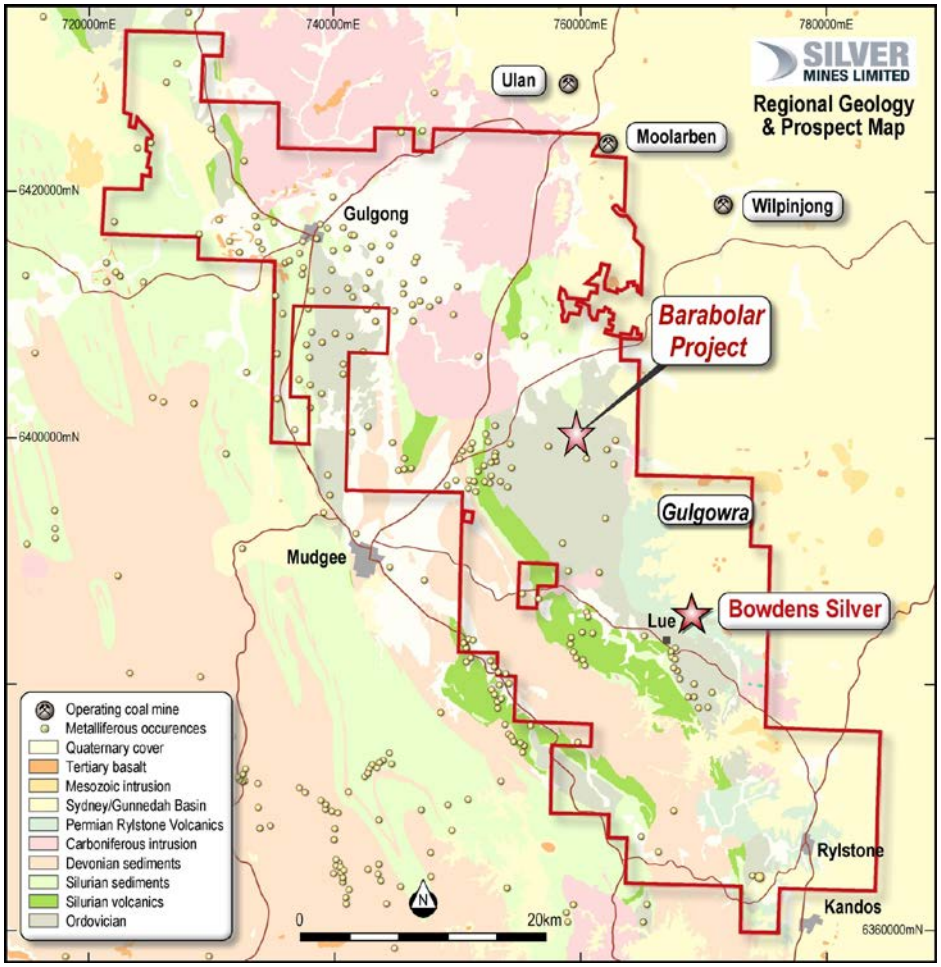

Figure 2. Location of Barabolar Project

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 Pty Ltd and modelled and interpreted by GeoDiscovery Group and the Company's own geological team. Areas of high chargeability (>30mv/V) are interpreted to represent accumulations of sulphide mineralisation whereas the resistivity is potentially indicative of increased content of quartz veins and silicification. The data has been integrated with the known geology and geochemistry sampling, resulting in the identification of the five high-priority targets.

