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POSITIVE PRELIMINARY ENVIRONMENTAL ASSESSMENT OUTCOMES FOR THE BOWDENS SILVER MINE DEVELOPMENT

HIGHLIGHTS

- **Environmental Impact Statement (EIS) for Bowdens Silver Project in the final stages before submission for Development Consent.**
- **Preliminary key components of the EIS confirm favourable outcomes including:**
  - **Minimal impacts on surface water and groundwater;**
  - **A new water pipeline to be built providing water for processing sourced from nearby coalfields;**
  - **Substantial local economic benefits for a high unemployment jurisdiction;**
  - **Air quality and health parameters show no exceedances and are negligible during the life of the mine;**
  - **Aboriginal Cultural Heritage management programs advanced;**
  - **Progressive rehabilitation plan for the life of the mine.**
- **EIS completion and submission in the coming months.**
- **Bowdens Silver is the largest undeveloped silver deposit in Australia and one of the largest globally.**
- **The Bowdens Silver Feasibility Study was completed in mid-2018 demonstrating a robust future silver mine development over a project life of 17 years.**

Introduction

Silver Mines Limited (ASX:SVL) ("Silver Mines" or "the Company") is pleased to report preliminary results from various Environmental Impact Statement (EIS) specialist consultancy reports for the proposed development of the Bowdens Silver Project located approximately 26 kilometres east of Mudgee in the Central Tablelands Region of New South Wales.

The Bowdens Silver Project is the largest undeveloped silver deposit in Australia and lies within Exploration Licence 5920 which is 100% held by the Company.

The development Project comprises an open-cut mine feeding a new processing plant comprising a conventional milling circuit and differential flotation to produce two concentrates that will be sold for smelting off site. Plant capacity is designed for 2.0 million tonnes per annum with a project life of 17 years. Life of mine production is planned to be approximately 53 million ounces of silver, 116,000 tonnes of zinc and 83,000 tonnes of lead.

The Company is in the final stages of completing the EIS and expects to lodge to the NSW Department of Planning and Environment during the second half of calendar 2019. A Mining Lease application and a Development Application (DA) will be lodged in conjunction with the EIS.

Managing Director Anthony McClure stated "Baseline environmental data capture at Bowdens has been ongoing for approximately eight years so we have a comprehensive dataset to draw from. Since acquiring the project in mid-2016, we have progressed with a methodical de-risking and we are delighted to announce that the preliminary key components of the EIS have been successfully determined with particularly favourable outcomes."

Water Management

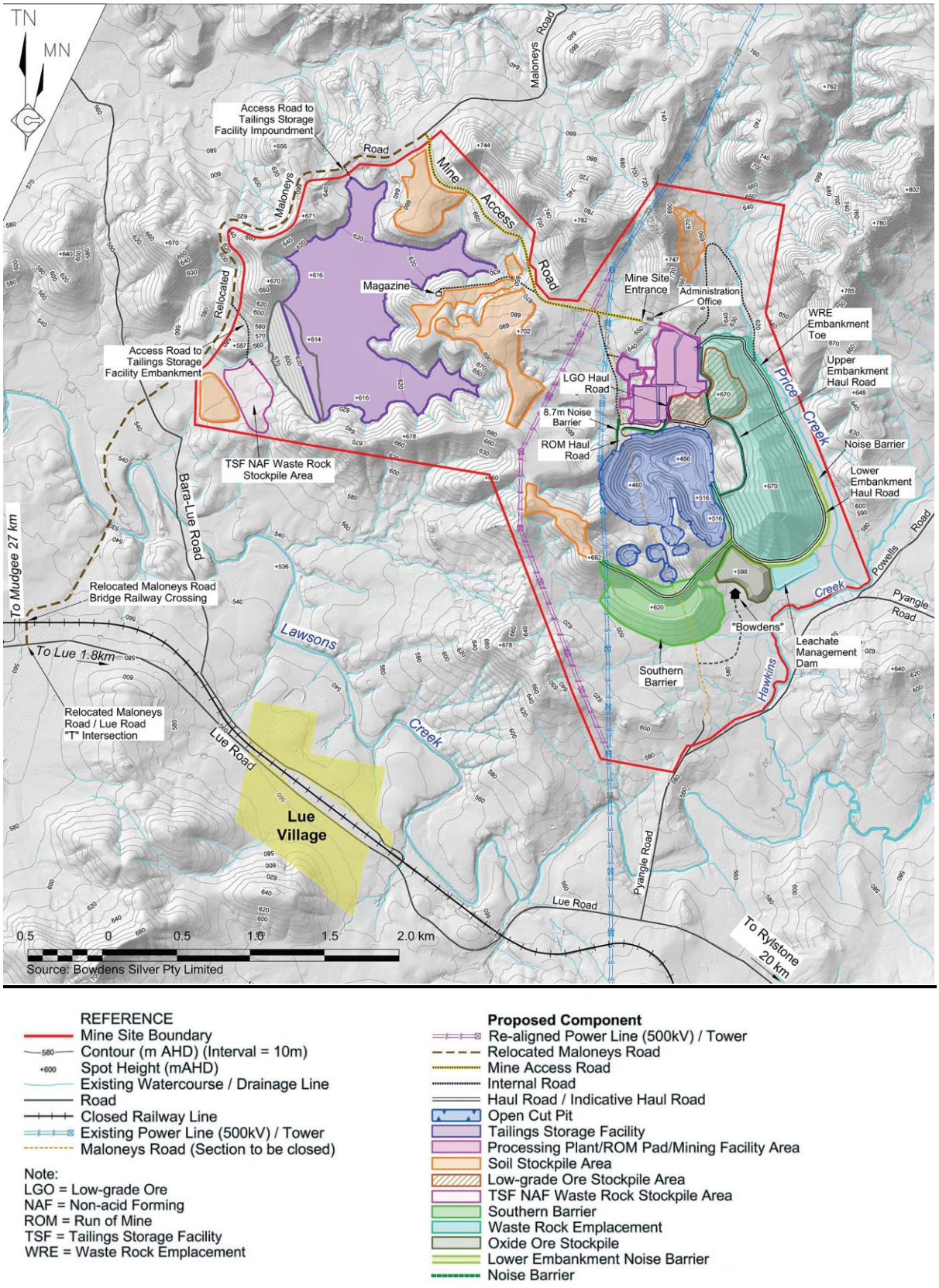
Surface water and groundwater assessments have been undertaken in accordance with the Department of Planning and Environment's assessment requirements and the NSW Aquifer Interference Policy. The assessments have determined minimal impacts from the Project on surface water and groundwater.

