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30 April 2018

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

ACTIVITIES REPORT FOR THE QUARTER ENDED

31 MARCH 2018

Highlights

Development at the Bowdens Silver Project

- **The Bowdens Silver Feasibility Study and Environmental Impact Statement continue to progress rapidly**.

Bowdens Silver Project Exploration

- **Significant discovery of porphyritic felsic intrusion beneath the large-scale Bowdens silver-zinc-lead deposit.**
- **The intrusion is associated with strong metal zonation consistent with potential porphyry associated gold-copper mineralisation.**
- **Potential Source of Bowdens mineralisation located to the northwest of the current resource.**
- **Further drilling at Bundarra Deeps defines a thick zone of highly anomalous base metal and gold mineralisation that is currently defined over a strike length of 500 metres and has a thickness of up to some 300 metres.**
- **The mineralised system is interpreted to be vectoring to the northwest and remains totally open along strike and down-dip.**

Regional Exploration Update

- **Barabolar Project area located 10 kilometres northwest of Bowdens Silver Deposit demonstrates the considerable mineral potential of the portfolio in the Mudgee District.**
- **Mineralised skarn mapped over 3,500 metres by 800 metres.**

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Bowdens Silver Project

During the quarter, Silver Mines Limited ("Silver Mines" or "the Company") continued Feasibility Study and Environmental Impact Statement work along with drilling activities at its flagship Bowdens Silver Project ("Bowdens Silver") located in central New South Wales. The project is situated approximately 26 kilometres east of Mudgee (Figure 1). The project area comprises 1,654 km^2 (408,000 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, silver-lead-zinc epithermal and volcanogenic massive sulphide (VMS) systems and copper-gold targets.

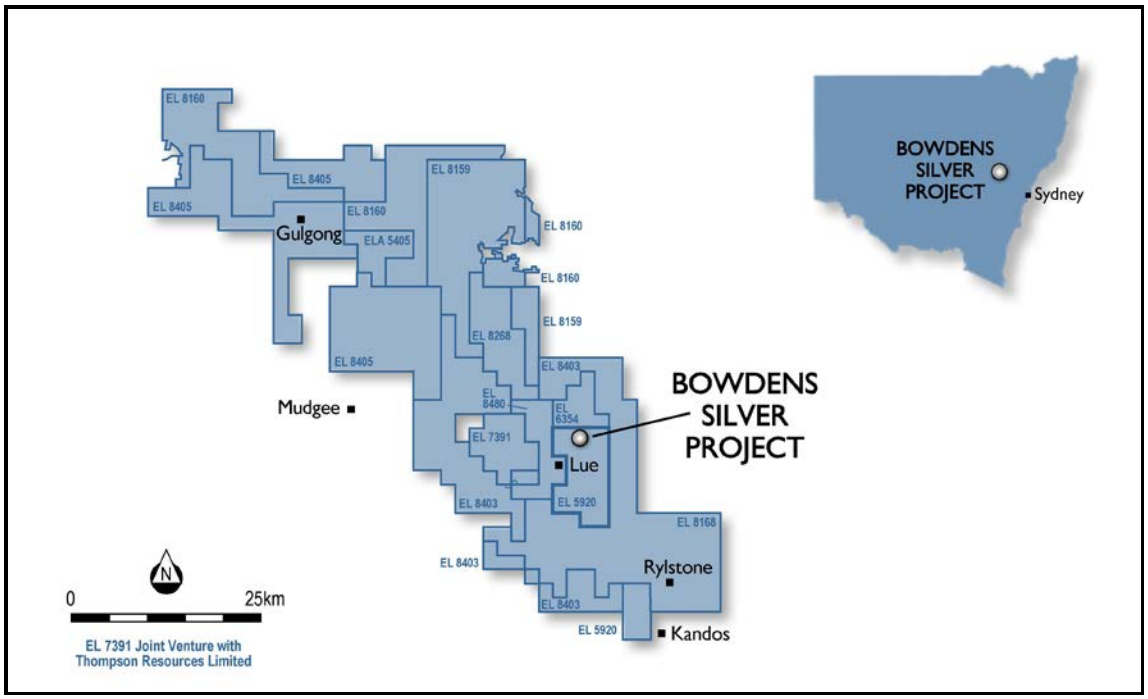

Figure 1. Bowdens Silver tenement holdings in the Mudgee district.

Reserve Statement and Feasibility Study

In September 2017, the Company announced its maiden Mineral Resource Estimate which added almost 100 million ounces of silver equivalent to the previous resource estimate. Please refer to the ASX release of 19th September 2017. The considerable success of this program along with changing development options has considerably enhanced the outcome of the economics for mine development.

With these achievements, in the current quarter the Company will release its maiden Reserve Statement as the critical elements of the Feasibility Study are completed.

Final elements for the Feasibility Study for the development of a 2 million tonne per annum operation are now scheduled to be released during May 2018. Final optimisation work has been completed and final costing and modelling is well advanced.

Environmental Impact Statement ('EIS')

With the impending completion of the Feasibility Study, the final elements of the EIS can now be completed.

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The Company, in conjunction with its specialty 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.

Bowdens Silver Project Exploration

The Bowdens Silver Deposit has emerged as a large-scale Middle Permian aged precious and base metal epithermal system. A common characteristic of epithermal systems around the world is the association of a proximal heat-source (source) which commonly takes the form of a magmatic intrusion / porphyry. Importantly, these sources can be significantly mineralised with gold, copper and molybdenum.

The recently completed deep drilling campaign has provided a platform to both significantly extend the Bundarra Deeps zone and to provide valuable geological data to allow exploration to be vectored towards the source of the mineralisation.

