

3 August 2017Company Announcement Officer
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

SUBSTANTIAL GEOPHYSICAL ANOMALY BELOW BOWDENS SILVER RESOURCE

Highlights

Induced Polarisation Geophysics:

- **Chargeability anomaly indicating potential significant sulphide accumulation at depth directly beneath the Bowdens Silver resource.**
- **Target area / geophysical anomaly is over 1000 metres in strike and 250 metres wide extending from between 100 metres and 400 metres depth beneath the surface and below the existing Bowdens Silver resource.**
- **Previous massive / semi massive sulphide drill zone discovery announced in March 2017 is located on the northern edge of the anomaly.**
- **No drilling has been conducted to date into the geophysical anomaly.**
- **Target area remains open to the south.**
- **Several other new target areas also generated.**
- **Planning for drilling including drilling approvals are in process.**

Summary

Silver Mines Limited (ASX:SVL) ("Silver Mines" or "the Company") is pleased to provide an update on geophysical surveys at the Bowdens Silver project located near Mudgee in New South Wales.

The Company has completed an Induced Polarisation (IP) Geophysical program with an objective of further understanding recently discovered massive and semi-massive sulphide mineralisation below the Bowdens Silver resource.

The results indicate a larger >1000 metres by 250 metres anomaly extending between 100 metres and 400 metres beneath the surface and below the Bowdens Silver resource area. Within this zone are several areas of very high-chargeability which may be related to the intense sulphide mineralisation. Recent drilling on the northern edge of this area has encountered massive and semi massive sulphide mineralisation (zinc, lead and silver) along with gold mineralisation. As this recent discovery in drilling is located on the northern edge of

the IP anomaly planning for drilling including for drilling approvals has immediately commenced.

