

25 May 2020

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

Development Application - Bowdens Silver Project

HIGHLIGHTS

- **Silver Mines Limited has reached the next milestone for the Bowdens Silver Project with the submission of its Development Application (DA) and associated Environmental Impact Statement (EIS) along with supporting technical studies.**
- **The EIS supports the findings of the Bowdens Silver Feasibility Study which demonstrates a robust silver mine development with a mine life of 16.5 years.**
- **The EIS is the culmination of comprehensive independent technical assessments, peer reviews and a wide-reaching community consultation program.**
- **The EIS confirms very favourable assessment outcomes and demonstrates a clear path to approval and development. Key components include:**
 - **Considerable local economic benefits with substantial local job creation;**
 - **Minimal impacts on surface water and groundwater during and after operations;**
 - **An arrangement to source surplus water from nearby coalfields via a dedicated water pipeline limiting the requirement to source water locally;**
 - **No physical human health risk issues of concern have been identified;**
 - **A progressive rehabilitation plan has been committed to with rehabilitation occurring throughout the life of the mine;**
 - **No significant impacts upon migratory or threatened species. The Project's biodiversity offset program will see a significant area of land conserved in perpetuity;**
 - **Relocation of a local road around the mine site with the result that the majority of traffic would avoid the local township of Lue;**

- **Aboriginal Cultural Heritage assessment has been concluded in conjunction with the local Aboriginal communities, with agreement on ongoing management;**
- **More broadly, the potential for amenity-related impacts would be managed over the life of the mine through a range of management commitments, monitoring and reporting.**
- **The EIS is intended for public exhibition in the coming days.**

Introduction

Silver Mines Limited (ASX:SVL) (“Silver Mines” or “the Company”) is pleased to report the Development Application (DA) and Environmental Impact Statement (EIS) for the proposed development of the Bowdens Silver Project has been lodged with the New South Wales Department of Planning, Industry and Environment.

The Bowdens Silver Project is the largest undeveloped silver deposit in Australia and lies within Exploration Licence 5920, which is 100% held by the Company. The Project is located in central New South Wales, approximately 26 kilometres east of Mudgee.

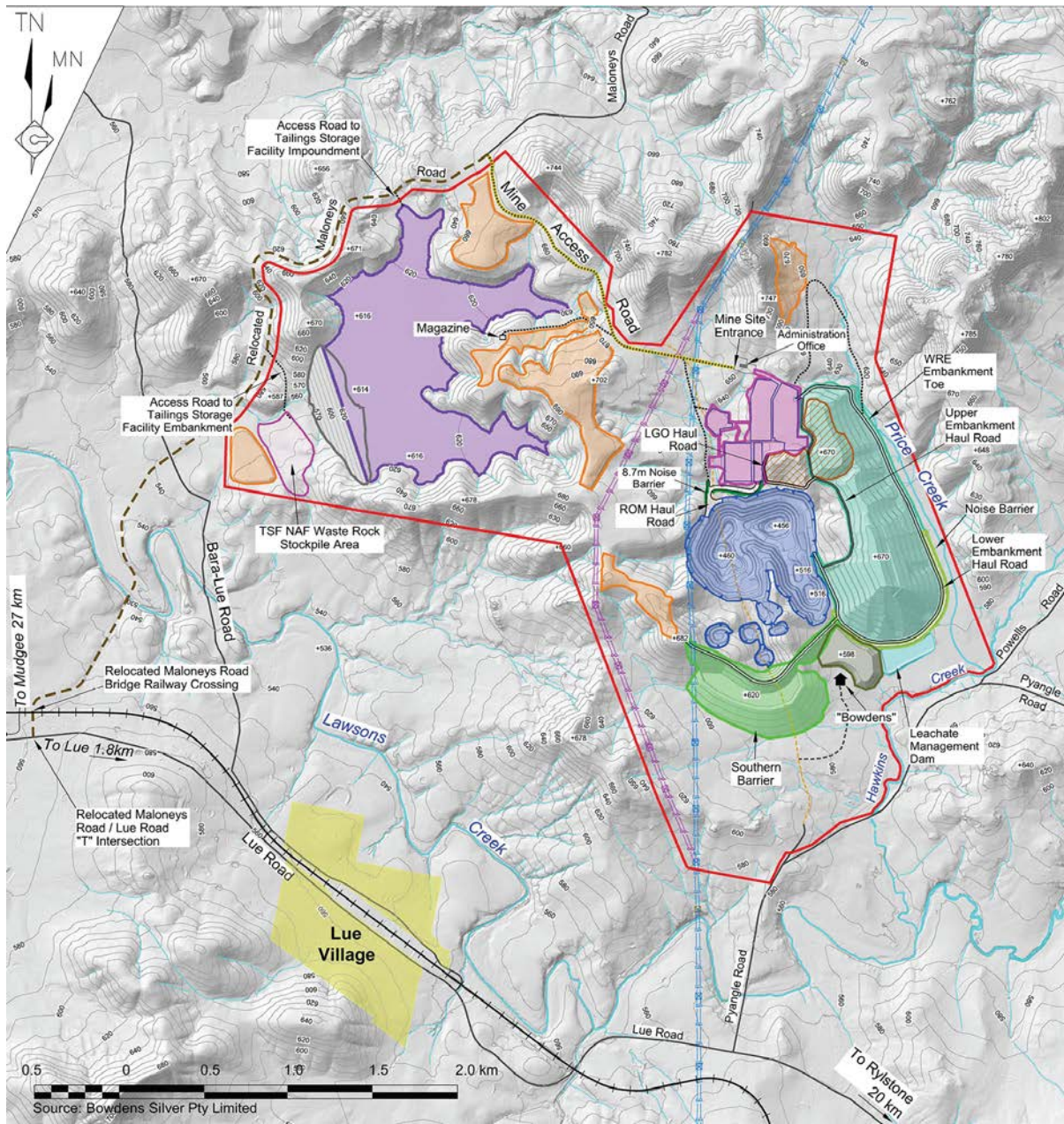
The proposed development comprises an open-cut mine feeding a new processing plant with a conventional milling circuit and differential flotation to produce two concentrates that will be sold for smelting off site. Plant capacity is designed for 2.0 million tonnes per annum with a project life of 16.5 years. Life of mine production is planned to be approximately 66 million ounces of silver, 130,000 tonnes of zinc and 95,000 tonnes of lead.

