

3 October 2018

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

DRILLING COMMENCEMENT AT BARABOLAR

HIGHLIGHTS

- **Drilling to commence at the Barabolar Project, in New South Wales.**
- **Exceptional porphyry and polymetallic targets.**
- **Initial program of up to 7,500 metres of reverse circulation and diamond drilling.**
- **Specific drill targets defined by coincident:**
 - **Polymetallic geochemistry anomalies: copper, gold, and silver.**
 - **Chargeability highs suggesting an increase in sulphide mineralisation.**
 - **Resistivity highs suggesting an increase in silicification and quartz veins.**
 - **Discrete magnetic highs or lows from 3D modelling suggestive of buried porphyry bodies.**
- **Specific drill targets include;**
 - **Epithermal gold systems at Cringle Prospect where surface sampling recently returned high-grade gold and silver.**
 - **Copper-silver-lead-zinc (+gold) polymetallic systems at Bara Mine & Bara North Prospects.**
 - **Porphyry copper-gold targets at several locations highlighted by strong induced polarization and geochemical anomalies.**
- **First results from this program are expected in early November.**

Exploration Drill Program

Silver Mines Limited (ASX:SVL) (“Silver Mines” or “the Company”) is pleased to advise that drilling is scheduled to commence next week at the Barabolar Project, central New South Wales (see *Figure 1*). The Barabolar Project is located approximately 26 kilometres east of Mudgee and 10 kilometres northwest of the Company’s Bowdens Silver Project.

Drilling will commence at the highly prospective southern targets (see *Figure 2*) being the Bara Mine, Bara North and Cupola South prospects with approvals having been received for this work. The Company anticipates final approvals for the northern prospects shortly with drilling

commencing at the completion of drilling at the southern targets. First results from the program are expected in early November 2018.

The Barabolar Project is a high-quality exploration project located within the highly prospective Macquarie Arc that also hosts world-class mineral systems such as the Cadia / Ridgeway Porphyry copper-gold deposit. Barabolar consists of a 9 kilometre long corridor of copper, silver, lead and zinc soil and rock chip anomalies.

The rocks of the Barabolar Project area are Ordovician age (the same as Cadia / Ridgeway) and include sedimentary and volcanic rocks, an extensive skarn (highly altered limestone), and several porphyritic intrusions. The presence of pyrophyllite alteration along with areas of intensive silicification, and argillic alteration are indicative of high-sulphidation epithermal systems consistent with copper-gold porphyry targets (*refer releases dated 17th September 2018, 28th August 2018, 24th August 2018*).

