

To: Company Announcements Officer
Australian Securities Exchange

21st December, 2011

WEBBS PROJECT UPDATE

- Metallurgical testwork indicates that silver at Webbs may be amenable to cyanide extraction offering the potential for the production of silver doré.
- DDH021 intersects:
 - 6.9m @ 213g/t Ag, 0.12% Cu, 0.79%Pb and 0.83% Zn from 21.1m including 1.0m @ 1130g/t Ag, 0.46% Cu, 1.50% Pb and 1.51% Zn from 26.0m
- DDH022 intersects:
 - 17.4m @ 194g/t Ag, 0.18% Cu, 0.46% Pb and 1.43% Zn from 30m; including 9.0m @ 308g/t Ag, 0.28% Cu, 0.44% Pb and 1.77% Zn from 35m
- DDH016 intersects:
 - Previous sample assay of 1m @ >10,000g/t Ag returns assay of 11,212g/t Ag

Silver Mines Limited (ASX:SVL, PLUS:SVLP) is pleased to announce some very encouraging preliminary metallurgical results which indicate that mineralisation at Webbs may be amenable to cyanide leaching leading to the possible production of silver doré. More testwork is required to adequately test this concept.

SVL has also received results for a further two of nineteen recently completed diamond drill holes (DDH) at the Webbs Silver project. These DDH holes were designed to infill the previous reverse circulation (RC) drill pattern, twin RC holes in order to assist in geological interpretation and test deeper targets. Drill core samples will also be used for metallurgical testwork.

Silver Mines CEO Charles Straw stated “the bottle roll metallurgical results constitute an exciting development for the Webbs project. Although very preliminary in nature the results demonstrate the production of silver doré may be possible. If so, this could have a significant positive impact on the project. At the same time results from the diamond drilling are in line with expectations based on previous RC results. We still await results for several key diamond holes which need to be included in the new resource model due to their positions. At the same time we are always pleased to obtain bonanza grade results like that reported in DDH016. It’s always good when you can report silver assays in percent, even if it is only from a single metre, and it helps to demonstrate the high nature of the Webbs deposit”

METALLURGY

As part of the metallurgical testwork program, Silver Mines has conducted preliminary investigations into the cyanide solubility of silver at the Webbs deposit.

The tests were conducted on two types of material and results are shown Table 1. Samples 68678-68681 represent jig-gravity tailings from operations dating from 1888-1900. Samples 86906-86916 represent individual assays through the mineralized zone from recent diamond drill hole DDH019. All samples were pulverized to 90% passing 75 microns and subjected to cyanide bottle roll tests. Cyanide bottle roll involves a 24hr agitated leach of 500-1000g of the pulverized samples using weak sodium cyanide solution. The liquor and/or solid residue are assayed for silver (Ag) and when compared with the sample head grade Ag the percentage of Ag extracted by can be calculated.

Table 1. Bottle roll results

Sample	Head grade Ag (g/t)	Ag (%) leached by CN
68678	278	83
68679	247	74
68680	236	85
68681	272	56
86906	24	36
86907	140	28
86908	1940	26
86909	151	20
86910	30	22
86912	269	28
86913	123	36
86914	2270	20
86915	435	30
86916	41	21

The results in Table 1 indicate that silver extraction from the jig tailings samples average 75% and ranged from 56-85%. The samples from DDH019 yielded a lower average silver extraction of 27% and ranged from 20-36%. The increased recovery in the jig tailings sample is likely due to the fact the stockpile contains material 2-10mm in size has been exposed at surface for 100 years resulting in the oxidation of tetrahedrite which has liberated much of the contained silver thereby increasing its cyanide solubility.

Results from this early stage evaluation are considered very encouraging as they demonstrate that at least some of the silver at Webbs is cyanide soluble thereby indicating the production of silver doré may be possible. Additional detailed testwork is required but the results demonstrate this is a potential treatment route worth pursuing.