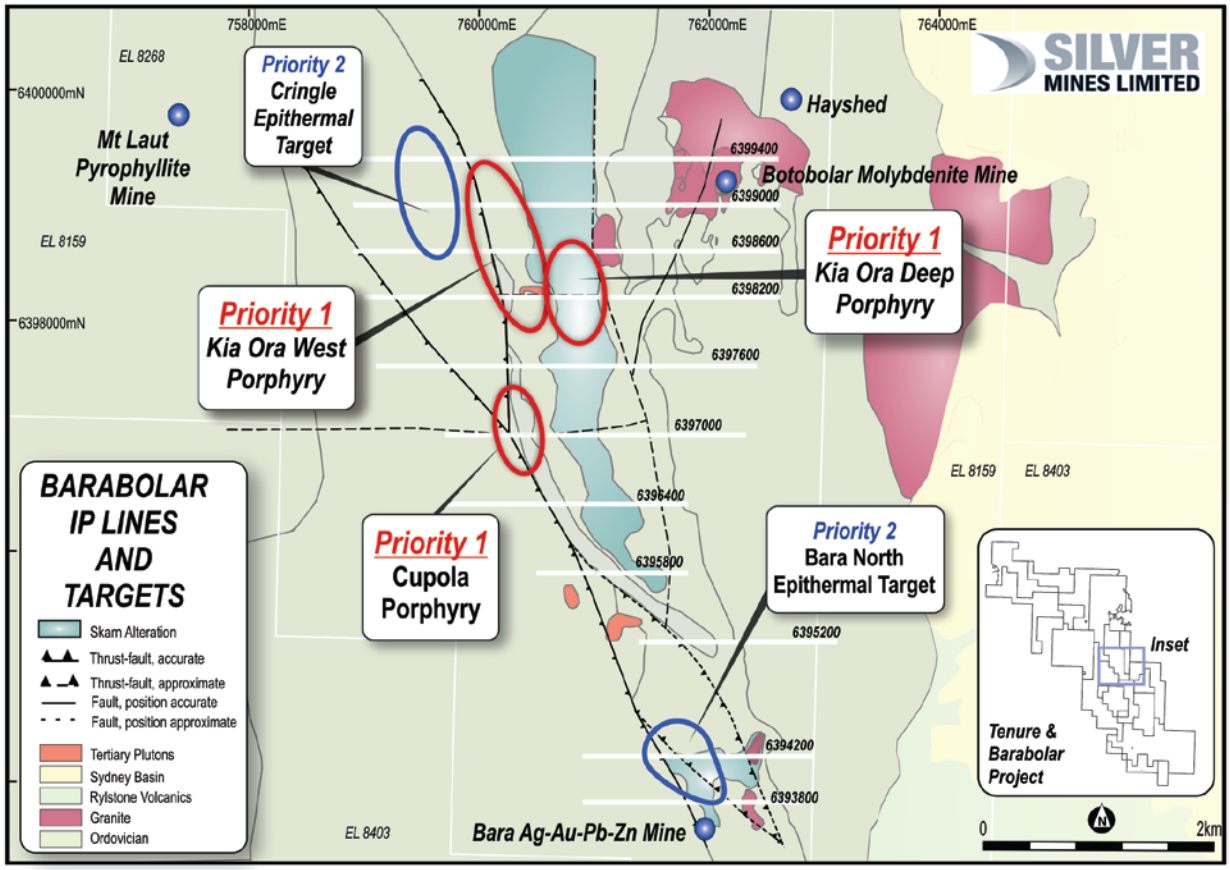

Figure 3. Barabolar Induced Polarisation Survey on geology showing priority target areas.