Annual water usage is planned to be approximately 2,000 megalitres (ML) for processing and dust suppression. Water is proposed to be sourced from:

- Approximately 950 ML per year recycled from the tailings storage facility (TSF);
- Up to 530 ML per year from open cut pit dewatering;
- Up to 250 ML per year from on-site sediment-laden surface water collection; and
- In excess of 300 ML per year of surplus mine water would be sourced from the Ulan Coal Mine and/or Moolarben Coal Mine via a buried water supply pipeline.

The approximate 56km pipeline would be constructed and commissioned during the construction phase of the Project.

Initial drawdown from the pipeline in the first six months of operations is estimated to be approximately 1000 ML. Once the return water system from the TSF is fully operational, annual quantities decrease.



REFERENCE
- Mine Site Boundary
- Contour (m AHD) (Interval = 10m)
- Spot Height (mAHD)
- Existing Watercourse / Drainage Line
- Road
- Closed Railway Line
- Existing Power Line (500kV) / Tower
- Maloneys Road (Section to be closed)

Note:
LGO = Low-grade Ore
NAF = Non-acid Forming
ROM = Run of Mine
TSF = Tailings Storage Facility
WRE = Waste Rock Emplacement

Proposed Component
- Re-aligned Power Line (500kV) / Tower
- Relocated Maloneys Road
- Mine Access Road
- Internal Road
- Haul Road / Indicative Haul Road
- Open Cut Pit
- Tailings Storage Facility
- Processing Plant/ROM Pad/Mining Facility Area
- Soil Stockpile Area
- Low-grade Ore Stockpile Area
- TSF NAF Waste Rock Stockpile Area
- Southern Barrier
- Waste Rock Emplacement
- Oxide Ore Stockpile
- Lower Embankment Noise Barrier
- Noise Barrier

Figure 1. Bowdens Silver Preliminary Mine Site Layout.

Economic and Social Impacts

The Bowdens Silver Project would result in revenue generation through the extraction of resources and provision of ongoing employment opportunities through the operating life of the Project.

The peak workforce is planned to be 320 personnel during construction and 230 personnel during operations.

The Company is committed to local employment, procurement and education pathways to ensure that benefits are maximised locally and regionally.

The Project is likely to have a material benefit to the local communities in particular having a positive impact on high levels of unemployment in various communities/towns across the region as well as utilising local businesses and suppliers.

In consultation with the local communities, key social impacts are well documented and include impacts on sense of community, culture, way of life, access and use of services, opportunities for local employment and procurement.

The Company is committed to ensuring the sustainability of the local Lue village and other nearby townships which would benefit from the Project. In addition to the Company's current social programs, the development of a Community Enhancement Program will be initiated.

In consultation with the local communities, the costs and benefits associated with the Project have been examined in detail and are currently being assessed and will be presented in the EIS.

