

9 April 2019Company Announcement Officer
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

DRILLING COMMENCED AT HIGH PRIORITY CRINGLE GOLD PROSPECT

HIGHLIGHTS

- **Drilling commenced at the high priority Cringle Gold-Silver Prospect and Kia Ora West Prospect.**
- **Highly prospective targets highlighted by 800 metres of strike length of high-grade gold and silver in outcrop at up to 5.9 g/t gold and 239 g/t silver.**
- **Cringle drilling is in conjunction with initial drilling at the Kia Ora West Prospect, a copper porphyry target highlighted by strong coincident induced polarization and soil geochemical anomalies.**
- **Program of up to 2,800 metres of reverse circulation and possible diamond drilling extensions to the planned holes.**
- **First results from this program are expected in April-May 2019.**

Exploration Drill Program

Silver Mines Limited (ASX:SVL) (“Silver Mines” or “the Company”) is pleased to advise that, after final government approvals being received, drilling has now commenced at the highly prospective Cringle and Kia Ora West Prospects. Cringle and Kia Ora West lies within the Barabolar Project, which is located approximately 26 kilometres east of Mudgee in central New South Wales and 10 kilometres northwest of the Company’s Bowdens Silver Project.

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 and rock chip anomalies.

The rocks of the Barabolar 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 and peripheral low-sulphidation epithermal targets.