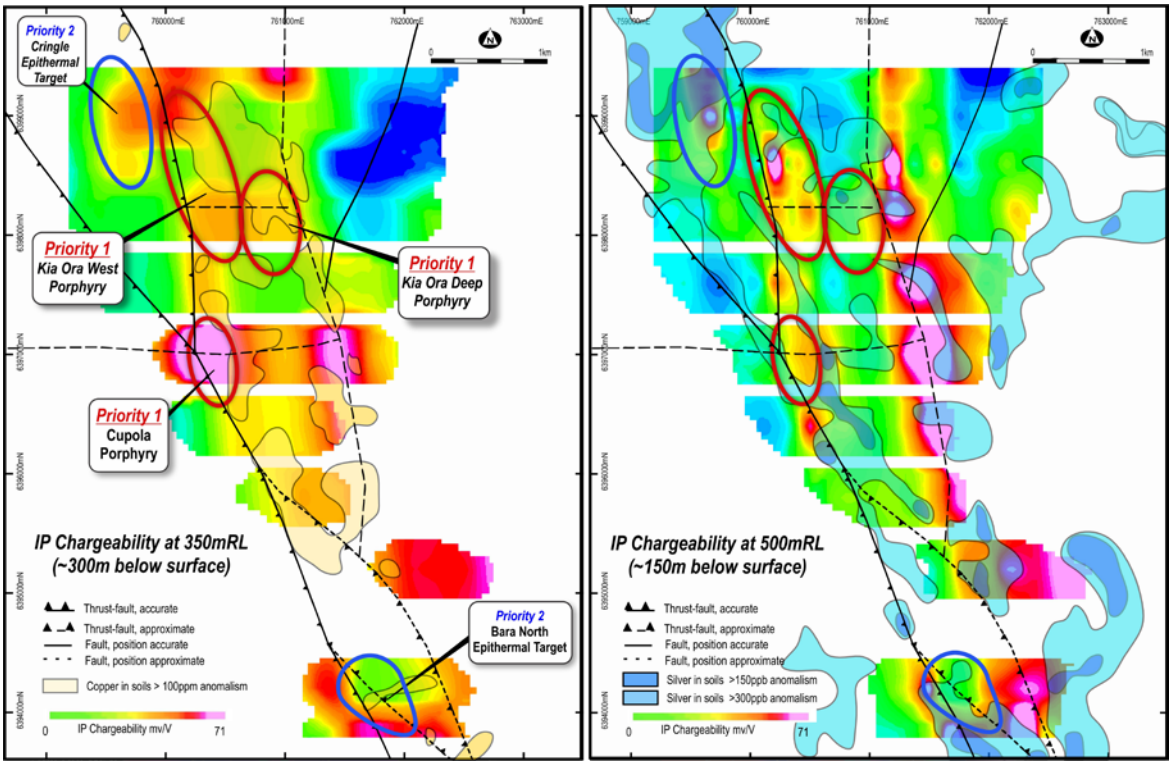

Figure 4. Chargeability model plans from 2D inversions at 500mRL and 350mRL, gridded in 3D space showing priority target areas and anomalism for copper and silver from soil geochemistry.

Kia Ora Deep Porphyry Target

The Kia Ora Deep Porphyry Target sits directly beneath the six kilometre long Kia Ora Skarn. The skarn is a highly altered calcareous marlstone (a rock similar to fine grained limestone) and has been entirely replaced with skarn minerals including sulphides of copper, lead and zinc. The recent IP survey showed a high chargeability zone (indicating increased sulphide content) and resistivity (indicating quartz/silicification) at approximately 350 metres depth and extending over several IP lines defining a body approximately 800 metres by 700 metres. This deep target is interpreted to be a potential intrusive source, and possibly a copper-rich porphyry that is the heat and fluid source for the skarn mineralisation at surface. (*refer Figure 5).*

