

30 January 2020

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

DEEP DRILLING PROGRAM COMMENCEMENT AT BOWDENS SILVER PROJECT

HIGHLIGHTS

- **Diamond drill campaign of up to 4000 metres commenced at the Bowdens Silver Project.**
- **Recent gravity data acquired from Bowdens Silver Project has provided substantial targets for intrusive mineralised sources in immediate proximity to the existing resource.**
- **The drilling program will test:**
 - **Extent of the Northwest very high-grade silver zone at Bowdens, which remains open to the north and west.**
 - **Potential extensions to the Bundara Deeps massive sulphide discovery that includes gold and copper mineralisation.**
 - **A significant gravity low immediately west of the Bowdens deposit interpreted to be the mineralisation source porphyry intrusion.**
 - **Gravity responses of a similar size and magnitude to the Bowdens deposit proximal to potential intrusive sources.**

Silver Mines Limited (ASX: SVL) (“Silver Mines” or “the Company”) is pleased to announce the commencement of a new diamond drilling campaign at the Bowdens Silver Project, near the town of Mudgee in New South Wales, which will target analogues and potential intrusive sources of the Bowdens deposit.

The Company has received final environmental approvals for the recommencement of exploration drilling activities at Bowdens with the program commenced on 29th January 2020. Local Orange-based drill service provider, Ophir Drilling, has been contracted to complete six holes and up to 4000 metres of diamond core drilling.

The targets to be tested by drilling program are both low and high gravity responses. The low responses are interpreted to be intrusive (porphyry or intrusion-related gold [IRG] targets); the

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high responses are interpreted to be potential analogues to the main Bowdens silver and base metal systems (refer to Figure 1).