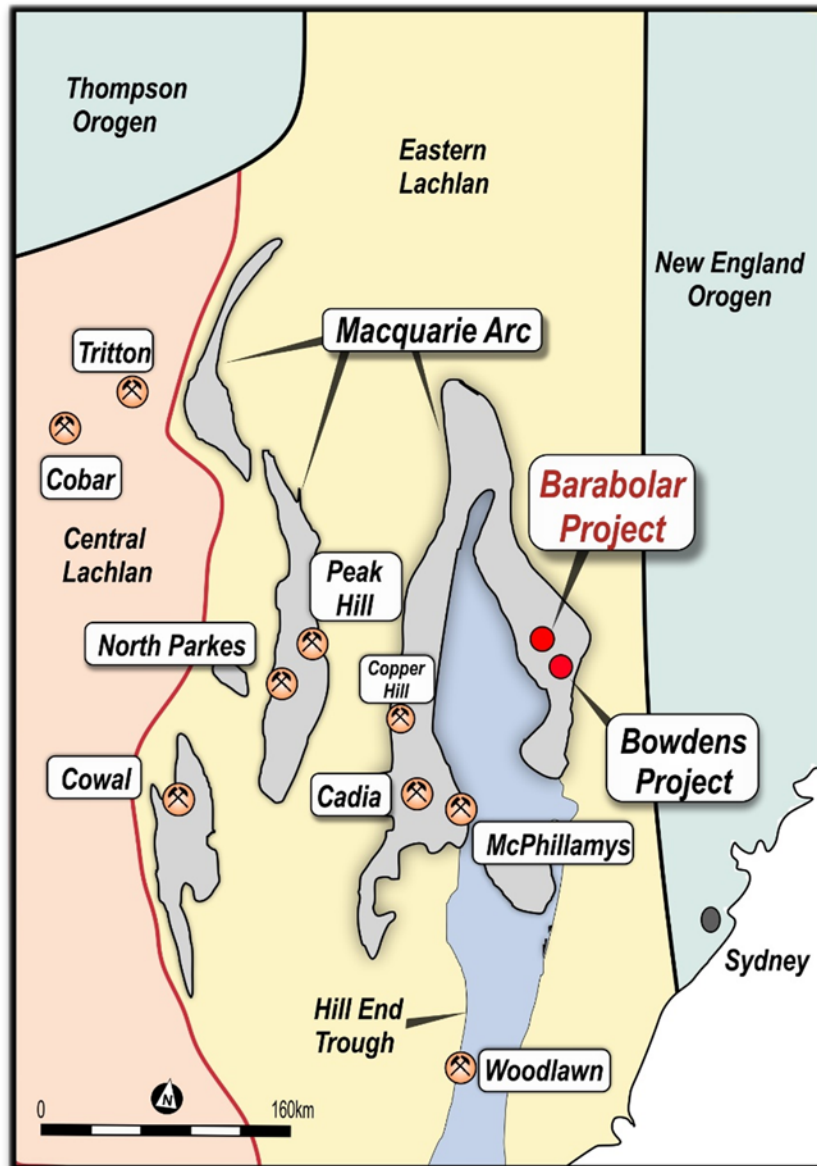


Figure 1. General geology of the Macquarie Arc & Lachlan Fold Belt. Modified from Huston, D.L., et al., "Metallogeneses and geodynamics of the Lachlan Orogen...", *Ore Geology Reviews* (2015)

