Level 11, 52 Phillip St
Sydney NSW 2000
P: +61 2 8316 3997
F: +61 2 8316 3999
Info@silvermines.com.au
www.silvermines.com.au

19th June 2017

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

EXPLORATION DRILLING NEW DISCOVERY

Highlights

- **First drilling results received from the Plines Prospect located immediately to the south and west of the Bowdens Silver Project**
- **Mineralisation extends from surface**

PLRC170001 results:

- **25 metres @ 31.7g/t silver, 0.04% lead and 0.01% zinc (33g/t silver equivalent) from 2 metres including higher grade results of:**
  - **8 metres @ 66.7g/t silver, 0.09% lead and 0.01% zinc (70g/t silver equivalent) from 2 metres**
  - **Peak assay of 190g/t silver**
  - **Broad zones of zinc mineralisation including:**
    - **55 metres 0.27% zinc from 45 metres and**
    - **7 metres @ 0.52% zinc from 114 metres**

PLRC17002 results:

- **7 metres @ 8.6g/t silver, 0.42% zinc and 0.13% lead, (27g/t silver equivalent) from 84 metres**
- **With broad zones of zinc mineralisation including:**
  - **18 metres @ 0.50% zinc from 7 metres**
  - **71 metres @ 0.30% zinc from 41 metres**
- **Assays pending on three more holes**
- **Further drilling being planned**

Plines Prospect

Silver Mines Limited (ASX:SVL) ("Silver Mines" or "the Company") is pleased to provide an update on reverse circulation drilling at the Bowdens Silver Project located near Mudgee in New South Wales with drill results from the Plines prospect.

The first drill hole from Plines has returned high grade assays up to 190g/t silver. The Plines prospect is located approximately 200 metres to the southwest of the Bundarra zone at the Bowdens Silver Deposit. Even though the holes reported in this release are on the south-western margin of the inferred resource area (refer Figure 3) there is little previous data support for mineralisation extending beyond a northwest-southeast striking bounding fault. The mineralisation identified in the first holes from Plines are to the southwest of this fault. The prospect was identified by a multi-element geochemistry anomaly covering an area of approximately 800 metres by 600 metres.

Historic shallow drilling in the vicinity of Plines was not uniformly assayed but did return anomalous zinc and silver results. The Company has conducted an initial test of five wide spaced holes at Plines with the first two holes results presented here. The remaining 3 drill holes have been completed, with the assay results pending. Visually the first hole contained the best mineralisation of the five and provides a vector to further mineralisation to the south from PLRC17001. The presence of broad zones of low-grade zinc mineralisation is of extra interest to the Company and is suggestive of a more substantial mineralised system in this area or at depth. Further drilling is being planned.

Refer to Tables 1 and 2 for full drill-hole intercepts being reported in this release.