The results of this work has identified that the likely source of the mineralised system is located to the northwest of the current mineral resource. This understanding is based on:

- The intersection of felsic to dacitic porphyry dykes, interpreted to be extensions of a larger intrusion, in the deepest and northern most holes;

Figure 2. Porphyritic felsic intrusion in drill hole BRD17095.

- Identification of a major northwest-southeast extensional structural corridor through interpretation of detailed structural data and airborne-magnetic data (Figure 3.);
- The presence of the highest-grade silver-zinc-lead mineralisation at depth, down plunge of the north margin of the Bowdens Silver resource;

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- A distinct geochemical zonation with increasing zinc and gold with depth along with background copper (at Bundarra Deeps);
- Bonanza drill results including 7 metres at 555g/t silver-equivalent in the Company's recent northern most drilling;
- Highly anomalous molybdenum content to the north west of Bowdens (high level indicator in mineralised porphyry systems); and
- The location of a regional gravity low immediately north and northwest of the Bowdens Silver resource, considered to represent an underlying magmatic system.

The new insights provide the Company with increasing confidence for a significant porphyry related body located proximal to Bowdens Silver. It is important to note that elsewhere in New South Wales, zones of northwest extension are coincident with major deposits including the Cadia Valley Operations located near Orange (>9 million tonnes of copper, >40 million ounces of gold).

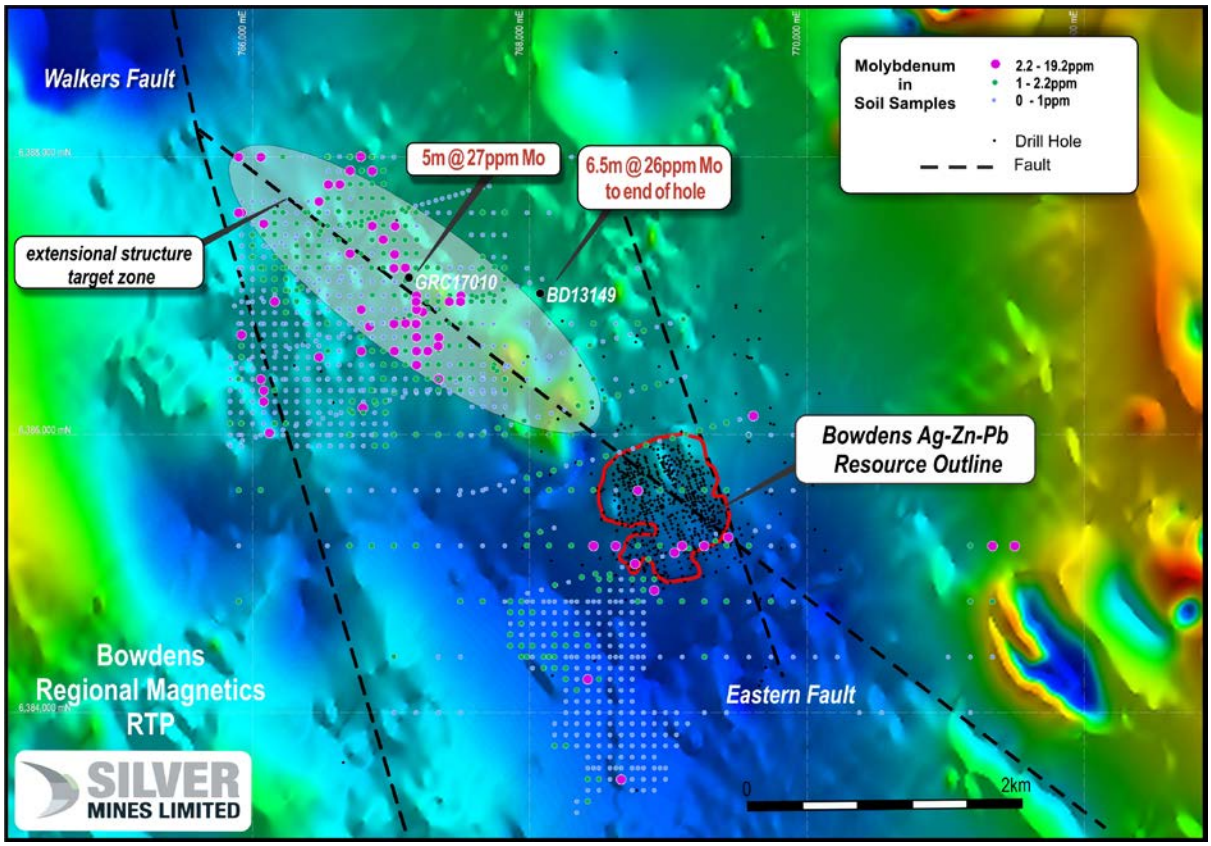

Figure 3. Plan view over RTP magnetics highlighting the location of Bowdens and the northwest exploration target area.

Bundarra Deeps

The Bundarra Deeps mineralisation occurs as an extensive, stockwork vein hosted, moderately west dipping body of base-metal dominant mineralisation above the Eastern Fault which encompasses smaller, tabular, gently west dipping zones of semi to massive base metal

mineralised horizons. The Bundarra Deeps mineralised zone has been defined over a 500 metre strike length and remains open down dip and north along strike. Mineralised thicknesses are in excess of 300 metres with higher grade lenses of approximately 20 metres thickness.

During the quarter, the Company reported results from several reverse circulation ('RC') pre-collared diamond core holes (BRD17083, BRD17091 and BRD17095). Additionally, previous diamond hole BD17014 was extended.