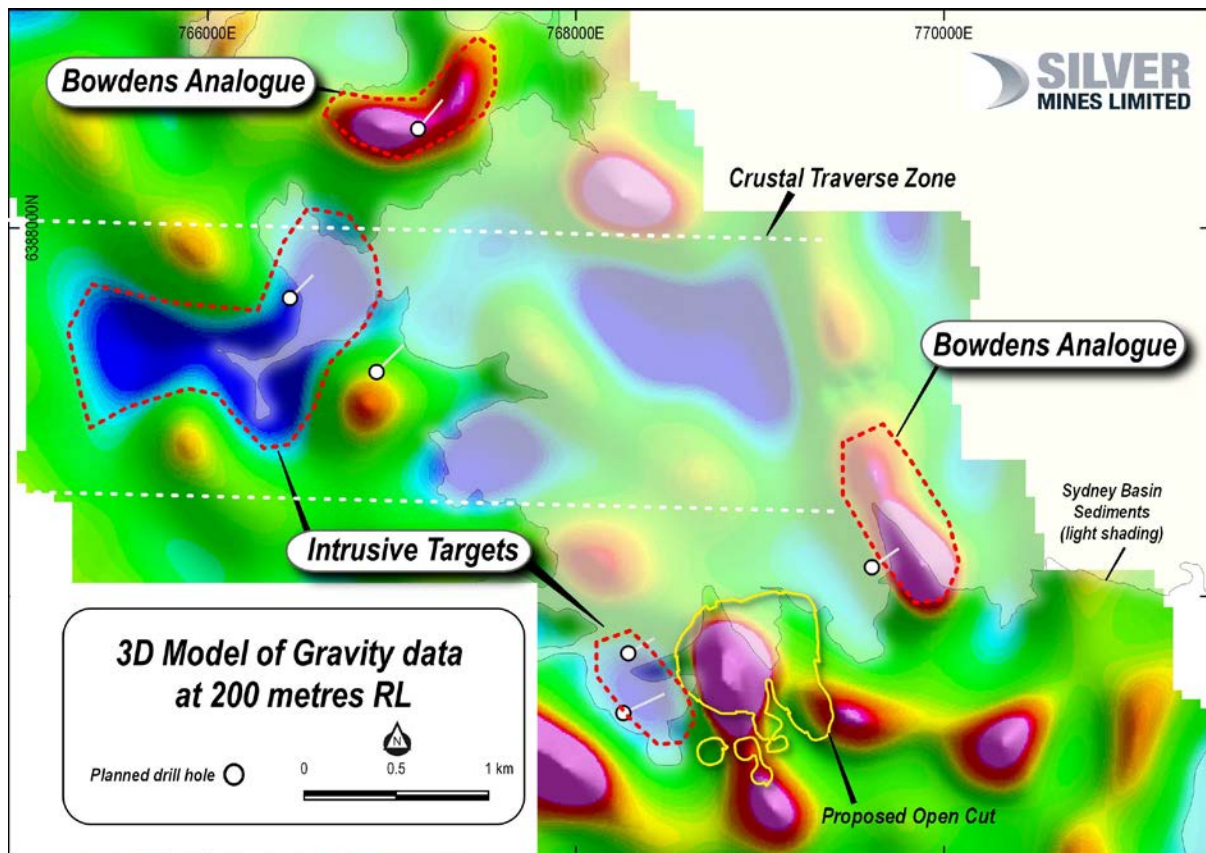


Figure 1: Slice through the 3D model of gravity data at 200 metres RL (~300 metres below surface) with priority targets and Permian cover sediments.

Interpretation of the gravity model suggests that the Rylstone Volcanics have formed above a crustal scale traverse fault zone. This crustal scale fault system is associated with the voluminous Rylstone volcanic units extruded from a central caldera or series of volcanic vents. The extensive gravity lows within this traverse zone are possible felsic intrusives with the potential to be a source to the mineralisation at the Bowdens Silver Deposit.

Recent studies, including research and development by the Company and the University of New South Wales, identified three intrusive phases. These are spatially related to mineralisation and dating of the intrusions show close association with the previously established age of the Bowdens mineralisation. Interpretation, including geology, age dating and sulphur isotope analysis suggests that the intrusive source to mineralisation is located at depth and to the northwest and/or west of the current Bowdens Silver Deposit.

The first drill hole is to be drilled from the west targeting below the Bowdens Silver Deposit to intersect a gravity low that is down dip from mineralised dacite dykes intersected in previous drilling. It is hypothesised that these dacite dykes link to the mineralisation source intrusion in this area. The hole is planned to 700 metres depth.

Initial results from the program are expected from the end of the March quarter 2020.

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Also, refer to ASX release dated 5th December 2019 for further information.

About the Bowdens Silver Project

The Bowdens Silver Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (Figure 2). The consolidated project area comprises 2,007 km² (496,000 acres) of titles covering approximately 80 kilometres of strike of the highly mineralised Rylstone Volcanics. Multiple target styles and mineral occurrences have potential throughout the district including analogues to Bowdens Silver, high-grade silver-lead-zinc epithermal and volcanogenic massive sulphide (VMS) systems and 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.

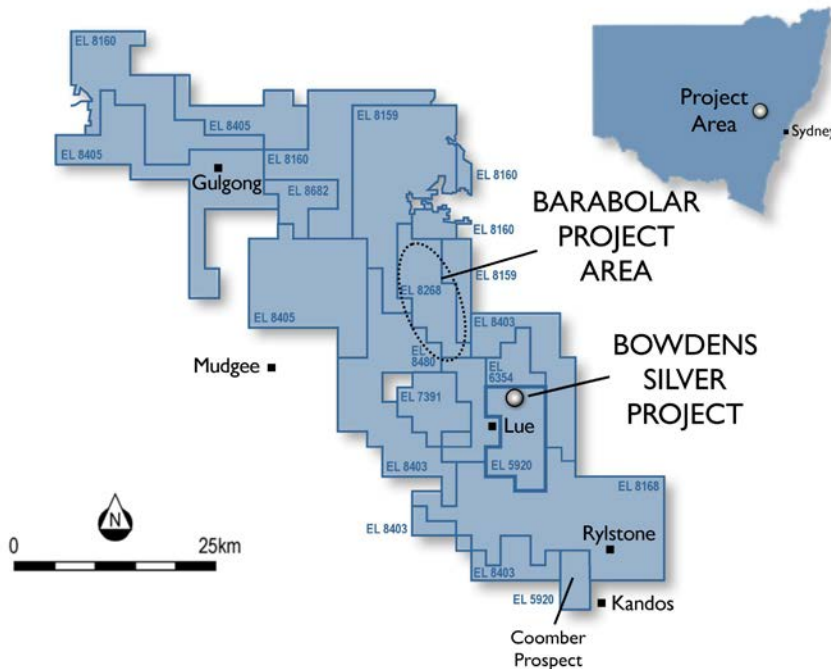


Figure 2. Silver Mines Limited tenement holdings in the Mudgee district.

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Competent Persons Statement

The information in this report that relates to mineral exploration from the Bowdens Project is based on information compiled by the Bowdens Silver team and reviewed by Dr Darren Holden who is an advisor to the Company. Dr 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). Dr Holden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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