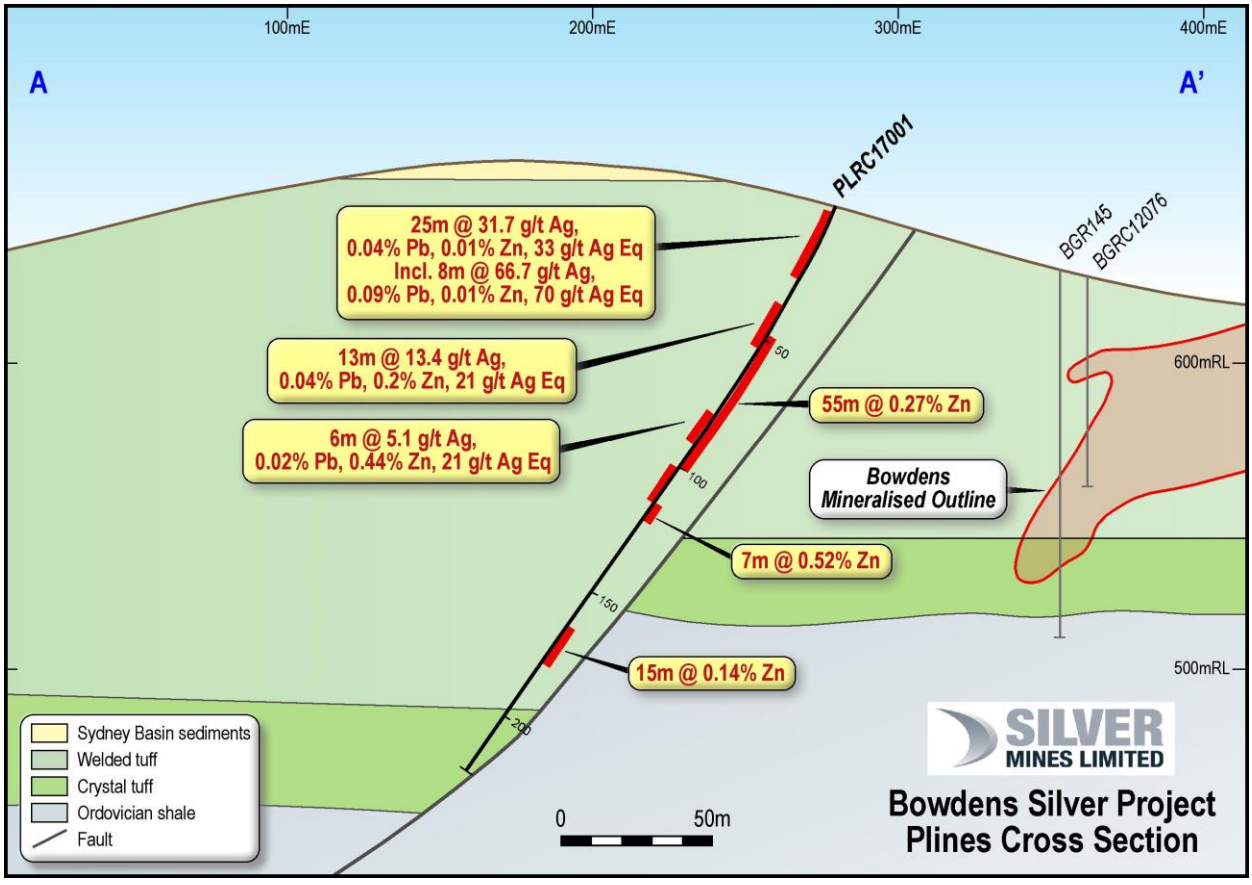

Figure 1 Cross-section through the Plines drill hole PLRC17001

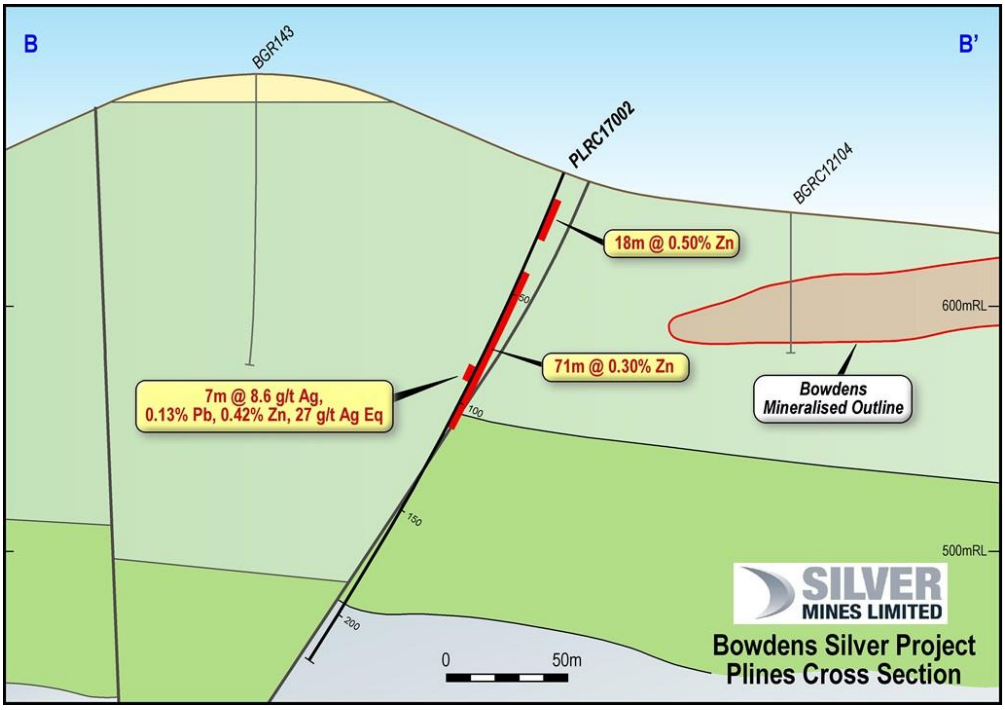

Figure 2 Cross-section through the Plines drill hole PLRC17002

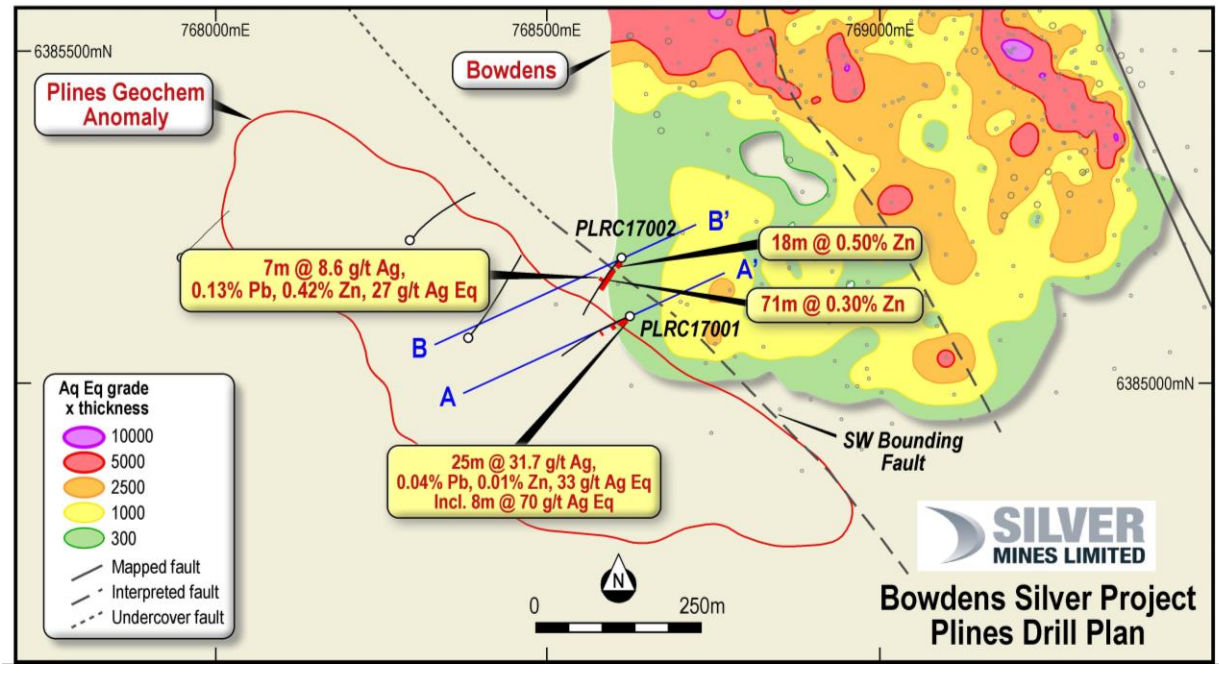

Figure 3 Plan view of the Plines project

Table 1 Drill hole intersections using a minimum 30g/t silver equivalent cut-off over a 5 metre interval and up to 10 metre internal dilution with higher grade results reported with a minimum 60g/t silver cut-off over a 5 metre interval and up to 5 metre internal dilution.

Hole	From (metres)	To (metres)	Interval (Metres)	Silver (g/t)	Zinc (%)	Lead (%)	Silver Equivalent (g/t) [1]
PLRC17001	2	27	25	31.7	0.01	0.04	33
Including	2	10	8	66.7	0.01	0.09	70
PLRC17001[2]	43	56	13	13.4	0.20	0.04	21
PLRC17001[2]	81	87	6	5.1	0.44	0.02	21
PLRC17002[2]	84	91	7	8.6	0.42	0.13	27

1. Bowdens Silver equivalent calculated using metal prices of US$20 per ounce silver, US$1.00 per pound zinc and US$1.00 per pound lead and recoveries of 81% for silver, 82% for zinc and 81% for lead. 2. Note – these intercepts are below the cut-off grade for the intercept due to internal dilution.