BRD17095, was completed to a depth of 730 metres, the deepest to date across the Bowdens Silver Project Area. Assay results were reported to the ASX on 5th February 2018 and 13th March 2018. The results confirm that BRD17095 has intersected a significant zone of Bundarra Deeps style mineralisation over a 376 metre down hole interval, the widest seen to date within the Project area. The results indicate that Bowdens Deeps remains open both down dip and along strike to the north. Additionally, the zinc to lead ratio has increased significantly down hole, a trend that is consistent with becoming more proximal to the potential source of the Bowdens and Bundarra Deeps mineralised systems.

Table 1: Drill hole intersections using 1. a minimum 0.5% zinc + lead cut-off over 10 metre interval and up to 10 metre internal continuous dilution, 2. A minimum 1% zinc + lead cut-off over 10 metre interval and up to 5 metre internal continuous dilution.

Hole	Cut off	From (metres)	To (metres)	Interval (metres)	Zinc (%)	Lead (%)	Silver (g/t)	Gold (g/t)	Zinc/Lead
BRD17095		263.5	639	375.5	0.38	0.13	5	0.03	2.9
	1	263.5	276.7	13.2	0.35	0.28	12	0.03	1.3
	1	306	361.85	55.85	0.44	0.25	8	0.08	1.8
	1	398	499	101	0.43	0.15	5	0.03	2.9
	1	513	639	126	0.49	0.08	4	0.02	6.1
includes	2	556	575	19	1.27	0.04	9	0.03	31.8

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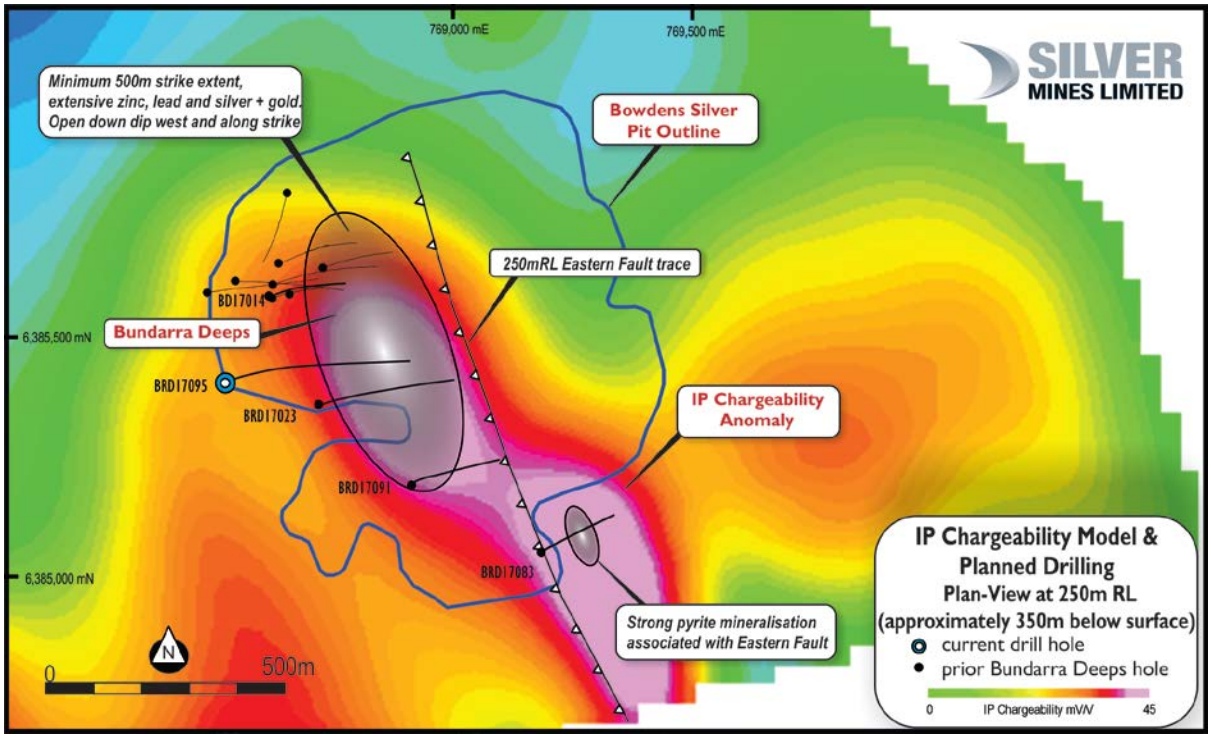

Figure 4. Plan view slice of IP chargeability anomaly at 250mRL (approximately 350 metres below surface) and the completed drilling program.

Previous announced drilling results at Bundarra Deeps recorded intercepts including;

- **31.25 metres @ 3.24% zinc, 1.88% lead, 23g/t silver and 0.4g/t gold (218g/t Ag Eq.) from 283.75 metres including;**

  18.25 metres @ 4.6% zinc, 3.0% lead, 31g/t silver and 0.52g/t gold (313g/t Ag Eq.) from 283.75 metres;

- **315.2 metres @ 0.70% zinc, 0.41% lead, 26g/t silver (63g/t Ag Eq.) from 96 metres.**

For further information please refer to ASX release of 15th March 2017, 12th May 2017 and 7th June 2017.

As reported above, of particular interest is the discovery of two porphyritic felsic dyke intrusion zones in BRD17095 which are considered to be potentially representative of a much larger intrusive system.

Accordingly, both the width of the mineralised interval and the observed change in metal ratios along with the observed porphyritic felsic dyke intrusions supports Bowdens view for a potential mineralised porphyry related system located further northwest.