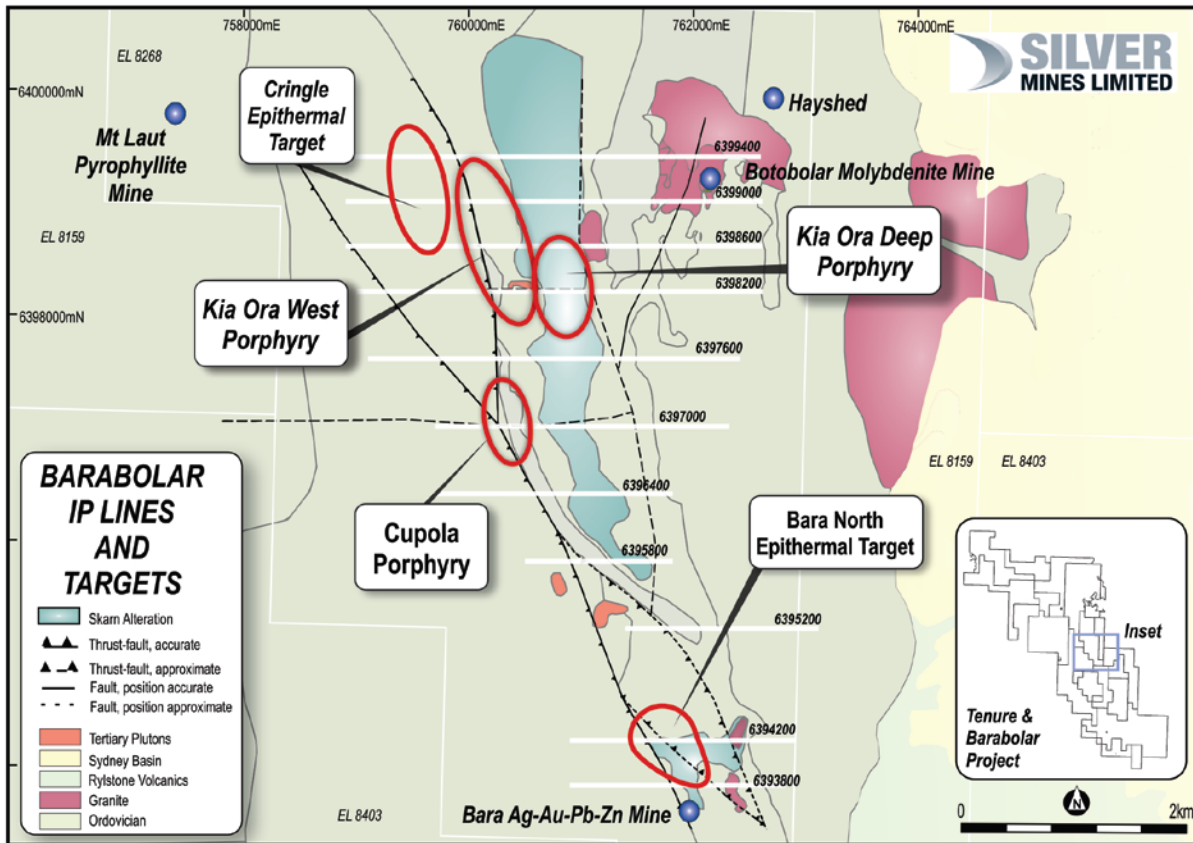


Figure 2 Barabolar prospect and geology map

Work is on-going at the Barabolar Project area with the expansion of mapping and surface sampling across the western section of the prospective corridor. It is likely that further drill targets will be defined.

About the Silver Mines Barabolar Project Area

The Barabolar Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (see Figure 3). The recently consolidated area comprises 2,007 km² (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.

Nearby to Barabolar, the 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.

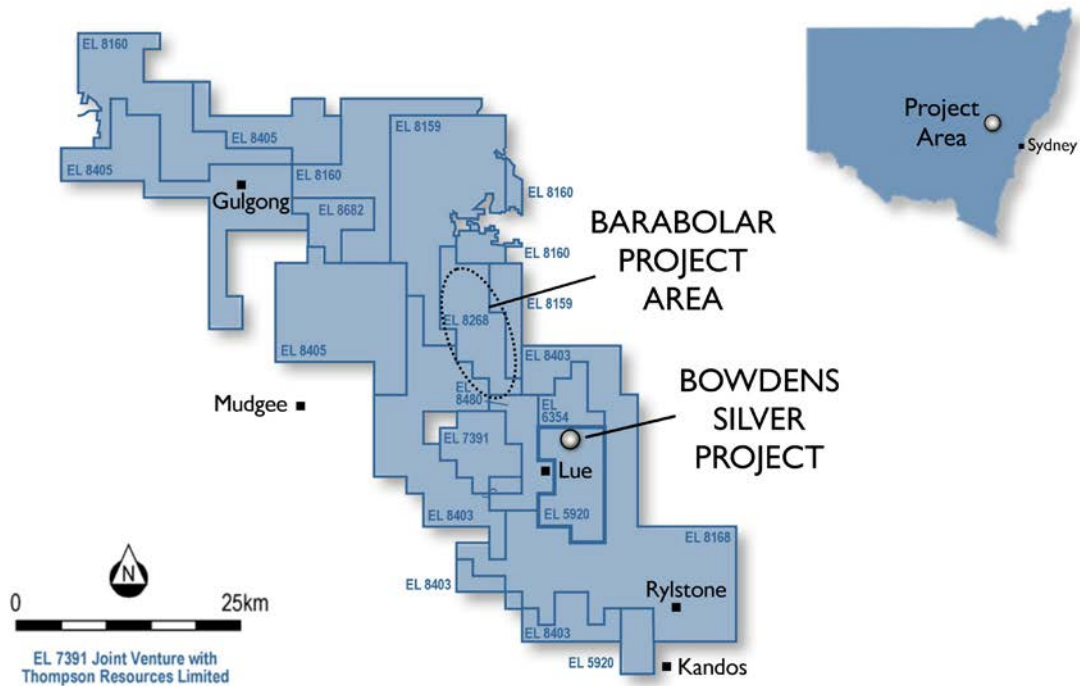


Figure 3. Silver Mines Limited tenement holdings in the Mudgee district.

Further information:

Anthony McClure
 Managing Director
 Silver Mines Limited
 +61 2 8316 3997

Luke Forrestal
 Senior Account Director
 M+C Partners
 +61 411 479 144

Competent Persons Statement

The information in this report that relates to mineral exploration from the Barabolar Project is based on information compiled by the Bowdens Silver team and 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.