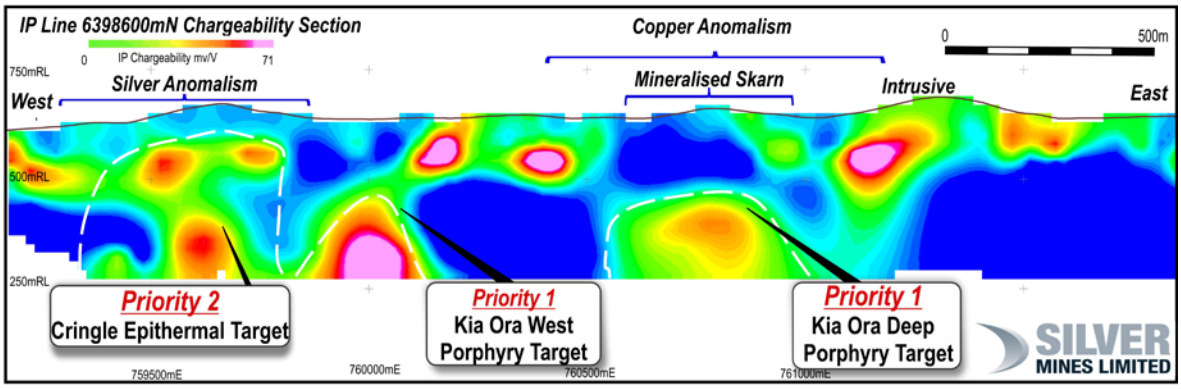

Figure 5. Chargeability IP section showing the Kia Ora Deep Porphyry Target, the Kia Ora West Porphyry Target, and the Cringle Epithermal Target.

Kia Ora West Target

The Kia Ora West Target is a 1200-metre by 600-metre IP chargeability anomaly coincident with a strong copper anomaly at surface along with rock samples of up to 2.5% zinc. The rocks at surface consist of felsic volcanic (rhyolite tuff) and pervasively retrograde altered skarn lenses. The area is immediately west of the Kia Ora Skarn, and the body is inferred to be either a sedimentary-hosted sulphide-rich target or an intrusive body constituting a porphyry body. The target is located immediately north of a major fault intersection between a long-lived east-west fault and the main Mt Bara Thrust fault (refer *Figures 5 & 7*).

Cupola Porphyry Target

The Cupola Porphyry Target is an area of some of the strongest coincident base metal (copper, lead and zinc) anomalism on the project area along with significant silver anomalism. The target is defined by the strongest chargeability anomaly (>60mv/V) from the IP survey and is displayed on one IP line with a width of 400 metres. Coincident with the chargeability anomaly is a strong resistivity anomaly, a major structural splay of the Mt Bara Thrust and a broad demagnetised zone in the airborne magnetic data. The target is inferred to be an intrusive body at a depth or an area of intense sulphide mineralisation within the sedimentary and volcanic rocks of the area (*refer Figure 6*).

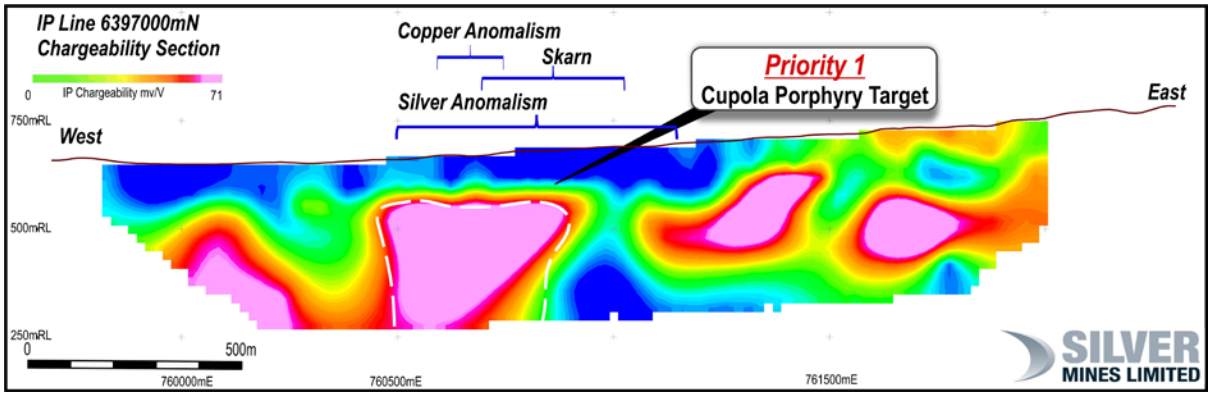

Figure 6. Chargeability IP section showing the Cupola Porphyry Target.