Managing Director, Mr Anthony McClure, said: *“The announcement today is a major milestone for the Company and represents the culmination of years of diligent work. It is a huge achievement for all involved, with particular thanks going to our dedicated local staff and the specialty technical consultants who have worked on the EIS. This environmentally responsible project will have considerable local economic benefits including local job creation. The Company looks forward to presenting this exciting new project to all stakeholders during the public exhibition period.”*

Environmental Impact Statement

Preparation of the EIS has been a comprehensive process managed and authored by R.W. Corkery & Co with a range of selected independent specialist consultants covering the following disciplines.

- Noise, Vibration and Blasting
- Air Quality
- Health
- Social Impact
- Surface Water
- Groundwater
- Traffic and Transport
- Visibility
- Terrestrial Ecology
- Aquatic Ecology
- Soils and Land Capability
- Aboriginal and Cultural Heritage
- Economic Impact
- Agricultural Impact



- | | | | |
|---------------------------------|--------------------------------------|---------------------------|-----------------------------------------------|
| REFERENCE | | Proposed Component | |
| | Mine Site Boundary | | Re-aligned Power Line (500kV) / Tower |
| | Contour (m AHD) (Interval = 10m) | | Relocated Maloneys Road |
| | Spot Height (mAHD) | | Mine Access Road |
| | Existing Watercourse / Drainage Line | | Internal Road |
| | Road | | Haul Road / Indicative Haul Road |
| | Closed Railway Line | | Open Cut Pit |
| | Existing Power Line (500kV) / Tower | | Tailings Storage Facility |
| | Maloneys Road (Section to be closed) | | Processing Plant/ROM Pad/Mining Facility Area |
| Note: | | | Soil Stockpile Area |
| LGO = Low-grade Ore | | | Low-grade Ore Stockpile Area |
| NAF = Non-acid Forming | | | TSF NAF Waste Rock Stockpile Area |
| ROM = Run of Mine | | | Southern Barrier |
| TSF = Tailings Storage Facility | | | Waste Rock Emplacement |
| WRE = Waste Rock Emplacement | | | Oxide Ore Stockpile |
| | | | Lower Embankment Noise Barrier |
| | | | Noise Barrier |

Figure 1. Bowdens Silver Preliminary Mine Site Layout.