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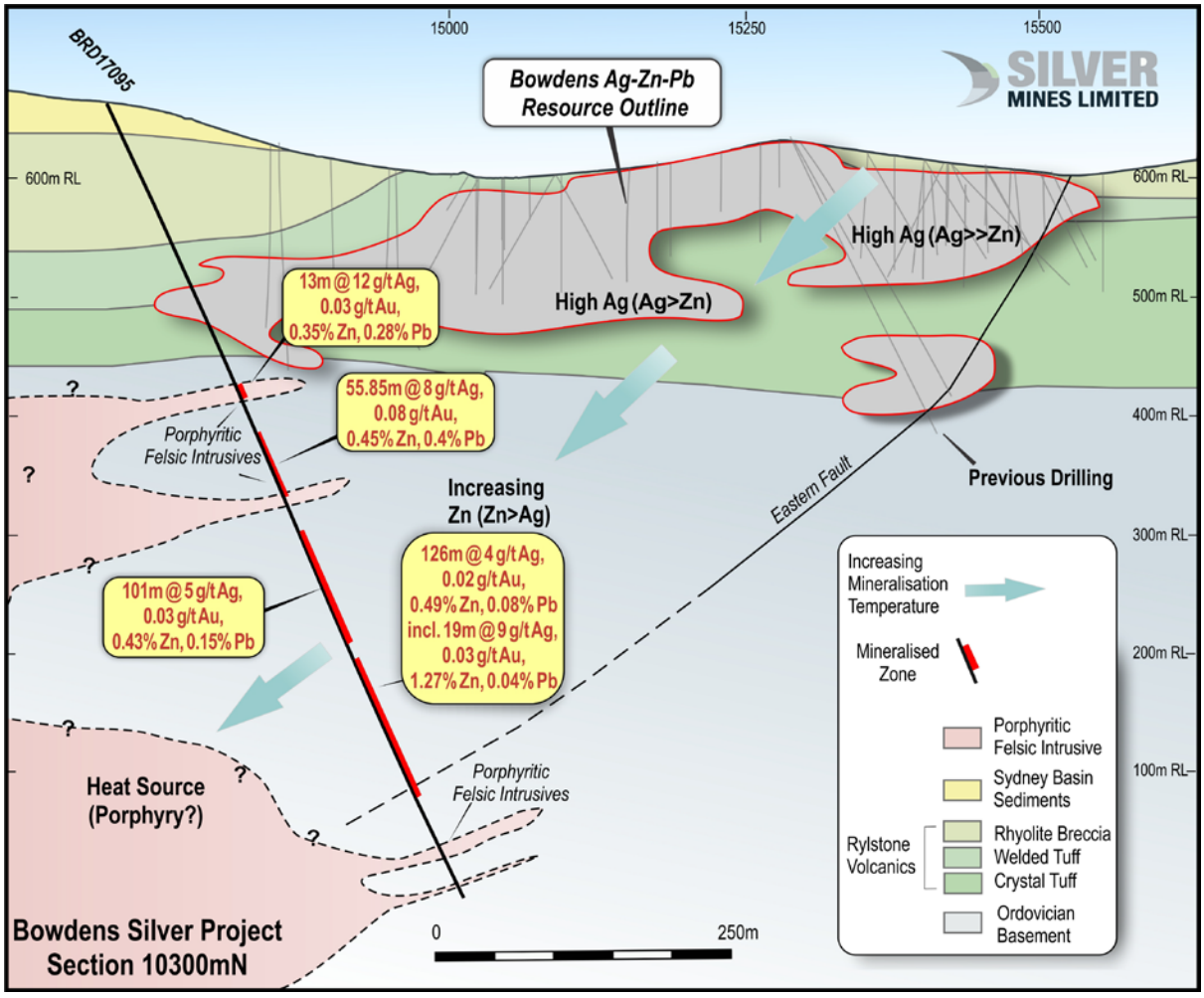

Figure 5. Cross Section of BRD17095 highlighting generalised metal zonation.

BRD17083 was completed to 459 metres to test the southern extent of the Bundarra Deeps IP chargeability target, located approximately 400 metres along-strike south of BRD17023, reported during the previous quarter (Figure 4). The hole intersected weak intervals of quartz-carbonate vein hosted base metal mineralisation within the basement Coomber Formation. The IP anomaly was explained by strong pyrite mineralisation associated with the Eastern Fault.

While assay results did not record significant mineralised zones associated with this part of the Bundarra Deeps, the results identified a strongly anomalous gold zone over a 51 metre down hole interval from 34 metres associated with and below the Bowdens Silver low sulphidation silver/zinc/lead mineralisation. This interval is located across the Rylstone Volcanic and Ordovician basement contact. Previous gold assays within the Bowdens Silver resource, although quite limited, have failed to identify any significant gold anomalism. The results of BRD17083 suggest that the southern strike area of the Bowdens Silver deposit may be underlain by a previously unrecognised subparallel gold zone. These gold results contribute to the Company's metallogenic understanding and zoning within the Bowdens system.