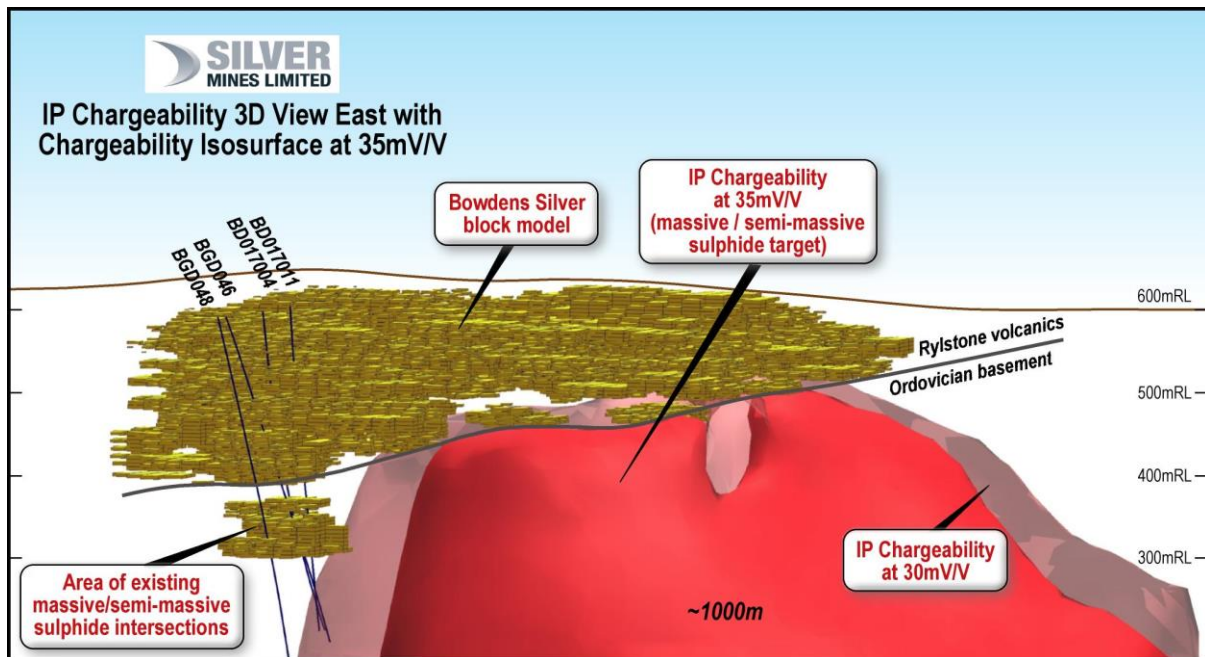


Figure 1 3D view east showing IP chargeability isosurface at 35mv/V

Induced Polarisation Geophysics Interpretation

In March 2017, the Company announced the discovery of massive to semi-massive sulphide mineralisation approximately 100 metres beneath the Bundarra zone on the western side of the Bowdens Silver project (refer release dated 15/03/2017 and subsequent update 11/04/2017 and 12/05/2017). This mineralisation is a different style to the main Bowdens Silver deposit and consists of coarse grained sphalerite (zinc sulphide), galena (lead sulphide) and associated silver and gold mineralisation. Beneath the zone, intense disseminated and fracture controlled mineralisation continues deep into the basement Ordovician rocks. Drilling in the zone indicates that the mineralisation strikes approximately south-southeast to north-northwest and dips shallowly to the west and is referred to as the “Bundarra Deeps” zone.

The latest IP geophysical survey has enabled a definition of the Bundarra Deeps target zone which is now modelled to be >1000 metres in strike and 250 metres wide extending from between 100 metres and 400 metres beneath the surface. Within this zone are several areas of very high-chargeability (>35mv/v). IP does not generally map massive sulphides; and the response indicated from the latest survey is believed to be related to the intense disseminated sulphide mineralisation surrounding the massive / semi-massive sulphide zones.

The Bundarra Deeps target will be followed up with further drilling and downhole geophysics. The Company considers the potential at Bundarra Deeps to be part of a longer-term development strategy with high-grade massive and semi-massive sulphide representing a potential future underground mining scenario.

