

15th May 2018

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

DRILLING COMMENCES ON HIGH IMPACT BOWDENS TARGETS

Highlights

- **Drilling program of up to 2500 metres reverse circulation pre-collars and diamond tails commenced.**
- **High impact program targeting high grade silver extensions to the north-west of the Bowdens Resource.**
- **Drilling also following up high grade zinc anomalism south-west of the Bowdens Resource.**

Silver Mines Limited (ASX: SVL) ('Silver Mines', 'the Company') is pleased to announce the commencement of a new drilling program at the Bowdens Silver Project in central New South Wales, following up several high impact targets around the existing resource areas.

North West Target

A review of structural controls over the Bowdens Silver resource area has identified a significant zone of high grade silver mineralisation that remains open. This zone is located immediately outside the current pit design and immediately to the north-west.

A program of four drill holes consisting of reverse circulation (RC) pre-collars with diamond tails to greater than 500 metres are planned. The drilling to the north-west will test for substantial extensions to the Bowdens Mineral Resource. This area contains concentrated veining and fracture fill style silver dominant mineralisation and is hosted in welded tuffs of the Rylstone volcanics.

The Northern Fault, an east-west striking bounding fault, intersects the Gully Fault, a north-south trending fault to the north of the current proposed pit (see *Figure 1*). These fault intersections are considered a significant control on the Bowdens deposit. The plunge of the zone is anticipated to follow the intersection of the north-west bounding fault and the dominant north-south faults that host the Bowdens deposit. The most northern drill hole in the zone, BD17015, intersected **7 metres @ 555 g/t silver equivalent** (483g/t silver, 0.75% zinc, 1.38% lead) from 235 metres (see *ASX announcement of 31 July 2017*).

Two drill holes will initially test the North West Target extent down plunge, and westward extent down dip. The drilling is some 100 metres westward and 120 metres northwest of the nearest drill hole intercepts. These holes are designed to a depth of 500 metres and 620 metres. Drilling has commenced and first assays are expected in June.

A further two drill holes are planned to further delineate the down dip extensions of the high-grade mineralised zone.