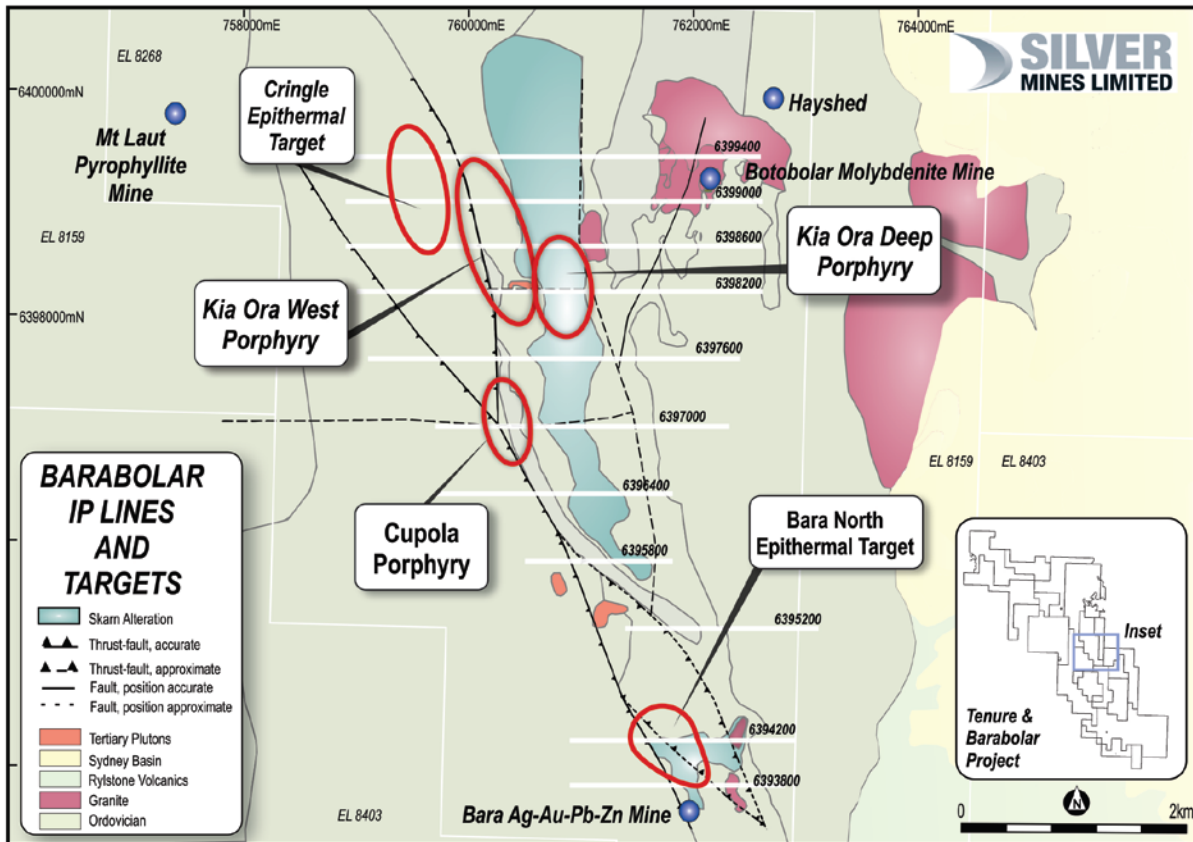


Figure 1. Barabolar prospect and geology map

A series of gossanous outcrops (weathered iron-rich material) that show an ESE-WNW strike have been identified at the Cringle Prospect. These structures have been sampled and have returned several high-grade gold and silver assay results (refer Figure 2). The two structures are inferred to strike over at least 400 metres length each and, based on natural outcrop, appear to be steeply dipping and several metres wide. The two main structures that have been identified to date, with the northern most structure returning high-grade silver and the southernmost structure containing high-grade gold results as well as high silver. A further structure grading in gold and silver lies to the west and strikes north-south (refer to releases dated 17 September 2018 and 20 March 2019).

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 to Company presentation released 24 August 2018).

Most recently and immediately to the north and northwest of the Cringle structures, soil sampling using a hand-held x-ray fluorescence mineral analyser (XRF) highlighted two distinct and significant areas of arsenic anomalism. Arsenic is considered a strong pathfinder element for precious metals exploration and in particular gold (refer Figure 2). These areas are

currently being followed up with rock chip sampling and mapping and it is likely that further drill targets will be defined.