A thorough peer review program has been undertaken with regards to the key components of the EIS specialty reports.

This assessment has been supported by a comprehensive community engagement program aimed at gathering information, education and reviewing potential impacts from the community's perspective. The most common point of feedback has been support for the generation of employment and opportunities for local business enhancement.

Key Components of the EIS

Water Management

Surface water and groundwater assessments have been undertaken in accordance with the Department of Planning, Industry and Environment's assessment requirements and the NSW Aquifer Interference Policy. The assessments have determined minimal impacts from the Project on surface water and groundwater during operations and into the future.

Annual water usage is planned to be approximately 1,857 megalitres (ML) principally for processing and dust suppression. The Project would access water from a range of sources, with a focus on reuse of water captured on-site or recycled from the tailings storage facility, the use of groundwater inflows to the open cut pit and water sourced externally via a dedicated water supply pipeline.

The approximately 58.5km pipeline would be constructed and commissioned during the construction phase of the Project. This option is supported locally as it reduces reliance on local water sources. The pipeline is envisaged to provide options for off-take of water for fire-fighting purposes and represents reuse of surplus water from other mining operations.

Economic and Social Impacts

The economic benefits of the Project would be generated as a result of the revenue from sales of the silver, zinc and lead produced at the mine and through the provision of employment opportunities over the operating life of the Project. The peak workforce is planned to be 320 personnel during construction and 228 personnel during operations. The Company is committed to local employment, procurement and education pathways to ensure that benefits are maximised locally and regionally.

The Project is projected to have a material benefit to the local communities, in particular having a positive impact on high levels of unemployment in various communities and towns across the region as well as through utilising local businesses and suppliers.

The assessment of potential social impacts of the Project has been supported by a comprehensive program of social engagement and research that sought the views and concerns expressed by the community so that these might be included in ongoing planning.

A range of feedback has been received indicating both support for and objection to the Project. Overall, the local communities strongly support the Project primarily due to its economic benefits including local job creation and increased trade for existing local businesses.

It is acknowledged the outcomes of the Project would be experienced differently in the community, with ongoing meaningful engagement throughout the Project life proposed to

ensure that mitigation programs are refined over time and the benefits of the Project are distributed as equitably as possible.

The Company is committed to ensuring the sustainability of the local Lue village and other nearby townships which would benefit from the Project. In addition to the Company's current social investment programs, a range of programs, some of which were identified in the community, would be initiated or funded through the development of a Community Investment Program.

Amenity Impacts - Air Quality, Noise, Blasting, Visual and Health Impacts

The Project is significantly aided by a topographical ridge line which forms a natural barrier between the Mine Site, the Lue township and other residences. During the life of the mine, no part of the open pit operations, the processing facilities, the TSF or any other infrastructure will be visible from the Lue township.

Air quality modelling predicts that there would be no exceedance of annual average TSP, PM₁₀ and PM_{2.5}, maximum 24-hour average PM₁₀ and PM_{2.5}, or dust deposition criteria at any privately-owned residences or receivers, either from the Project alone or cumulatively.

Furthermore, no exceedances of the impact assessment criteria are predicted at any Project-related or private residences for metal dust concentrations, respirable crystalline silica or hydrogen cyanide.

The human health risk assessment has considered risks associated with local changes to air quality, noise, surface water and groundwater. No physical health risk issues of concern have been identified that would be associated with the Project.

Assessment of potential blasting impacts has indicated that in the majority of situations, blast design would ensure that blasting impacts are acceptable. Almost all noise levels during the day, evening and night are below the accepted thresholds for any adverse health effects. Some exceedances during worst-case meteorological conditions would occur at some of the closest properties. Mitigation arrangements would be implemented for those households under agreement.

Rehabilitation and Ecology Offsets

Consistent with many modern mining projects, rehabilitation of all areas disturbed by mining-related activities would be an integral part of the Project. Emphasis would be placed upon progressively creating final landforms and re-establishing soil profiles and vegetation as they become available. Revegetation would either be temporary or permanent. Final landforms would be created to achieve the preferred final land use(s) which predominantly include a return to productive agriculture with some areas to be dedicated to biodiversity conservation.