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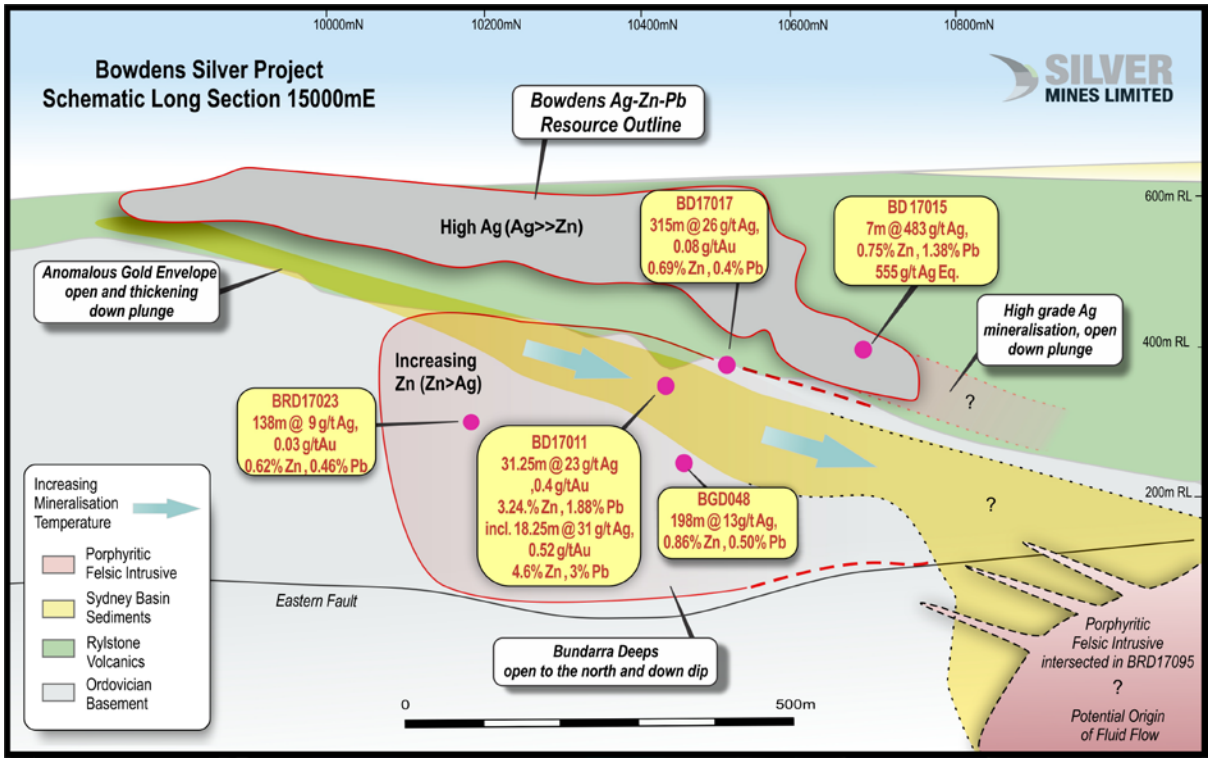

Figure 6. Schematic Long Section highlighting the Bowdens Resource and the northwest exploration target area.

BRD17091 was completed to 501 metres to test the central portion of the IP chargeability target between holes BRD17023 and BRD17083 (Figure 4). The hole intersected restricted zones of Bundarra Deeps style mineralisation within Ordovician basement and the Eastern Fault. Assay results (Table 2) identified strongly anomalous gold with base-metals in a zone of Bundarra Deeps style mineralisation from 153 metres to 165 metres depth and therefore extending the strike extent of Bundarra Deeps style mineralisation to 500 metres.

Additionally, and similar to holes BRD17023 and BRD17083 (reported during the previous quarter), a strongly anomalous gold zone was recorded from 121 metres to 134 metres. This zone is also associated with the base of the Bowdens Silver low sulphidation related silver mineralisation and across the Rylstone Volcanics and Ordovician basement contact.

With the realisation that Bundarra Deeps mineralisation is essentially bound by the Eastern Fault, previous hole BD17014 on section 10450mN, which ended in Bundarra Deeps style mineralisation, was extended to ensure it passed through the Eastern Fault. Previous results for BD17014 were reported to the ASX on the 7th June 2017. The hole was extended by approximately 80 metres from 520 metres to 601 metres depth. The Eastern Fault, with associated base metal mineralisation, was intersected from 546 metres to 550 metres depth.

Assay results recorded a strong zone of zinc mineralisation within the Eastern Fault from 546.5 to 547.65 metres (see Table 2). This demonstrates the ability for the Eastern Fault to host high grade base metal mineralisation.

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Table 2: Drill hole intersections using 1. a minimum 0.5% zinc + lead cut-off over 10 metre interval and up to 10 metre internal continuous dilution, 2. A minimum 1% zinc + lead cut-off over 10 metre interval and up to 5 metre internal continuous dilution 3. A minimum 2% zinc + lead cut-off over 4 metre interval and up to 1 metre internal dilution or 4. A minimum 0.1g/t gold cut-off over 10 metre interval and up to 2 metre internal dilution .

Hole	Cut off	From (metres)	To (metres)	Interval (metres)	Zinc (%)	Lead (%)	Silver (g/t)	Gold (g/t)	Lens
BRD17083	4	34	85	51	0.11	0.06	18	0.34	Gold Zone
incl		34	49	15	0.11	0.06	41	0.19	Bowdens
BRD17091		5	18	13	0.08	0.08	47	0.01	Bowdens
		54	62	8	0.28	0.14	64	0.08	Bowdens
	4	121	134	13	0.15	0.24	13	0.30	Gold Zone
	2	**153**	**165**	**12**	**1.12**	**0.55**	**17**	**0.64**	**Bundarra Deeps**
	1	429	457	28	0.43	0.33	8	0.01	Eastern Fault
	1	483	494	11	0.45	0.40	11	0.04	Eastern Fault
BD17014		**546.5**	**547.65**	**1.15**	**9.10**	**1.27**	**32**	**0.22**	**Eastern Fault**

Discussion

Bundarra Deeps style mineralisation has been defined over a 500 metre strike extent that remains open down dip west and along strike north. Silver Mines remains of the view that the Bundarra Deeps mineralisation represents a substantial hydrothermal base-metal system capable of hosting accumulations of massive sulphide horizons. The Company also considers that the source to both the Bundarra Deeps and Bowdens Silver mineralised systems remains to be discovered at greater depth or along strike to the north west.