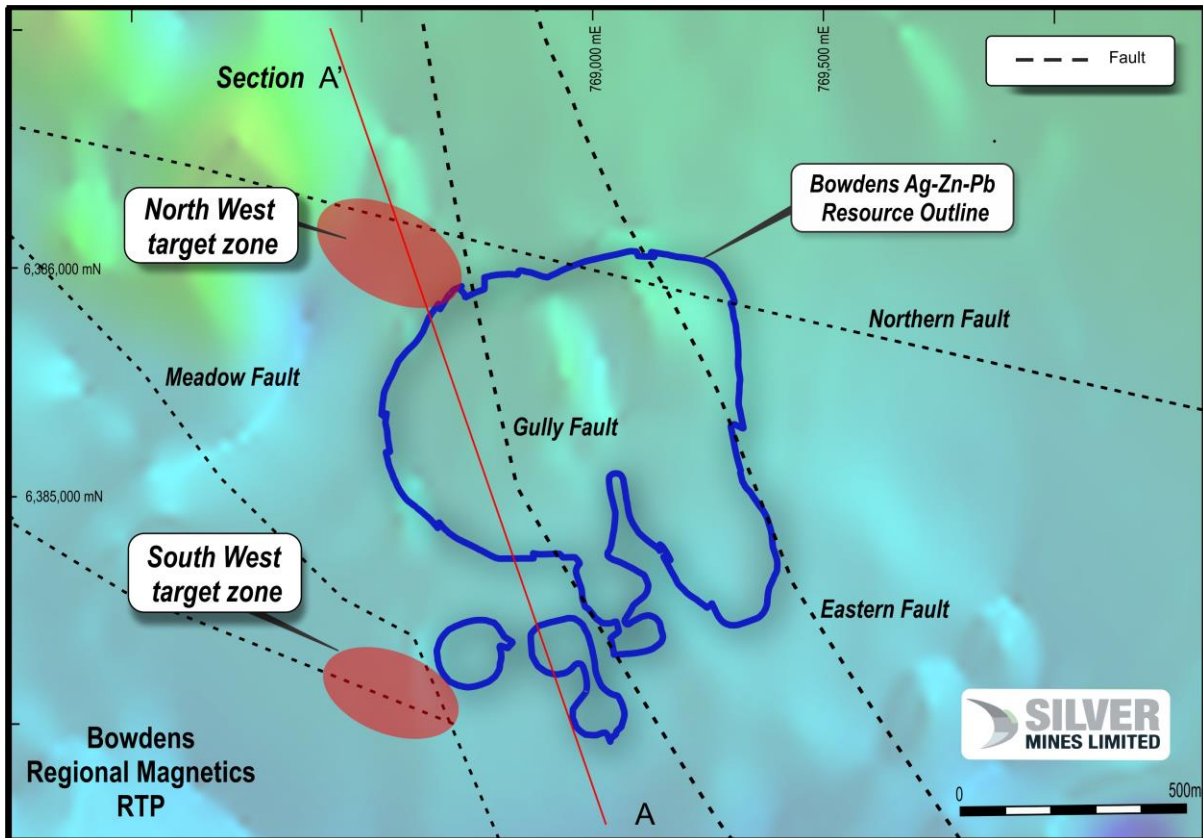


Figure 1 Regional Magnetics and target zones of NW trending structural intersections.

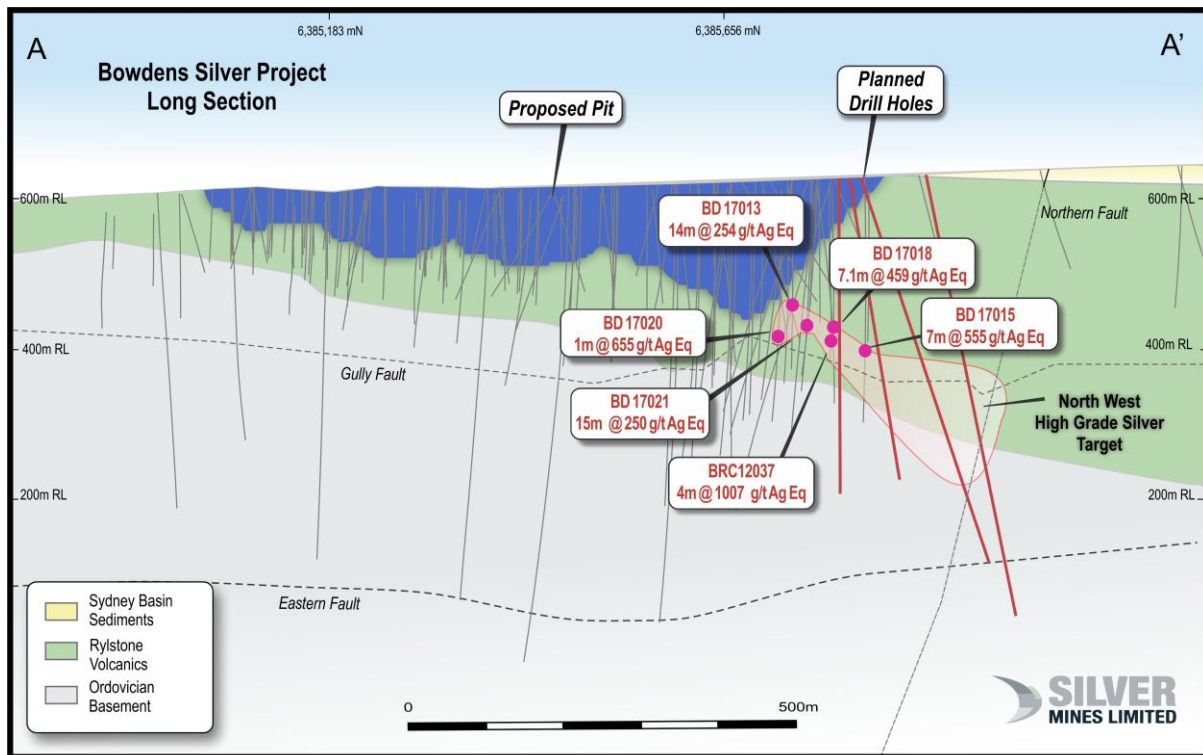


Figure 2. Long section of drilling proposed pit and high-grade northern intercepts.