Air Quality, Noise, Visual and Health Impacts

The Project is significantly aided by a topographical ridge line which forms a natural barrier between the Mine Site, the village of Lue and other residences. During the life of the mine, no part of the open pit operations, the processing facilities, the TSF or any other infrastructure will be visible from the village.

The air quality modelling for the Project established that the impact criteria for annual average PM_{10} concentrations, $PM_{2.5}$ concentrations, total suspended particles (TSP) and dust deposition would not be exceeded at any stage of the Project.

Furthermore, no exceedances of the impact assessment criteria are predicted at private residences for metal dust concentrations and respirable crystalline silica. In relation to the analyses of metals, health risks to the local communities from the operations are considered negligible.

Almost all noise levels during the day, evening and night are below the accepted thresholds for any adverse health effects. Some exceedances during worst-case meteorological conditions would occur at some of the closest properties. Mitigation measures would be offered to those households.

Rehabilitation and Ecology Offsets

A comprehensive rehabilitation program is planned with progressive rehabilitation over the Project life.

The Company plans to continue to harvest seed from native vegetation on site to add to its substantial seed bank. A dedicated nursery to propagate the seed is planned.

Revegetation would either be temporary or permanent. Temporary revegetation would focus on the use of exotic pastures to ensure rapid growth, whereas emphasis would be placed upon native vegetation (trees, shrubs and ground covers) on all permanent vegetated areas.

Activities within the Mine Site would impact in excess of 300 hectares of native vegetation and fauna habitat.

The Company is committed to delivering a biodiversity offset strategy that appropriately compensates for the loss of ecological values as a result of the Project. The strategy is being developed in accordance with the NSW Framework for Biodiversity Assessment and the requirements of the NSW Office of Environment and Heritage.

Aboriginal Cultural Heritage

In collaboration with the Aboriginal community, the Company will provide a “Keeping Place” for salvaged artefacts within the Mine Site so these can be returned to the final landform post-mining in recognition of the importance of appropriate management of items of cultural heritage significance. An Aboriginal Cultural Heritage Management Plan would also be developed to guide these activities.

Environmental Impact Statement

The EIS is managed and authored by R.W. Corkery & Co with a range of selected independent specialist consultants covering:

Noise, Vibration and Blasting;
Air Quality;
Health;
Social Impact;
Surface Water;
Groundwater;
Traffic and Transport;
Visibility;
Terrestrial Ecology;
Aquatic Ecology;
Soils and Land Capability;
Aboriginal and Cultural Heritage;
Economic Impact; and
Agricultural Impact.

About the Bowdens Silver Project Area

The Bowdens Silver Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (*see Figure 2*). The consolidated project area is located within a tenement package which comprises 2007 km^2 (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.

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

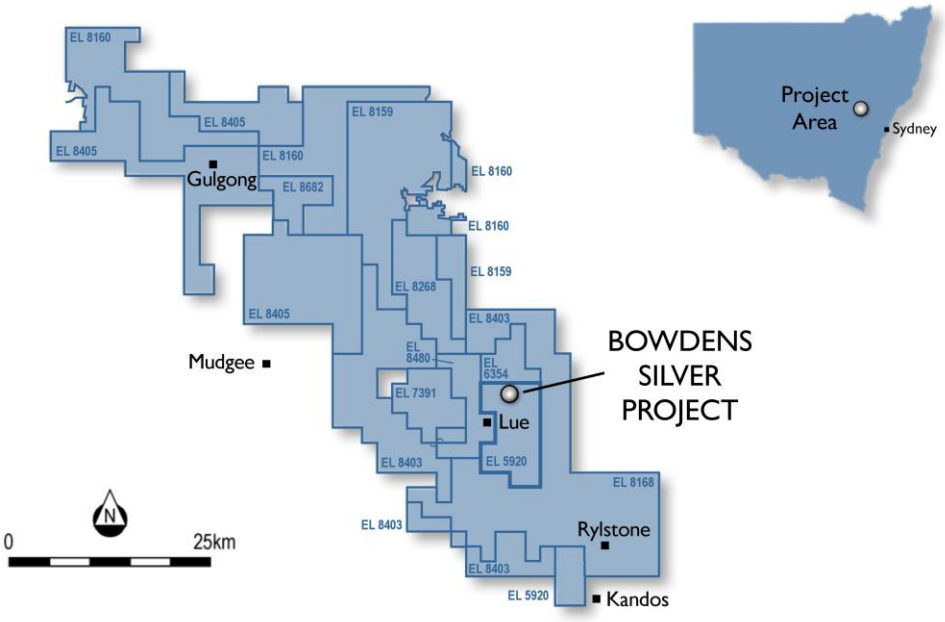


Figure 2. Silver Mines Limited tenement holdings in the Mudgee district.

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