Holes BRD17083, 091 and 023 have each intersected strongly anomalous gold over a 400 metre strike extent located at the very base of Bowdens Silver epithermal related mineralisation and across the Rylstone Volcanic and Ordovician basement contact. Such gold anomalism has not previously been recognised at Bowdens Silver although it is not unreasonable to expect a transition from silver to gold rich mineralisation as the system approaches its source. It is suspected that this “gold zone” may occur as a restricted across strike lens subparallel to the main Bowdens Silver epithermal deposit.

Exploration Program

Planning is well underway for the commencement of exploration drilling on the Company’s recently identified high-order targets.

The recently completed deep drilling campaign has provided a platform to significantly extend the Bowdens NW and Bundarra Deeps zones as well as provide valuable geological data to allow exploration to be vectored towards the source of the mineralisation. Of particular focus will be the follow up to the recent significant discovery of the porphyritic felsic intrusion beneath the Bowdens Silver deposit.

Additional early stage targets have also been identified and will form the basis of ongoing evaluation by the Company’s geologists. These targets have been identified by field work and

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early stage exploration techniques. Furthermore, regional geophysical surveys have generated several interesting targets.

Further detail on the planned holes will be provided prior to commencement of the program.

Regional Exploration

Barabolar Project Area

During the previous quarter the Company announced the results of recent detailed soil sampling, rock sampling, and mapping northwest of the Bowdens Silver Deposit. Further field work including soil geochemistry, mapping and program planning continued during the March 2018 quarter. Initial targeting in this area was due to the interpretation of a structural corridor identified in the detailed aeromagnetic survey that extends from the historic Bara Silver Mine in the south to north of the historic Botobolar Molybdenum Mine. The Company has named this area the Barabolar Project and it incorporates several prospects and mineral occurrences including the Bara, Botobolar, Kia Ora, and Stony's areas.

Geochemistry and Mapping

The Company completed a first pass rock-chip and soil sampling survey (Figure 7). The rock-chip sampling is taken from areas of outcrop and includes samples up to 1.5g/t gold, 0.36% copper, 2.5% zinc and 0.13% molybdenum. As well as anomalous samples in base metals, the rock chips also included elevated manganese up to 1.46% and barium up 0.28% indicative of an intrusion related epithermal mineralised system. Refer to Appendix 1 for details.

The soil sampling program 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 mineralisation 9,000 metres long by 2,000 metres wide. The zoning shows molybdenum, copper, lead, zinc to silver zones which is a pattern consistent with an intrusive related mineral system such as a porphyry system.

Geologically the area is dominated by Ordovician rocks with Coomber Formation sediments flanked with Adaminaby Formation sediments. A number of intrusions have been mapped in the area including the Botobolar granite which includes quartzolite (quartz dominated coarse grained rock) with greisen style alteration and coarse molybdenum sulphides and wolframite (tungsten oxide). Other intrusions include a diorite porphyry dyke in the south of the project area with fine disseminated chalcopyrite in the vicinity of the Bara Prospect.

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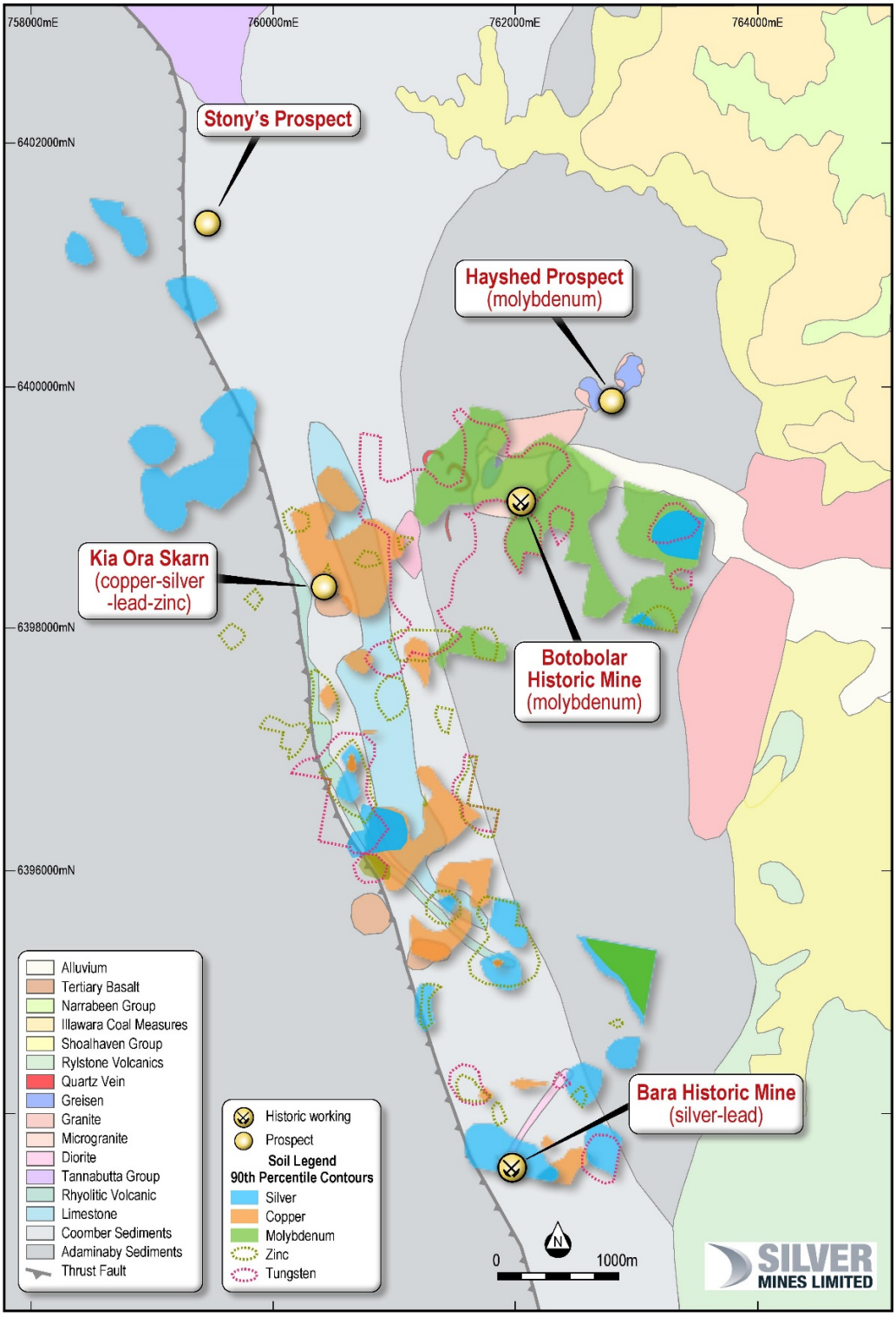