South West Target

To the south-west of the Bowdens Resource, a 500 metre drill hole consisting of a reverse circulation (RC) pre-collar and diamond tail is planned. The target is down dip and along strike from previous drilling (see ASX announcement 19 June 2017). The targeted zone is an intersection of the north-west trending Meadow Fault and the east-west trending Bing Fault. These structures are known to host vein and breccia style mineralisation and their intersection is co-incident with an anomalous Induced Polarisation (IP) signature.

Previous drilling by the Company defined consistent silver and broad zinc mineralisation associated with the Meadow Fault, while historic drilling returned an intercept of **8 metres at 2.3% zinc**, associated with vein hosted high temperature sphalerite. The drilling will test if intersections of mineralised structures provide a locus for significant mineralisation to form.

The known mineralisation is hosted within welded tuffs and crystal tuffs of the Rylstone volcanics. Drilling is designed to intercept the target within basement sediment units. The mineralisation style targeted is semi to massive sulphides, not dissimilar to high grade portions of Bundarra Deeps mineralisation at Bowdens. Drilling is scheduled to commence upon the completion of holes at the North West Target.

All targets lie within tenements 100% owned by Bowdens Silver (Exploration License EL5920).

Further information

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About the Bowdens Silver Project

The Bowdens Silver Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (Figure 3). The recently consolidated project area comprises 1,654 km² (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.

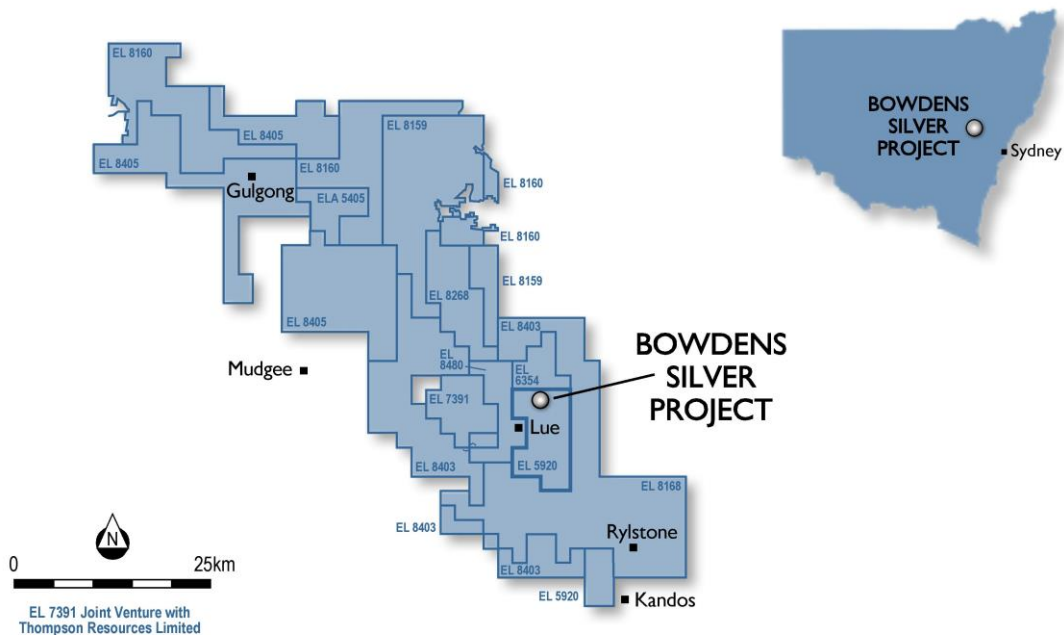


Figure 3. Bowdens Silver tenement holdings in the Mudgee district.

Yours faithfully
 Silver Mines Limited



Trent Franklin
 Company Secretary

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 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.