

15th March 2017

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

SEMI-MASSIVE AND MASSIVE SULPHIDE DISCOVERY AT BOWDENS SILVER

Highlights

- **Drilling below current resource at Bowdens Silver has returned an 18.25 metre semi-massive sulphide intercept with zones of massive sulphide including gold.**
- **Assays include 18.25 metres @ 31g/t silver, 4.6% zinc 3.0% lead and 0.52g/t gold (313g/t silver equivalent) from 283.75 metres down-hole.**
- **The intercept is a new discovery and a completely new style of mineralisation at Bowdens Silver hosted at the contact between volcanics and underlying basement shales.**
- **Gold mineralisation over such substantial widths has not been previously seen at Bowdens Silver with assays up to 4.71g/t gold.**
- **The sulphide intercept is located approximately 100 metres vertically below the current Bowdens Silver resource.**
- **Results are pending for the remainder of the drill hole with:**
 - **105 metre interval above the new zone containing fracture controlled and disseminated sulphide mineralization typical of Bowdens style hosted in volcanics.**
 - **142 metre interval below the new zone containing vein and vein breccia base metal mineralisation including copper mineralisation in the basement shales.**

Drill Hole BD17011

Silver Mines Limited (ASX:SVL) (“Silver Mines” or “the Company”) is pleased to advise that it has received partial drill assay results from hole BD17011 at the Bowdens Silver project located near Mudgee in New South Wales.

Drill hole BD17011 was designed as both a resource definition and metallurgical test hole in the western part of the Bowdens Silver resource. The upper portion of the hole intersected typical Bowdens Silver style mineralisation consisting of silver bearing galena and sphalerite veins and

breccia hosted within the Rylstone Volcanics. Assays remain pending for this 105 metre interval from 100 metres down hole depth.

From 283.75 metres, the hole intersected 18.25 metres of semi-massive sulphide including zones of massive sulphide containing sphalerite (zinc sulphide), galena (lead sulphide) and pyrite (iron sulphide) at the contact between Rylstone Volcanics and basement Ordovician shale.

The remainder of the drill hole over approximately 142 metres from 302.75 metres to end of hole at 444.8 metres intersected predominantly fracture controlled galena, sphalerite and chalcopyrite (copper iron sulphide) base metal mineralisation. Assays are pending for this portion of the hole. This style of mineralisation coupled with the 18.25 metre intercept above has never been seen before at Bowdens Silver and is a new discovery.

Table 1: Drill hole intersection from BD17011 at the Bowdens Silver Project using a minimum 1% combined lead + zinc cut-off with a higher-grade zone using a minimum 30g/t silver cut-off over 5 metre interval and up to 1 metre internal dilution.

Hole ID	From (metres)	To (metres)	Interval (metres)	Silver (g/t)	Zinc (%)	Lead (%)	Gold (g/t)	Ag Eq (g/t) ¹
BD17011	283.75	302	18.25	31	4.6	3.0	0.52	313
incl	286.0	299.2	13.2	36	5.55	3.68	0.67	383

1. Bowdens silver equivalent calculated using metal prices of US\$20 per ounce silver, US\$1.00 per pound zinc, US\$1.00 per pound lead and, US\$1200 per ounce gold and recoveries of 81% for silver, 82% for zinc, 81% for lead and 81% for gold.



Photo 2. Massive sulphide mineralisation at Bowdens Silver showing high concentrations of sphalerite, galena and pyrite.

Silver Mines is currently reviewing this new discovery hole to place into the context of other known mineralisation within the Bowdens Silver deposit. At this preliminary stage, there are a number of possible geological concepts that could explain the nature of this deeper feeder zone mineralisation and how it relates to the known high level silver system. Historical drill hole BGD046 is located approximately 30 metres west of the intersection in BD17011. BGD046 recorded a 10.5 metre mineralised interval assaying 18g/t silver, 2.63% zinc, 1.95% lead and 0.18g/t gold considered to be analogous to that in BD17011. This historical drill hole was not previously continued to depth or followed up on to assess nearby or underlying mineralisation.

In order to assess the continuity of this zone to the east, recently completed hole BD17009, will be extended to depth to test over the Rylstone Volcanics-basement contact and mineralisation at depth. In addition, BD17014 located to the west of BD17011 has been completed with assays pending.