Cringle Target

The Cringle Target area is located to the west of the main mineralisation corridor and immediately east of the Mt Laut pyrophyllite mine. At surface the Cringle prospect consists of a very high-tenor silver anomaly (>300ppb) in soils over an area approximately 950 metres by 800 metres. A strong chargeability anomaly is located on several lines and is modelled with at least a 900 metres strike by 400 metres width. The rocks of the area consist of highly altered shales. This target is believed to represent a sedimentary-hosted epithermal silver and base metal target (refer *Figures 5 & 7*).

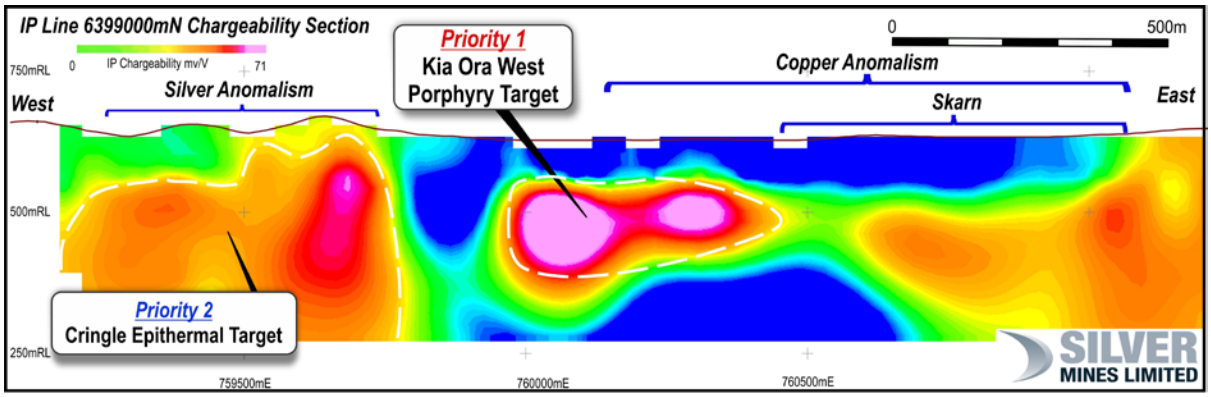

Figure 7. Chargeability IP section showing the Cringle and Kia Ora West Porphyry targets.

Bara North Target

The Bara North target is located immediately to the north of the historic Bara Silver Mine. Rock samples from the mine have yielded 252g/t silver, 0.16g/t gold, 0.19% copper, 6.39% lead and 10.3% zinc (*refer to release 19 July 2018*). The Bara North target consists of a strong pipe-like or tabular, 150-metre wide resistivity anomaly. This anomaly is potentially an epithermally derived quartz rich zone such as breccia pipe with base metal sulphides and precious metals starting at about 200 metres below surface. The geophysical target is directly coincident with a 300ppb silver in soil anomaly (*refer Figure 8*).

Near to the Bara North Target, a diorite porphyry with disseminated chalcopyrite (copper iron sulphide) is exposed at surface and with surface mapping is sitting along a NE-SW striking structure that links with the Bara Silver Mine.