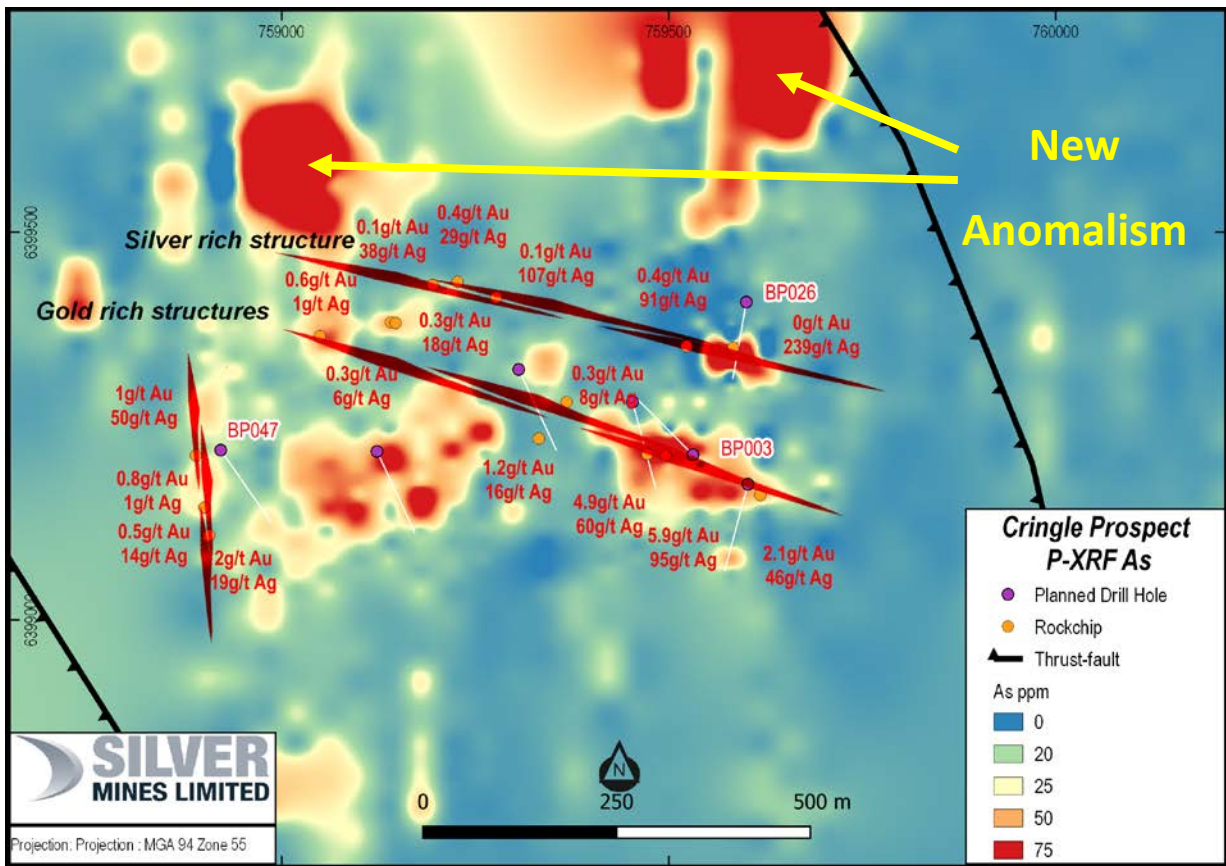


Figure 2. Cringle Prospect rock chip and arsenic anomalism map (refer to releases dated 17 September 2018 and 20 March 2019 for further information)

At Kia Ora West, a 1200 metre by 600 metre induced polarisation chargeability anomaly coincides with a 400 metre by 150 metre copper in soils anomaly and porphyritic volcanics at surface (refer to Figure 3 and Company release dated 16 August 2018).

The planned drilling program includes nine reverse circulation drill holes for 1800 metres (seven at Cringle and two at Kia Ora West with a further five holes optioned (1000 metres).

First results from the program are expected in April-May 2019.