Figure 7. Soil anomalies in the Barabolar Project Area

In the central corridor, a skarn (the Kia Ora Skarn) is developed within a limestone unit of the Coomber Formation and has been mapped over an area of 3,500 metres by 800 metres. The skarn has entirely replaced the limestone and is dominated by garnet and pyroxene alteration minerals with retrograde alteration assemblages including actinolite and epidote. The skarn is

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highly anomalous in copper and other base-metals with chalcopyrite (copper-iron sulphide); galena (lead sulphide) and sphalerite (zinc sulphide) observed.

With extensive zoned soil anomalies, mapped complex intrusions, containing molybdenum and tungsten at their core, and a large skarn system demonstrating association with mineralised intrusives, the Company firmly believes that the Barabolar Project has strong potential for large scale intrusive related mineral systems including porphyry related base and precious metal systems.

Figure 8. Fresh outcrop of extensive skarn alteration of Ordovician limestone unit

Historic drilling by Anglo American during the 1980's consisted of 144 shallow Rotary Air Blast (RAB) holes along the edges of the southern extent of the skarn where anomalous lead, zinc and copper was encountered (Figure 8). Results for this drilling returned assays up to 0.2% Cu, 0.58% Zn, 0.9% Pb and 28g/t Ag. These holes were generally around 20-30 metres depth and no more than 42 metres, but importantly, were all outside of the main copper anomaly and strongest alteration.

Furthermore, drilling at the Hayshed Prospect by Anglo American show disseminated molybdenum mineralisation in an intrusive rock.

The Company is continuing with a two-phase exploration strategy. In addition to the current drilling underway on the deep targets beneath Bowdens Silver, the Company is continuing to prioritise regional targets. At Barabolar, the current exploration strategy is to identify drill-ready targets within the system by undertaking detailed Induced Polarisation geophysical surveys which will encompass the broad skarn alteration as well as the core molybdenum/ tungsten soil anomaly and associated phyllic alteration. This will provide drill ready targets to follow up within the 2018 calendar year.

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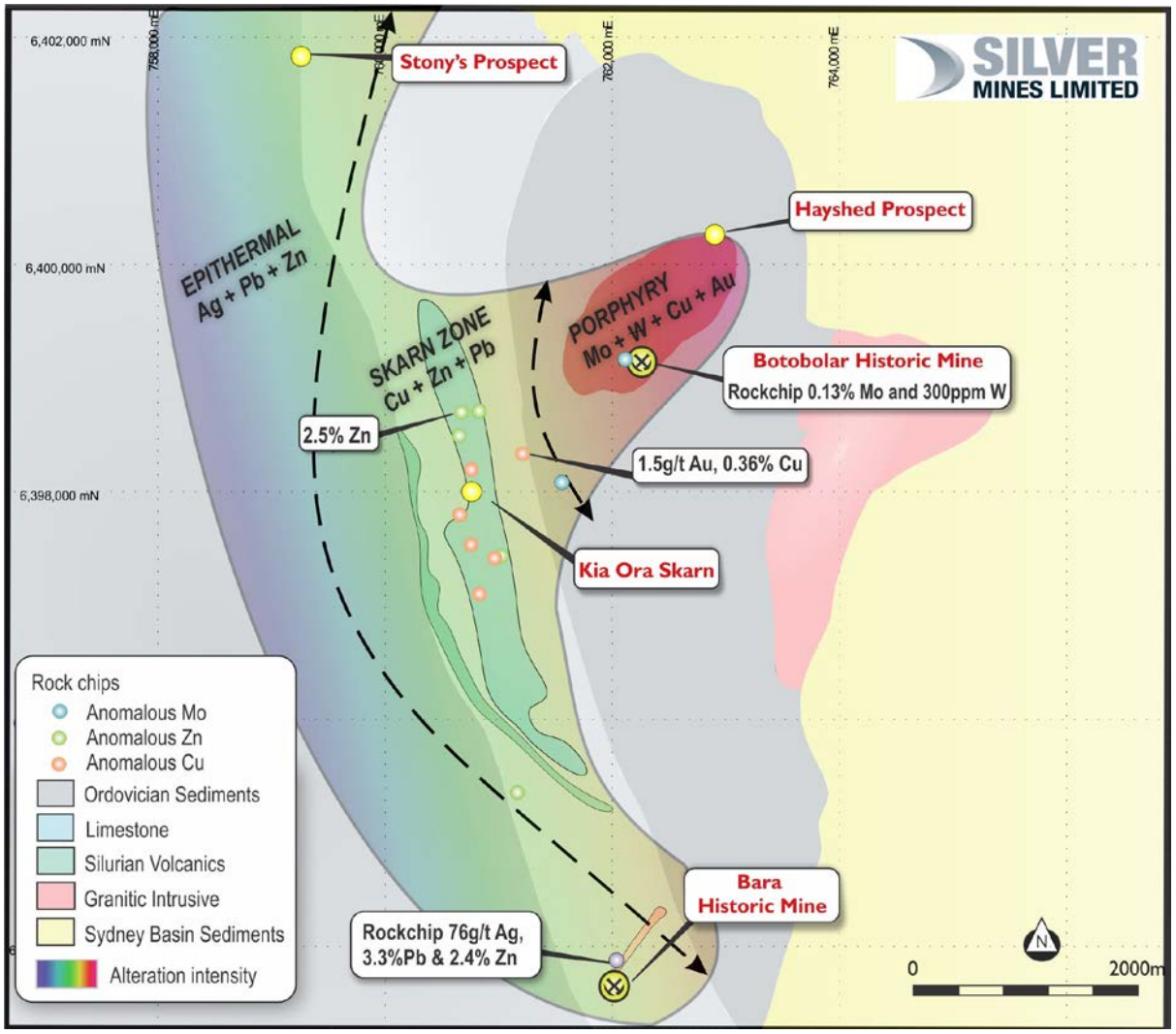