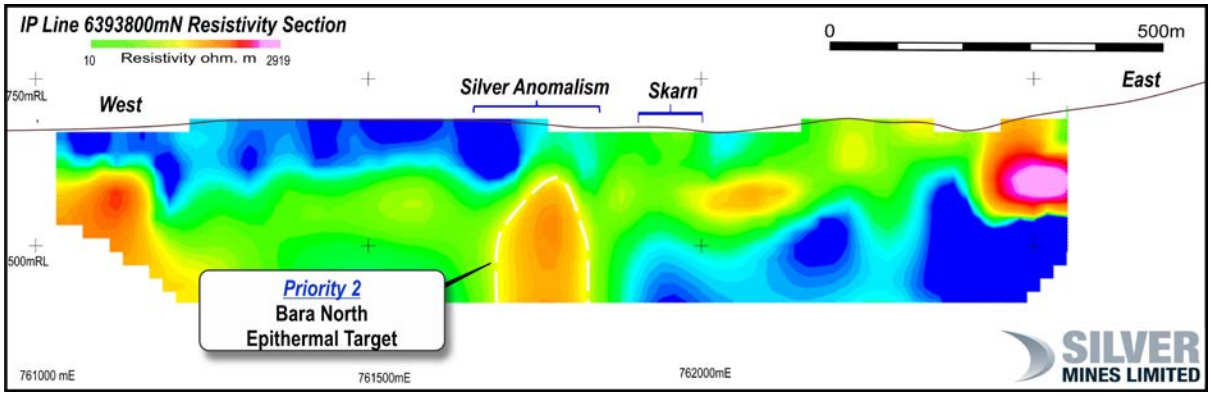

Figure 8. Resistivity IP section showing the Bara North Epithermal target.

Other Targets

As well as the five targets presented here, there are several other targets on the project that warrant further work. These targets include:

1. The Botobolar molybdenum occurrence with extensive coarse molybdenite (molybdenum sulphide) hosted in a quartzolite intrusion with accompanying greisen-style phyllic alteration.
2. The Bara Silver Mine ENE extensions which includes a recently mapped structure striking ENE-WSW that links the historic Bara Mine with an outcrop of monzodiorite porphyry with chalcopyrite (copper iron sulphide) mineralisation. This target was not covered in the recent IP survey.
3. The Kia Ora eastern diorite which is a small outcrop of diorite porphyry with observed chalcopyrite (copper iron sulphide) mineralisation.
4. Several other as yet unassessed chargeability and resistivity anomalies.

High-Grade Gold Discovery - Cringle Prospect

During the September 2018 quarter, the Company advised that it has received results from a recent rock-chip sampling and mapping program at the Cringle Prospect, located within the Barabolar Project area.

Company geologists recently identified a series of gossanous outcrops (weathered iron-rich material) at Cringle that show an apparent ENE-WSW strike and a WNW-ESE strike. These structures have been sampled and have returned several high-grade gold and silver assay results. The structures cross-cut stratigraphy and are potentially mineralised veins or shear zones. They are inferred to strike over at least 400 metres length and, based on natural outcrop, appear to be steeply dipping and several metres wide. To date, two structures have been identified, with the northern most structure returning high-grade silver and the southernmost structure containing high-grade gold results (refer *Figure 9)*.