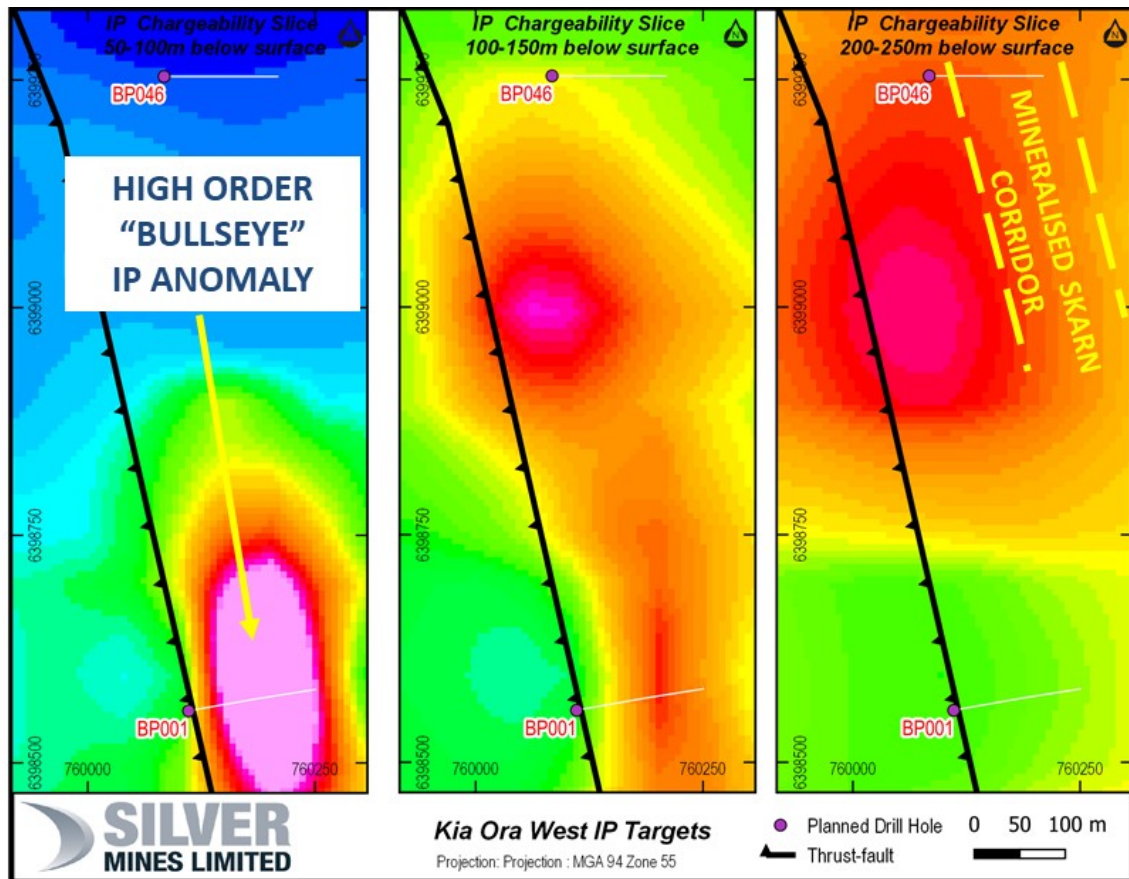


Figure 3. Kia Ora West Prospect Induced Polarisation map

Elsewhere, work is on-going at the Barabolar Project area, with the expansion of mapping and surface sampling across the western section of the prospective corridor. It is likely that further drill targets will be defined.

About the Silver Mines Barabolar Project Area

The Barabolar Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (see Figure 4). The recently consolidated area comprises 2,007 km² (496,000 acres) of titles covering approximately 80 kilometres of strike of the highly mineralised Rylstone Volcanics and Macquarie Arc. 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.

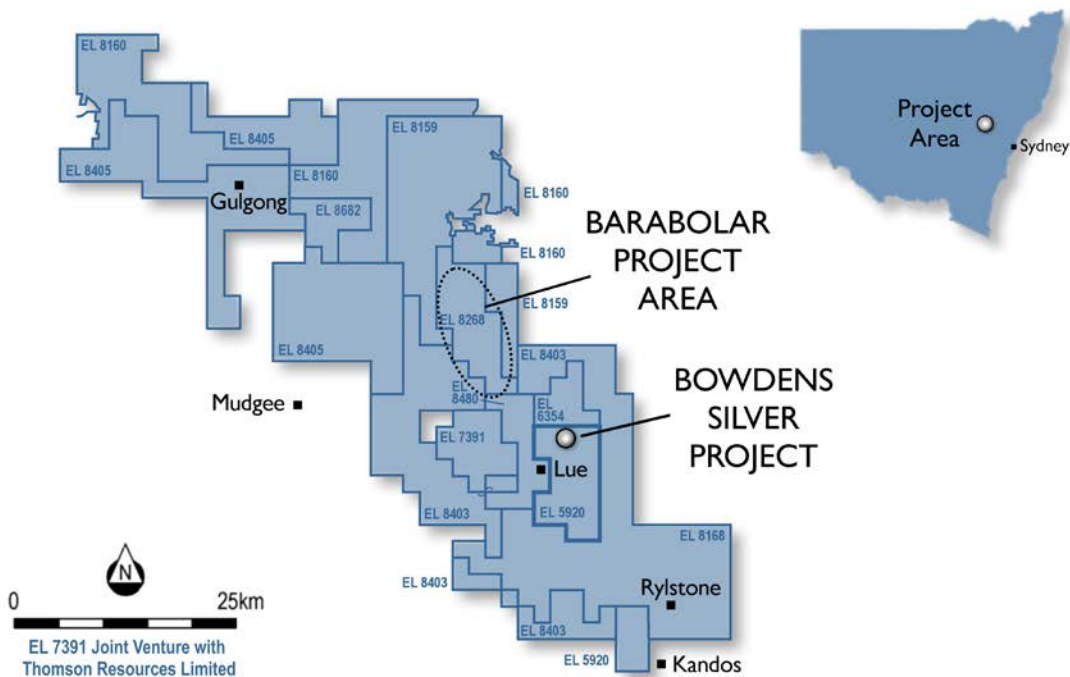


Figure 4. Silver Mines Limited tenement holdings in the Mudgee district.

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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.

This release contains no new technical exploration information that has not been previously released. For JORC Code 2012 Edition Tables 1 and 2, please refer to previous releases dated 16 August 2018, 17 September 2018 and 20 March 2019.