Please refer to Table 1, Photos 1 and 2 and Figures 1 and 2 and Appendix 1 for further details.

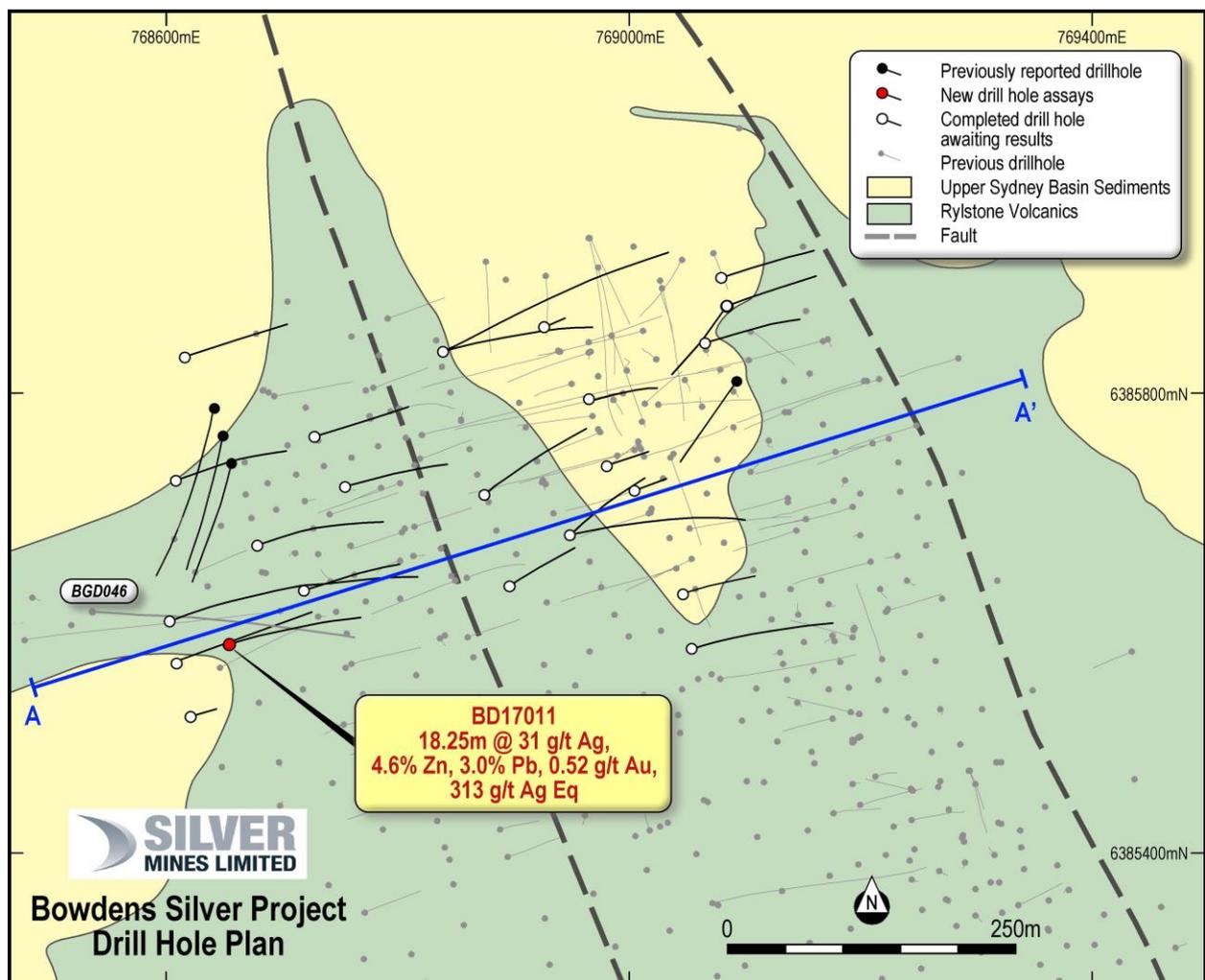


Figure 1. Bowdens Silver location of drill hole BD17011.

