

To: Company Announcements Officer
Australian Securities Exchange

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HIGH GRADE SILVER CONFIRMS DEPTH POTENTIAL AT WEBBS

- DDH017 intersects:
 - **25.9m @ 337g/t Ag, 0.29% Cu, 0.17%Pb and 2.93% Zn from 169.8m**
Incl. 9.0m @ 686g/t Ag, 0.52% Cu, 0.16% Pb and 5.56% Zn from 169.8m
Incl. 1.0m @ 2560g/t Ag, 0.80% Cu, 0.30% Pb and 10.8% Zn from 176.4m
and 1.05m @ 1210g/t Ag, 1.47% Cu, 0.30% Pb and 3.60% Zn from 187.0m
- DDH018 intersects:
 - **3.65m @ 624g/t Ag, 0.50% Cu, 0.27% Pb and 2.97% Zn from 80.75m;**
Incl. 1.0m @ 1110g/t Ag, 0.92% Cu, 0.06% Pb and 5.08% Zn from 80.75m

Silver Mines Limited (ASX:SVL, PLUS:SVLP) is pleased to announce results for a further two diamond drill holes (DDH) completed 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. Results and drillhole details are presented in Table 1. Drill core samples will also be used for metallurgical testwork.

Silver Mines CEO Charles Straw stated “the intersection in drillhole DDH017 in particular is some of the deepest mineralisation discovered at Webbs so far by Silver Mines and demonstrates the excellent potential in the deposit which boasts some of the broadest and highest grade silver intersections of any primary silver project in the country at present. The width and grade of this zone at Webbs South represents an excellent target for deeper drilling and the deposit still remains open at depth here and in many other locations. ”

DIAMOND DRILLING

DDH017

DDH017 was drilled towards the southern end of the Webbs South prospect. The hole was designed to test for depth extensions of mineralisation intersected in adjacent holes. DDH017 intersected the lode approximately 15m down dip of the high grade intersection in RC076 (see Figure 1). RC076 returned 25m @ 1175g/t Ag including 11m 2264g/t Ag. DDH017 returned an intersection of 25.9m @ 337g/t Ag including 9m @ 686g/t Ag. Both holes also have appreciable levels of Cu and Zn.

DDH017 confirms the width of the mineralised-altered zone intersected in RC076. The true thickness of the mineralised zone in this area is around 11m, with narrower zones of higher grade around 4-5m wide. The differences in grade between RC076 and DDH017 are likely due to natural variation as the distance between the two holes is probably too great for direct comparison. The mineralised zone remains open below DDH017 and the width and grade intersected represent a very attractive target for future drilling as shown in Figure 1. Drillhole RCD129 (RC pre-collar with diamond tail) was aimed to test this target at depth. However, the hole deviated and had to be abandoned.

DDH018

DDH018 was drilled as an infill/confirmation hole at the northern end of the Webbs South prospect. DDH018 intersected the mineralized lode very near RC135. Using a 40g/t Ag lower cut-off, the mineralized intersections in both holes indicate the lode to be approximately 3.2m wide with average grades of around 415g/t Ag over that width.

FUTURE PLANS

The updated resource estimate for the Webbs deposit is still in preparation. The company awaits further assay results for diamond drill holes to be included in the resource estimate. Accordingly the resource estimate will be released 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.

Please direct any queries regarding the content of this report to Charles Straw (CEO) on +61 2 9253 0900 or cstraw@silverminesltd.com.au.

Table 1. 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 (%) |
|---------|-----------|----------|-----|---------|------------|----------|--------|----------|----------|--------|--------|--------|
| DDH017 | 358921 | 6751663 | -55 | 282 | 216.7 | 169.8 | 195.7 | 25.9 | 337 | 0.29 | 0.17 | 2.93 |
| incl. | | | | | | 169.8 | 179.7 | 9.0 | 686 | 0.52 | 0.17 | 5.91 |
| incl. | | | | | | 176.4 | 177.4 | 1.0 | 2560 | 0.80 | 0.30 | 10.8 |
| incl. | | | | | | 187.0 | 188.05 | 1.05 | 1210 | 1.47 | 0.30 | 3.60 |
| DDH018 | 358926 | 6751848 | -55 | 292 | 143.2 | 80.75 | 84.4 | 3.65 | 624 | 0.50 | 0.27 | 2.97 |
| | | | | | | 80.75 | 80.75 | 1.0 | 1110 | 0.92 | 0.06 | 5.08 |

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 45% of down-hole interval for holes with dips of -55°.

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.

Webbs South Prospect Cross Section