Figure 9. Exploration model / zoning on the Barabolar.

For further information on the Barabolar Project Area, refer to ASX release dated 14th December, 2017 and 31st January 2018.

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.

With the impending completion of the Environmental Impact Statement for Bowdens Silver, during the previous quarter a new Community Consultative Committee was commissioned as part of Department of Planning and Environment requirements.

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Other Projects

During the previous quarter, reconnaissance geological and geochemical work was 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 continues to assess exploration options and other options for these prospective projects.

Placement

Subsequent to the end of the quarter, on 4th April 2018, the Company announced the completion of a share placement to and institutional, professional and sophisticated investors. This resulted in the issue of 68,750,000 shares raising $2.75 million allocated towards further exploration and progression of the Definitive Feasibility Study and Environmental Impact Statement.

About the Bowdens Silver Project

The Bowdens Silver Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (Figure 1). The consolidated project area comprises 1,654 km^2 (408,000 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 copper-gold targets.

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.

Yours faithfully
Silver Mines Limited

Trent Franklin
Company Secretary

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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 results within the Bowdens Silver Project area is based on information compiled or reviewed by Mr Scott Munro who is a full-time employee of the company. Mr Munro is a member of the Australian Institute of Geoscientists (AIG) 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 Munro consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to mineral exploration results outside of the Bowdens Silver Project area is based on information compiled or 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 Drill Hole Details

Hole ID	GDA94 East	GDA94 North	RL	Dip	Azimuth (mag)	EOH (m)	Comment
BRD17023	768708	6385345	614	-65	62	600	assays received
BRD17083	769161	6385037	628	-77	45.5	460	assays received
BRD17091	768895	6385182	599	-71	52.5	501	assays received
BRD17095	768515	6385393	663	-65	55	730	assays received

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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.**

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Criteria	JORC Code explanation	Commentary
Drill sample recovery	• ***Method of recording and assessing core and chip sample 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.***	• **Core recovery is estimated at greater than 95%.** • **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.**

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Criteria	JORC Code explanation	Commentary
Quality of assay data and laboratory tests	• ***The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is 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.***	• **Samples dispatched to ALS Global laboratories in Orange NSW for sample preparation and gold analysis Au-AA25. 33 multi-element 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.**
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.**
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.*** • ***Specification of the grid system used.*** • ***Quality and adequacy of topographic control.***	• **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.** • **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.**
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***	• **This drilling is designed as preliminary exploration targeting a geophysically derived induced polarization chargeability model on approximate 200m spaced sections.**

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Criteria	JORC Code explanation	Commentary
	estimation procedure(s) and classifications applied. • ***Whether sample compositing has been applied.***	
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.** •
Sample security	• ***The measures taken to ensure sample security.***	• **All 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)**
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.**

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.**

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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 Appendix 1 of 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	• ***These relationships are particularly important in the reporting of Exploration Results.*** • ***If the geometry of the mineralisation with respect to the drill***	• **Mineralisation 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**

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Criteria	JORC Code explanation	Commentary
widths and intercept lengths	***hole angle is known, its nature should be reported.*** • ***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').***	**were sub-parallel (~10 degrees to core axes). The drilling width is 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.**
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 to a drill program that is designed to test a geophysical induced polarization chargeability target. Drilling is on-going with further results pending.**

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Tenement Information as at 31st March 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%	Tenement approved
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	31 March 2018

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	41	106
1.2	Payments for		
	(a) exploration & evaluation	(584)	(4,126)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(519)	(1,805)
	(e) administration and corporate costs	(217)	(1,036)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	22
1.5	Interest and other costs of finance paid	(1)	(5)
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**	**(1,275)**	**(6,577)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(4)	(4)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	(30)	(865)

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Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $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**	**(34)**	**(869)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	1,791	6,091
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	(8)	(273)
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**	**1,783**	**5,819**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,540	3,641
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,275)	(6,577)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(34)	(869)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,783	5,819
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,014**	**2,014**

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	2,014	1,540
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)**	**2,014**	**1,540**

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

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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	300
9.5	Administration and corporate costs	100
9.6	Other (provide details)	-
9.7	**Total estimated cash outflows**	**800**

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			

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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: 30 April 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.

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