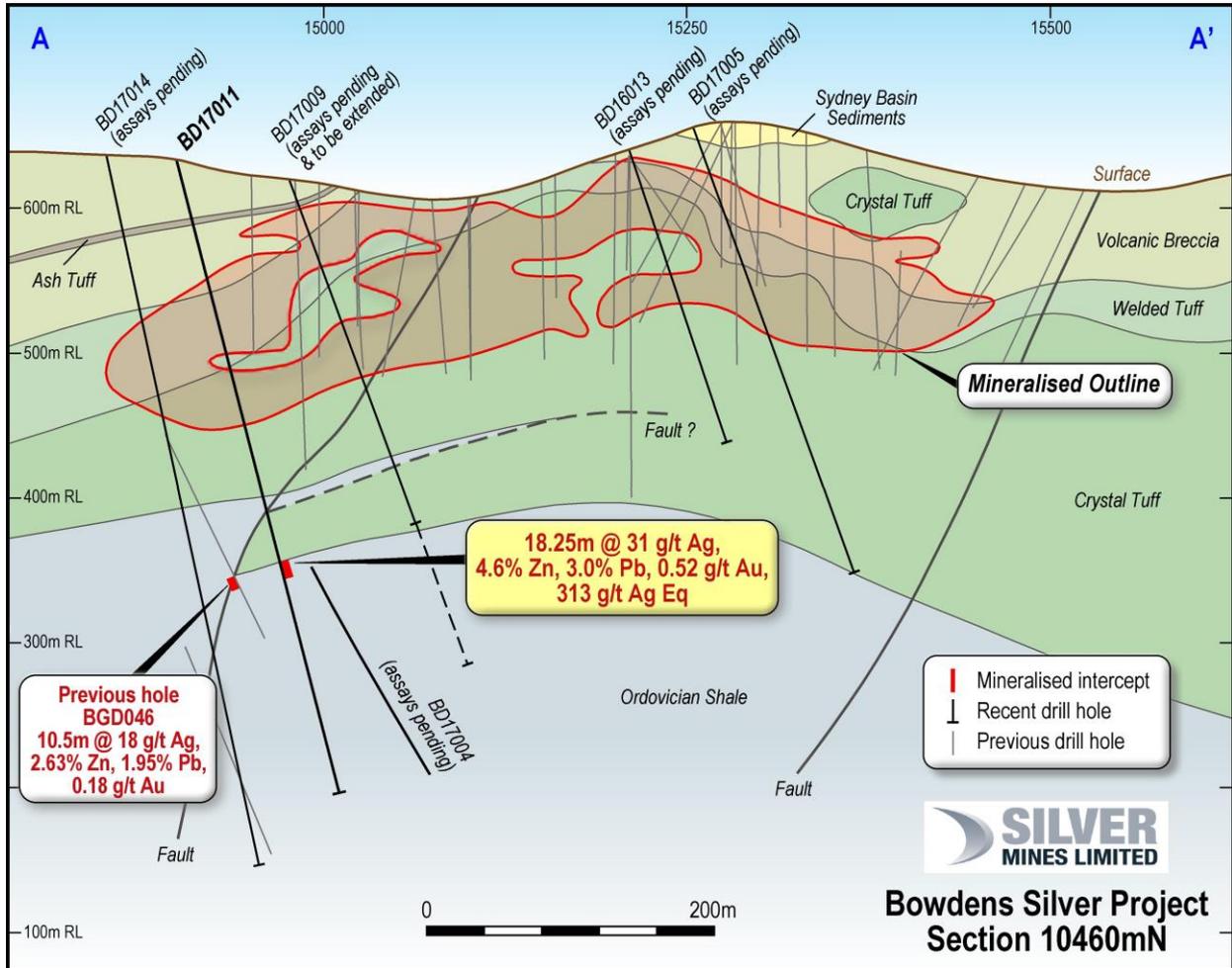


Figure 2. Bowdens Silver cross section of drill hole BD17011.

Other Drilling

The current drill program involves infill drilling to convert inferred resources to measured and indicated resource categories as well as testing for potential extensions of the known mineralisation. Drilling is on-going with a further fifteen holes completed (BD17001-015) with assays pending completion of assays. The total program, consisting of 178 holes for 38,000 metres of drilling will be a combination of diamond core and reverse circulation drilling.

Results from drill holes BD16007, BD16008, BD16009 and BD16011 are currently being collated and will be reported shortly.