DIAMOND DRILLING

DDH016

Results for DDH016 were reported in ASX Announcement dated November 16, 2011. A single sample from the mineralised section of this hole returned an assay of 1m @ >10,000g/t Ag. The value >10,000g/t Ag is the maximum that can be reported from the laboratory used by Silver Mines. Accordingly, this sample was sent to a laboratory in Canada to obtain an accurate analysis. The assay returned was 11,212g/t or 1.12% Ag. This value is the highest individual silver assay reported from Webbs to date.

DDH021 and 022

Results for diamond core holes DDH021 and DDH022 have been received. Results are summarized in Table 2.

DDH021 was essentially drilled as a twin of RC hole 202. DDH021 intersected 1m @ 1130g/t Ag, 0.4% Cu, 1.50% Pb and 1.51% Zn from 26m. RC203 intersected 2m @ 588g/t Ag, 0.65% Cu, 5.40% Pb and 5.40% Zn from 25m. Additional intersections in RC203 included 2m @ 502g/t Ag from 41m and 1m @ 146g/t Ag from 51m. These intersections were not duplicated in DDH021, although similar width but lower grade zones could be interpreted as corresponding zones. It is also possible that cross cutting faults may displace the lode zone in the area.

DDH022 was effectively a twin of RC hole 214. DDH022 intersected the lode about 6m above the intersection in drillhole RC214. Comparative intersections are: RC214: 15m @ 256g/t Ag, 0.21% Cu, 0.30% Pb and 1.78% Zn. DDH022 intersected 17.4m @ 194g/t Ag, 0.18% Cu, 0.46% Pb and 1.43% Zn. In both holes the true width of the mineralized zone is around 6.0m.

FUTURE PLANS

An updated resource estimate for the Webbs deposit is currently being prepared. However, the company is still awaiting assay results for several key diamond drill holes which need to be included in the resource estimate. Accordingly the resource estimate is likely to be released in early 2012 once the new results have been incorporated into the resource database.

Drill core is also being used to formulate metallurgical samples upon which additional metallurgical testwork will be conducted to pre-feasibility level. This work will include flotation testwork and additional testwork on pre-treatment of concentrate and cyanide leaching of silver.

Additional drilling at Webbs is planned in early 2012 in order to expand the resource base. This drilling will test deeper high grade targets as well as several near surface gaps in the existing drill pattern.

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Table 2. Diamond drilling: Hole details and intersections

Hole ID	MGA North	MGA East	Dip	Azi MGA	Hole Depth	From (m)	To (m)	Int# (m)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
DDH021	6751893	358921	-55	299	83.6	21.1	28	6.9	213	0.12	0.77	0.83
DDH021	incl.					26	27	1	1130	0.46	1.50	1.50
DDH021						57	59	2	67	0.03	1.00	1.37
DDH022	6751714	358873	-50	298	64.9	30	47.4	17.4	194	0.18	0.46	1.43
DDH022	incl.					35	44	9	308	0.28	0.44	1.77

All co-ordinates are in MGA grid.

Down-hole intersections are NOT true widths due to the geometry of the lodes and angle of intersection of the drill hole. True widths are estimated to be approximately 40% of down-hole interval in holes with dips of -50°.

Sampling and Assaying

HQ diamond core samples are cut lengthways to produce half core. Samples are usually taken at 1m intervals or as geology dictates. Silver Mines have opted to utilise the services of ALS-Chemex (Brisbane), a globally respected company servicing the mining industry. Samples are dispatched by TNT Couriers from Glen Innes to ALS. Core is crushed to -6mm and a 1kg split is then pulverised to provide the assay pulp. Routine assaying is conducted by ALS Method ICP41 This is acid digest with an ICP-AES finish analysing for Ag, As, Bi, Cu, Fe, Pb, S, Sb, Sn, W and Zn. When elements exceed upper detections limits of 100ppm for Ag and 1% for Cu, Pb and Zn they are reanalysed by and appropriate ore grade acid technique (ALS method OG46). For silver above 1500g/t a gravimetric technique is used. Certified Standards and blanks are routinely submitted in each assay batch to monitor QA-QC.

Competent Person Declaration

The information in this Document that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr David Hobby, consulting geologist to SVL, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hobby has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hobby consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.