Comprehensive field surveys have concluded that the Project as proposed would result in the removal of approximately 381.7ha of native vegetation of variable condition. This vegetation has the potential to be habitat for a range of native fauna. However, the Project is not expected to result in significant impacts upon migratory or threatened species. Biodiversity impacts that cannot be avoided would be offset in accordance with the NSW Biodiversity Offsetting Scheme, with 795ha within and surrounding the Mine Site currently intended to be conserved in perpetuity. Additional 'off-site' biodiversity offset areas would also be established.

Aboriginal Cultural Heritage

In collaboration with the Aboriginal community, the Company will provide a “Keeping Place” for salvaged artefacts within the Mine Site so these can be returned to the final landform post-mining in recognition of the importance of appropriate management of items of cultural heritage significance. Other sites that were identified but would not be disturbed would be protected for the life of the Mine. An Aboriginal Cultural Heritage Management Plan would also be developed to guide these activities.

Next Steps

The Bowdens Silver Project Development Application has been made to the New South Wales Minister for Planning and Public Spaces. The Environmental Impact Statement (EIS) is to be placed for public exhibition on the Department of Planning, Industry and Environment (DPIE) Major Projects website (<https://www.planningportal.nsw.gov.au/major-projects>). This is expected to occur in the coming days.

Corporate

Issue of Tranche 1 Deferral Consideration Shares

Under the Share Sale and Purchase Agreement (SPA) dated 24 February 2016, that effectuated the purchase of Bowdens Silver, the Company is required to issue a further 20,000,000 fully paid ordinary shares upon lodgement of the Environmental Impact Statement. Further details of the Tranche 1 Deferred Consideration are provided in the Notice of Meeting on 9 May, 2016.

Upon release of this announcement 10,000,000 fully paid ordinary shares at \$0.10 per share will be issued to non-related parties of the Company. These shares will be issued under the Company’s Listing Rule 7.1 placement capacity. A further 10,000,000 shares at \$0.10 per share, being the balance due under the SPA, are to be issued to an entity associated with Managing Director, Mr Anthony McClure. This issuance requires shareholder approval, which will be sought at the next General Meeting of the Company.

About the Bowdens Silver Project Area

The Bowdens Silver Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (see Figure 2). The consolidated project area is located within a tenement package which comprises 2007 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.

Bowdens Silver is the largest undeveloped silver deposit in Australia with substantial resources and a considerable body of high-quality technical work completed. The Project boasts outstanding logistics for future mine development.

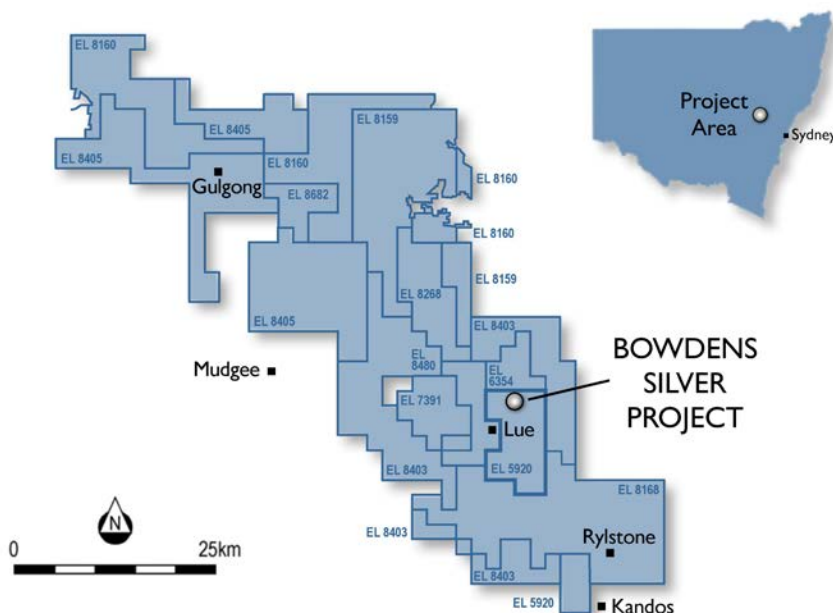


Figure 2. Silver Mines Limited tenement holdings in the Mudgee district.

This document has been authorised for release to the ASX by the Company's Managing Director, Mr Anthony McClure.

Further information:

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