Other News

Exploration planning for the Gumarooka Intrusion is well advanced and subject to approvals drilling is expected to commence shortly. An Induced Polarisation (IP) program over Gumarooka and other areas surrounding the Bowdens Silver Deposit is close to completion.

The Gumarooka Intrusion is interpreted from data from the recent high-resolution airborne magnetic and radiometric program which has identified an elliptical body approximately 1,300 metres by 800 metres located immediately to the north-west of the Bowdens Silver epithermal deposit.



Photos 2. Recent semi-massive sulphide intercept in BD17011 showing zones of massive sulphide with high concentrations of sphalerite, galena and pyrite.

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.

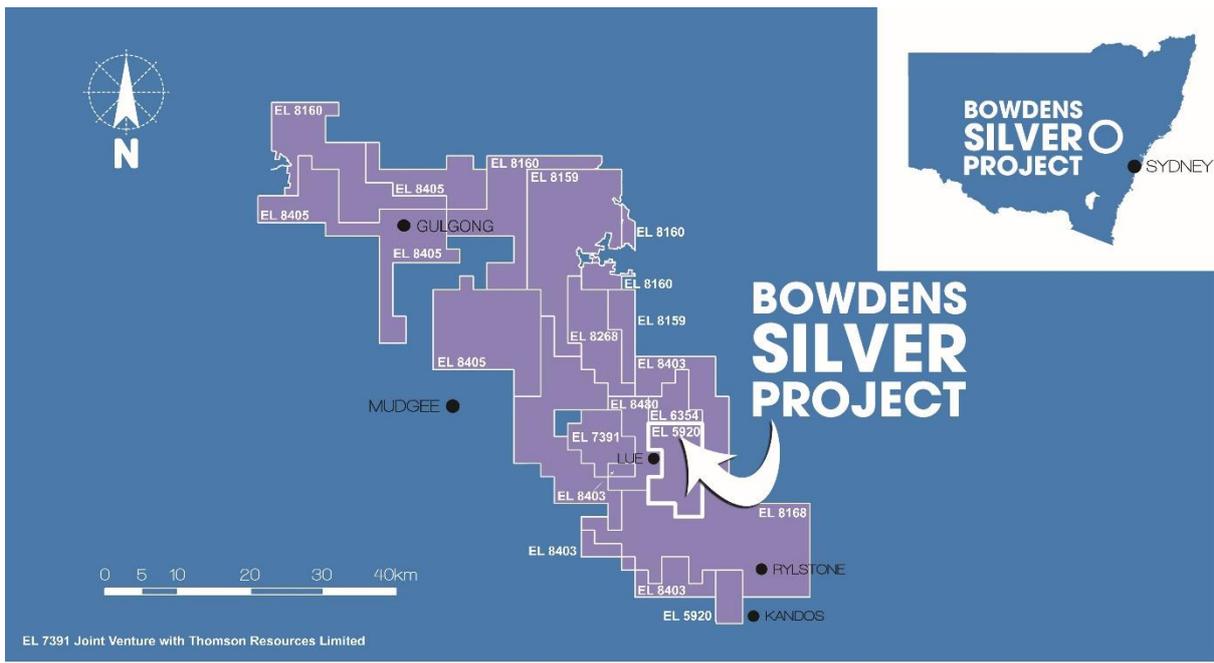
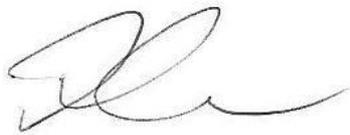


Figure 3. Bowdens Silver tenement holdings in the Mudgee district.

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 is based on information compiled or reviewed by Mr Scott Munro who is a full-time employee of the company. Mr Munro is a member of the Australian Institute of Geoscientists (AIG) 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 Munro consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Appendix 1 Drill Hole Details