Table 2 Drill hole intersections using a minimum 0.1% zinc and minimum 5 metre interval

Hole	*From (metres)*	*To (metres)*	*Interval (metres)*	*Zn (%)*
PLRC17001	45	100	55	0.27
PLRC17001	114	121	7	0.52
PLRC17001	154	169	15	0.14
PLRC17002	7	25	18	0.50
PLRC17002	41	112	71	0.30

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 km^2 (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.

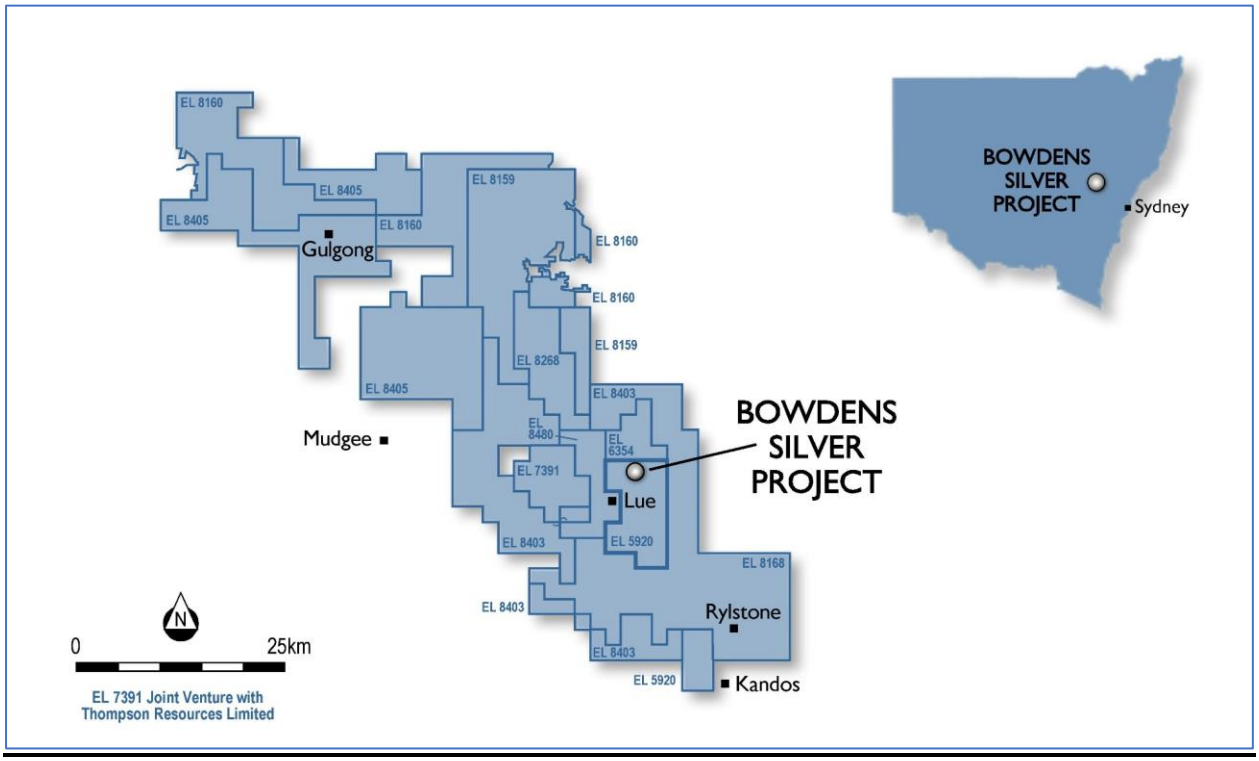

Figure 3. Bowdens Silver tenement holdings in the Mudgee district.

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.

Yours faithfully
Silver Mines Limited

Trent Franklin
Company Secretary

Competent Persons Statement

The information in this report that relates to mineral exploration drill results from Plines Prospect near Bowdens is based on information compiled or reviewed by Mr Darren Holden who is an employee of GeoSpy Pty Ltd and 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.