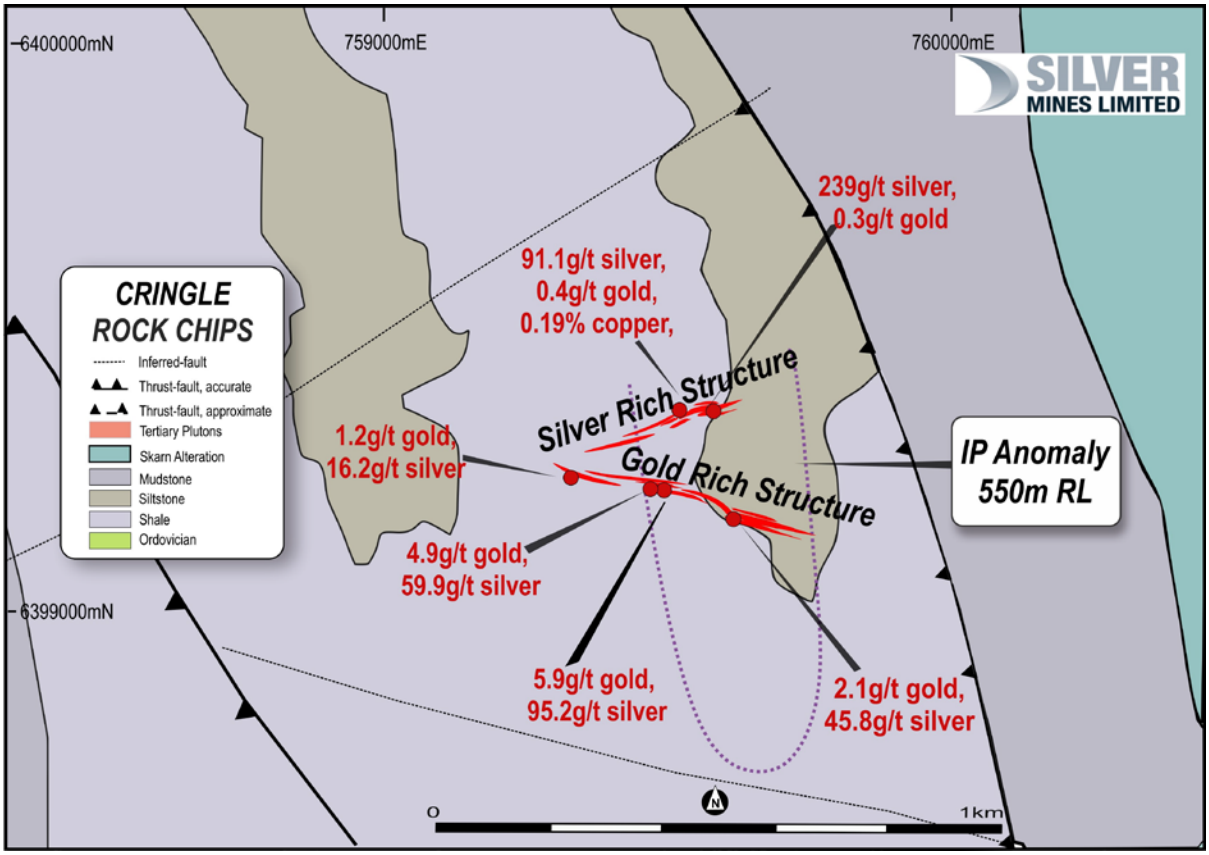

Figure 9. Cringle Prospect surface rock assay results

The Cringle Prospect consists of highly altered Ordovician sediments of the Adaminaby Group with north-south striking interbedded sandstone, siltstone and shales. Previous work has identified a silver-in-soil anomaly >300ppb over an area 950 metres by 800 metres and an induced polarisation geophysical anomaly (interpreted to represent increased sulphide content) over an area 900 metres by 400 metres and extending from surface to greater than 300 metres depth (*refer company presentation released 24 August 2018 and release 17 September 2018*).

Barabolar Project – Drill Testing

Due to the number of high-order target zones, the Company has commenced a comprehensive initial drilling program of up to 7500 metres of reverse circulation and diamond core drilling. Broad targets will be initially tested with shallow drill holes over the five priority targets and other targets. Three to five holes per target in a program amounting to up to 5,000 metres of drilling is being planned. Specifically, targeted deeper holes (minimum 250 metres in depth) totalling approximately 2500 metres will also be undertaken. Drilling commenced in October 2018.

Drilling commenced at the highly prospective southern targets (*see Figure 3*) being the Bara Mine, Bara North and Cupola South prospects with approvals having been received for this work. The Company anticipates final approvals for the northern prospects shortly with drilling commencing at the completion of drilling at the southern targets. First results from the program are expected in November 2018.

Bowdens Silver Project - Environmental Impact Statement

Following completion of the Feasibility Study in the quarter ended 30 June 2018, the Company has continued to progress the final elements of the Environmental Impact Statement for the Bowdens Silber Project.

The Company, in conjunction with its specialist 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.

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 or undertaking exploration programs.