Hole ID	East	North	RL	Dip	Azimuth (mag)	EOH (m)	Comment
BD16001	769092	6385810	640	-75	200	342.9	assays received
BD16002	769084	6385876	631	-75	200	300.9	assays received
BD16003	768640	6385787	629	-70	180	456.7	assays received
BD16004	768647	6385763	626	-70	180	348.9	assays received
BD16005	769045	6385916	643	-75	200	351	assays received
BD16006	768655	6385740	621	-70	180	315	assays received
BD16007	768965	6385795	660	-80	60.5	342.8	collation
BD16008	768874	6385712	621	-65	40.5	252.6	collation
BD16009	768895	6385633	614	-65	45.5	162.7	collation
BD16010	769053	6385578	637	-65	60.5	279.6	assays pending
BD16011	768838	6385837	620	-53	53.5	354.7	assays pending
BD16012	768838	6385837	620	-61	65.5	279.8	assays pending
BD16013	768948	6385677	636	-70	40.5	249.8	assays pending
BD16014	768948	6385677	636	-55	70	267.6	assays pending
BD16015	769046	6385626	650	-75	60.5	267.7	collation
BD16016	769079	6385901	635	-65	60.5	192.4	assays pending
BD17001	768925	6385858	651	-85	60.5	210.9	assays pending
BD17002	768753	6385719	609	-70	60.5	261.3	assays pending
BD17003	768980	6385737	658	-75	60.5	147.8	assays pending
BD17004	768601	6385602	629	-66	64.5	477.7	assays pending
BD17005	769004	6385715	658	-75	58.5	117.4	assays pending
BD17006	769065	6385844	641	-72	60.5	264.8	assays pending
BD17007	768607	6385724	628	-70	60.5	282.8	assays pending
BD17008	769084	6385876	632	-65	60.5	192.7	assays pending
BD17009	768718	6385628	616	-70	60.5	252.8	assays pending
BD17010	768619	6385518	645	-85	60.5	240.8	assays pending
BD17011	768652	6385581	631	-75	60.5	444.8	partial assays
BD17012	768678	6385668	615	-75	60.5	363.7	assays pending
BD17013	768727	6385763	613	-70	60.5	249.8	assays pending
BD17014	768606	6385566	633	-78	60.5	516.8	assays pending
BD17015	768615	6385832	637	-74	60.5	339.8	assays pending

JORC Code, 2012 Edition – ANNEXURE 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1m samples from which 3kg was pulverised to produce a 30g charge for fire assay.') In other cases, more explanation may be required such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> NQ size core - all samples taken as nominal 1 metre intervals from half-cut core and from the same side of the core. HQ size core - all samples taken as nominal 1 metre intervals from quarter-cut core and from the same side of the core. Each sample represents approximately 2 kilograms of material Each sample was sent for multi-element assay using ICP techniques with the entire sample pulverized and homogenized with a 50g extract taken for assay. Assays are considered representative of the sample collected.
Drilling techniques	<ul style="list-style-type: none"> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> Drilling undertaken using HQ & NQ diamond core rig with standard tube. All core, where unbroken ground allows, is oriented by drilling team and an orientation line along the base of the hole.
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. 	<ul style="list-style-type: none"> Core recovery is estimated at greater than 95%. Some zones (less than 10%) were broken core with occasional clay zones where some sample loss may have occurred. However this is

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	not considered to have materially affected the results.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> All holes are logged using lithology, alteration, veining, mineralization and structure including geotechnical structure. All core is photographed using both wet and dry photography. The entire hole is logged.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core were taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance, results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> Minor selective sub-sampling based on geology to a maximum size of 1.3m and a minimum of 0.3m. All core is cut using a Corewise core saw with core rotated 10 degrees to the orientation line to preserve the orientation for future reference. The half (NQ) or quarter (HQ) of the core without the orientation line is removed, bagged and sent to the laboratory for assay. Sample sizes are considered appropriate for the rock type, style of mineralisation, the thickness and consistency of the intersections and assay ranges expected at Bowdens.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibration factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. 	<ul style="list-style-type: none"> Samples dispatched to ALS Global laboratories in Orange NSW for sample preparation and gold analysis Au-AA25. 33 multi-element analysis completed at ALS Brisbane using method ME-ICP61. Site Standards are inserted every 20 samples to check quality control and laboratory standards and blanks every 25 samples to further check results.