Appendix 1 Drill Hole Details

Hole ID	Hole Type	East (GDA)	North (GDA)	RL (m)	Dip	Azimuth (mag)	EOH (m)	Comment
PLRC17001	RC	768,627	6,385,103	651	-65	235	222	Assays received
PLRC17002	RC	768,612	6,385,189	643	-65	225	222	Assays received
PLRC17003	RC	768,379	6,385,069	646	-60	34	240	Assays pending
PLRC17004	RC	768,293	6,385,216	644	-65	34	240	Assays pending
PLRC17005	RC	767,947	6,385,190	628	-65	34	222	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	• *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.*	. • RC samples collected on a 1m interval from a Riffle splitter. • 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	• *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).*	• RC drilling using a 139mm hammer.
Drill sample recovery	• *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.*	• RC samples are assessed by volume for each meter and assessed for recovery, contamination and effect of water if present. • No significant relationship between sample recovery and grade

Criteria	JORC Code explanation	Commentary
	• *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.*	exists.
Logging	• *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.*	• Chip trays are photographed using both wet and dry photography. • Representative sample record from each meter are stored in chip trays for future reference • In all cases the entire hole is logged by a geologist. •
Sub-sampling techniques and sample preparation	• *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.*	• RC samples are collected from a riffle or fixed cone splitter at a 6% split. The cyclone/splitter system is checked periodically throughout each hole and cleaned when necessary. To assess the representation of material sampled a duplicate 6% split sample is collected from a secondary -sample chute on the opposite side of the riffle splitter at the rate of 1/20.
Quality of assay data and laboratory tests	• *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.*	• 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 25 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	• *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.*	• Significant intersections calculated by site-geologists and verified by an independent geological consultant. • All geological logging is entered digitally before inputting into a Maxwell Geoservices database schema. • Primary assay data is sent electronically from the lab to the SVL database administrator and then entered into the geological database for validation. • All assays matched with the logging sheets and loaded directly from the output provided by the laboratory with no manual entry of assays undertaken. • No adjustments were made or required to be made to the assay data.
Location of data points	• *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.*	• The collar position is initially surveyed using hand-held GPS with accuracy of +- 3 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 of 0.034 metre accuracy. • All collars recorded in MGA94 zone 55.
Data spacing and distribution	• *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.*	• This drilling is reconnaissance exploration drilling and not for resource purposes.
Orientation of data in relation to geological structure	• *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.*	• Drill orientation was designed based on site accessibility. The orientation of structures at Plines is not yet understood and a comment on true-width is not possible.
Sample security	• *The measures taken to ensure sample security.*	• 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

Criteria	JORC Code explanation	Commentary
		site)
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• The drilling campaign and drill work includes on-going internal auditing with advice taken on process from external advisors - OmniGeox Ltd, GeoSpy Pty Ltd

Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *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.*	• 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.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• 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.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• 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.
Drill hole Information	• *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:*	• All information is included in Appendix 1 of this report.

Criteria	JORC Code explanation	Commentary
	○ *easting and northing of the drill hole collar;* ○ *elevation or RL (Reduced Level elevation above sea level in metres) of the drill hole collar;* ○ *dip and azimuth of the hole;* ○ *down hole length and interception depth; and* ○ *hole length.* • *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	• *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.*	• Intersection calculations based as per detailed in Table 1 in the body of this release. • The silver equivalent values calculated using metal prices of US$20 per ounce silver, US$1.00 per pound zinc and US$1.00 per pound lead and recoveries of 81% for silver, 82% for zinc and 81% for lead. • Ag equivalent formula = *Ag g/t + ((Pb% + Zn%)*33.2))*
Relationship between mineralisation widths and intercept lengths	• *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').*	• Mineralisation in this region (e.g. Bowdens) is both stratabound and vein hosted. At Bowdens the stratigraphy dips moderately to the north while the majority of mineralised veins dip west. However the orientation of mineralized structures at Plines is not yet known.
Diagrams	• *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.*	• Maps and cross-sections provided in the body of this report.
Balanced reporting	• *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.*	• 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
Other substantive exploration data	• *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.*	• This report relates to drill data reported from this program.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Further drilling following up on these results is in the planning phase.