Other Projects

During the past quarters, reconnaissance geological and geochemical work has been completed at the Webbs and Conrads Projects in northern New South Wales. The program's aim was to identify potential extensions to known mineralisation alongside landholder discussions at both project areas. The Company also continues environmental work at the two project areas. The Company continues to assess exploration options and other options for these prospective projects.

Corporate: Entitlements Issue

On 5 September 2018, the Company announced the successful completion of a partially underwritten, renounceable entitlements issue to Shareholders on the basis of:

- one new share for every four shares held at the record date, at a price of $0.03 per share (New Shares); and
- one free attaching option for every two New Shares subscribed for, with an exercise price of $0.06 and an expiry date of 6 September 2021.

The entitlements issue was partially underwritten by Patersons Securities Limited to the value of $2.5 million. The Company received subscriptions in accordance with the below table, following which the lead manager and underwriter, Patersons Securities Limited, placed the shortfall of the offer. In total, the entitlements issue raised $3,846,000 (before the costs of the offer), with such funds to be used to progress further exploration works at the Barabolar Project and the completion of the Environmental Impact Statement for the Bowdens Silver Project.

Details	New Shares	New Options	$
Entitlement Securities	70,109,129	34,874,004	2,103,275
Additional Securities subscribed under shortfall	16,559,314	8,279,657	496,779
Total	**86,668,443**	**43,153,661**	**2,600,053**
Shortfall Placement	41,531,771	20,765,885	1,245,953
Total Rights Issue	**128,200,214**	**64,100,107**	**3,846,006**

The Directors of Silver Mines subscribed for 12,885,417 New Shares and 6,442,709 New Options totalling $386,563 as part of the Offer and Shortfall Placement. The Shortfall Placement component to Directors comprising $237,500 will be subject to shareholder approval, to be sought at the upcoming 2018 Annual General Meeting.

About the Barabolar Project and Bowdens Silver Project

The Barabolar Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (*see Figure 1*). 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 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:

Anthony McClure

Managing Director

Silver Mines Limited

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Luke Forrestal

Senior Account Director

M+C Partners

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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 from the Barabolar Project is based on information compiled by the Bowdens Silver 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.

Appendix 1 Rock Chip Sample Details

Sample ID	MGA55 North	MGA55 East	Lab Weight (kg)	Gold (g/t)	Silver (g/t)	Lead (%)	Copper (ppm)	Zinc (ppm)
65695	759496	6399212	1.62	**5.92**	**95.2**	4.4	136	27
65696	759472	6399214	0.60	**4.86**	59.9	1.13	96	28
65697	759618	6399161	1.22	**2.07**	45.8	2.31	90	16
65700	759332	6399234	1.62	**1.19**	16.2	0.48	92	89
65694	759523	6399353	2.46	**0.38**	**91.1**	6.44	1920	280
65698	759368	6399281	1.34	**0.34**	7.5	0.81	332	227
65693	759583	6399351	1.58	0.03	**239**	8.15	707	184
65699	759352	6399307	1.48	0.02	0.8	0.38	433	1150

Tenement Information as at 30 September 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 September 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	52	52
1.2	Payments for		
	(a) exploration & evaluation	(1,021)	(1,021)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(458)	(458)
	(e) administration and corporate costs	(683)	(683)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Research and development refunds	651	651
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,457)**	**(1,457)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	(330)	(330)

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	29	29
	(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**	**(301)**	**(301)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	3,609	3,609
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(331)	(331)
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**	**3,278**	**3,278**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	731	731
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,457)	(1,457)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(301)	(301)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,278	3,278
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,251**	**2,251**

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	2,251	731
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)**	**2,251**	**731**

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	127
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	400
9.2	Development	-
9.3	Production	-
9.4	Staff costs	450
9.5	Administration and corporate costs	250
9.6	Other (Other assets)	-
9.7	**Total estimated cash outflows**	**1,100**

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 October2018

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.