Criteria	JORC Code explanation	Commentary
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> Significant intersections calculated by site-geologists and verified by an independent geological consultant. All geological logging is entered manually onto a log sheet before inputting into a Maxwell Geoservices database schema. All assays matched with the logging sheets and loaded directly from the output provided by the laboratory with no manual entry of assays undertaken.
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> The collar position is surveyed using hand-held GPS with accuracy of +/- 5 metres Down hole surveys collected every 30 metres using an electronic downhole reflex survey camera. The terrain includes steep hills and ridges and with a topographical model on 2 metre accuracy. All collars recorded in MGA94 zone 55 and also re-projected to a locally defined mine-grid system.
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<ul style="list-style-type: none"> This drilling is designed as both infill and extensional to the overall mineral resource envelope. The nominal drill hole spacing is 25m (northing) by 50m (easting) in the core of the deposit. The current drill program includes extensional and infill drilling and will enable the mineral resource estimate to be updated including conversion of inferred resources to indicated resources and new zones to be included in inferred resource.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> Drill orientation was designed to intersect the projection of breccia zones and zones of veins within an overall mineralized envelope and based on previous works.
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> All samples bagged on site under the supervision of two senior geologists with sample bags tied with cable ties before being driven by site personnel to the laboratory in Orange, NSW (~200km from the site)

Criteria	JORC Code explanation	Commentary
<i>Audits or reviews</i>	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> The drilling campaign and drill work includes on-going internal auditing with advice taken on process from external advisors - OmniGeox Ltd, GeoSpy Pty Ltd and AMC Consultants.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> The Bowdens Resource is located wholly within Exploration Licence No EL5920, held wholly by Silver Mines Limited and is located approximately 26km east of Mudgee, New South Wales. The tenement is in good standing. The project has a 2.0% Net Smelter Royalty which reduces to 1.0% after the payment of US\$5 million over 100% of the EL5920. The project has a 1.85% Gross Royalty over 100% of EL5920.
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> The Bowdens project was previously managed by Kingsgate Consolidated and Silver Standard Ltd, however the new drilling reported under this table is based on work conducted solely by Silver Mines/Bowdens Silver.
<i>Geology</i>	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> The Bowdens Deposit is a low sulphidation epithermal base-metal and silver system hosted in Permian Volcanic rocks. Mineralisation includes veins, shear veins and breccia zones within tuff and ignimbrite rocks. Mineralisation is overall shallowly dipping (~15 degrees to the north) with high-grade zones preferentially following a volcanic dome. There are several vein orientations within the broader mineralized zones including some areas of stock-work veins.
<i>Drill hole Information</i>	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar; elevation or RL (Reduced Level elevation above sea level in 	<ul style="list-style-type: none"> All information is included in Appendix 1 of this report.

Criteria	JORC Code explanation	Commentary
	<p>metres) of the drill hole collar;</p> <ul style="list-style-type: none"> ○ dip and azimuth of the hole; ○ down hole length and interception depth; and ○ hole length. <ul style="list-style-type: none"> ● If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	
Data aggregation methods	<ul style="list-style-type: none"> ● In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated. ● Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. ● The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> ● Intersection calculations based on 1% combined lead + zinc cut-off for low-grade results with a minimum 30 g/t silver with maximum 1 metre internal dilution for high-grade results. ● The silver equivalent values calculated using metal prices of US\$20 per ounce silver, US\$1.00 per pound zinc, US\$1.00 per pound lead and, US\$1200 per ounce gold and recoveries of 81% for silver, 82% for zinc, 81% for lead and 81% for gold. ● Ag equivalent formula = $Ag\ g/t + ((Pb\% + Zn\%)*33.2)) + (Au\ g/t * 60.28)$
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> ● These relationships are particularly important in the reporting of Exploration Results. ● If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. ● If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). 	<ul style="list-style-type: none"> ● Mineralisation is both stratabound and vein hosted. The stratigraphy dips moderately to the north while the majority of mineralised veins dip west. Some individual veins intersected were sub-parallel (~10 degrees to core axes). The drilling width is estimated to be 120% of true-width for stratabound mineralisation.
Diagrams	<ul style="list-style-type: none"> ● Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to, a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> ● Maps and cross-sections provided in the body of this report.
Balanced reporting	<ul style="list-style-type: none"> ● Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> ● All results received and compiled to date are reported in this release. Drilling is ongoing with further results expected to provide a more detailed assessment of the mineralised zones.

Criteria	JORC Code explanation	Commentary
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including but not limited to: geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics and potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> This report relates to drill data reported from this program.
<i>Further work</i>	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> This report relates to a drill program that totals 38,000 metres of drilling with drilling on-going and further results pending.