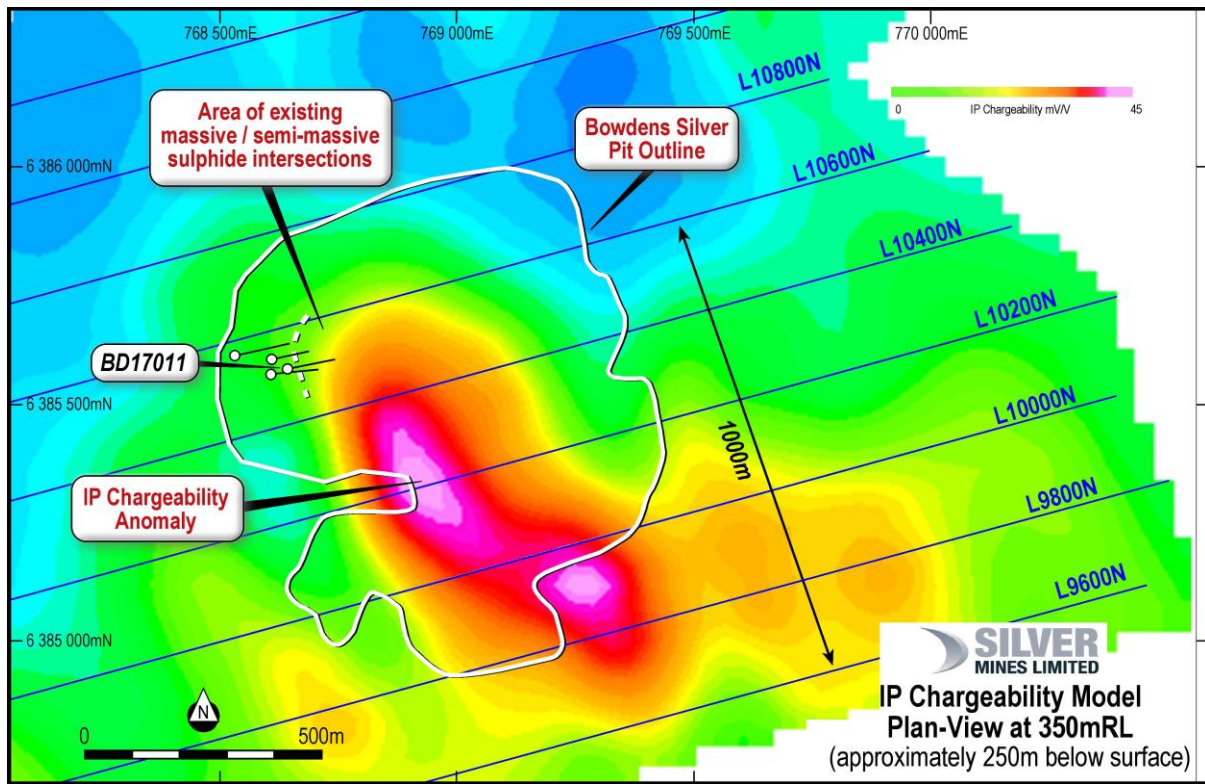


Figure 2 Plan view slice of IP chargeability anomaly at 350mRL

Induced Polarisation Geophysics Program

In the first quarter 2017, the Company commenced a trial of ground based geophysics techniques at the Bowdens Silver project and extensional exploration areas. Following the completion of the trial, pole-dipole induced polarisation (“IP”) geophysics was assessed to be the best technique for identifying sulphide mineralisation at Bowdens Silver. This form of geophysics is collected along section lines and, with the aid of 3D modelling, maps the chargeability of the rock and is a potential indicator of disseminated sulphide minerals. Over the past six weeks the Company has completed a new IP survey that infilled and extended the previous survey resulting in coverage of 200 metre spaced lines across the deposit and extending 200 metres to the south and 1800 metres to the north. This close spacing has allowed 3D modelling of the chargeability response. The survey work was conducted by Fender Geophysics of Sydney, and modelled by GeoDiscovery of Brisbane.

Other targets

In addition to the Bundarra Deeps target, the IP geophysics has generated other anomalies located at depth beneath the Plines target, and south east of Bowdens deposit. A second survey was conducted at 250 metre line spacing to the north of Bowdens Silver and indicated several weaker chargeability anomalies in the Walkers Meadow area that are coincident with soil anomalism which also warrant follow up work.

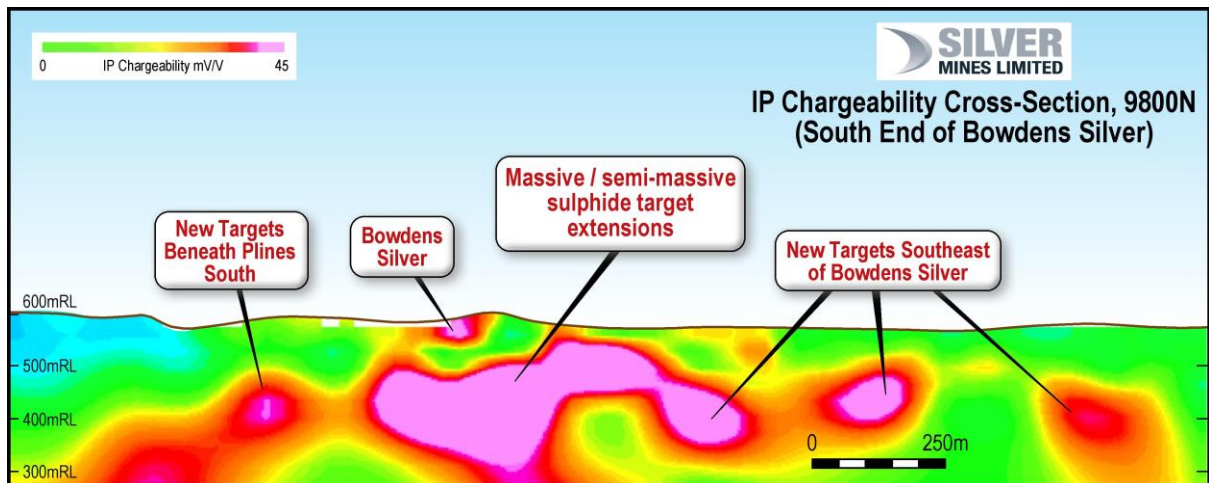


Figure 3 IP chargeability cross-section at 9800N (south end of Bowdens Silver)

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.

Yours faithfully
Silver Mines Limited



Trent Franklin
Company Secretary

Competent Persons Statement

The information in this report that relates to mineral exploration results from Bowdens 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: IP Chargeability Survey Details

IP Survey Parameters:

Technique:	Induced Polarisation
Array:	Pole-Dipole Static
Receiver dipole length:	100 metres
Transmitter dipole length:	100 metres
Line spacing:	200 to 250 metres
Depth penetration:	n=16 (modelling to 400 metres below surface)
Domain and cycle:	Time domain 2 seconds or 0.125Hz

Equipment

Receivers:	1 x 16ch GDD IP Receiver
	1 x 32 GDD IP Receiver
Transmitters:	1 x TSQ4 10kva Transmitter
	1 x Kohler generator