

28th April 2017

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

**ACTIVITIES REPORT FOR THE QUARTER ENDED
31 MARCH 2017**

Highlights

- **Continued outstanding drill results during the quarter confirming multiple high-grade zones at Bowdens Silver.**
- **Drilling below current resource has discovered high-grade silver expanding the north-east flank and the depth of mineralisation.**
- **Drilling below current resource of the western flank has discovered semi-massive sulphides with zones of massive sulphide including gold.**
- **Drill results to date continue to surpass expectations.**
- **The Bowdens Silver Feasibility Study and Environmental Impact Statement continue to rapidly progress.**
- **Underwritten Share Purchase Plan completed raising A\$3 million.**
- **Minimum shareholding buy-back commenced.**

Bowdens Silver Project

During the quarter ended 31st March 2017, Silver Mines Limited (“Silver Mines” or “the Company”) continued drilling activities at its flagship Bowdens Silver Project (“Bowdens Silver”) located in central New South Wales. The project is situated approximately 26 kilometres east of Mudgee (See Figure 4). 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, silver-lead-zinc epithermal and volcanogenic massive sulphide (VMS) systems and copper-gold targets.

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 ongoing with three rigs with 38 holes for 10,529 metres completed as at the date of this report. The total program, consisting of 178 holes for 38,000 metres of drilling, will be a combination of diamond core and reverse circulation drilling.

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The first program includes the drilling of 15,000 metres primarily with the use of two diamond drill rigs operating on site. Initially, the program is planned to:

- increase silver resources both within and in the immediate vicinity of the current resource area;
- convert silver resources to higher levels of confidence as part of the Feasibility Study program; and
- further test high grade polymetallic mineralisation at depth below the current resource area.

The Company advised during the quarter that it has received drill results from the current diamond drilling program at the Bowdens Silver project. Summary results include:

Hole ID	From (metres)	To (metres)	Interval (metres)	Silver (g/t)	Zinc (%)	Lead (%)	Gold (g/t)	Ag Eq (g/t) ¹
BD16005	249.3	274	24.7	184	0.03	0.09	n/a	188
Incl.	270	274	4	924	0.05	0.30	0.30	936
BD16007	72	201	129	89	0.15	0.28	n/a	103
Incl.	103	148	45	143	0.20	0.50	n/a	168
	155	172	17	139	0.07	0.17	n/a	147
	235	236	1	2370	0.89	1.90	n/a	2465
BD16009	23.8	26	2.2	433	5.10	2.80	n/a	695
BD17011	283.75	315	31.25	23	3.24	1.88	0.40	218
Incl.	283.75	302	18.25	31	4.60	3.00	0.52	313
Incl.	286.0	299.2	13.2	36	5.55	3.68	0.67	383
BD17013	128	171	43	112	0.37	0.85	n/a	152

Figure 1. Bowdens Silver Drill Hole Location Plan (Refer to detail in Appendix 2)

1. 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.

Please refer to Figure 1 and Appendix 1 and 2 for further details.

Bowdens Resource and Extensional Drilling

Typical Bowdens Silver mineralisation is hosted within felsic welded tuffs of the Permian aged Rylstone Volcanics, generally consisting of close-spaced base-metal sulphide and silver bearing veins in the order of 1 to 50 millimetres wide and base-metal sulphide breccias.

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BD16005 was designed to test for northeast and depth extensions to the known resource. The results (4.0 metres @ 924g/t silver (936g/t silver equivalent)) demonstrate that high-grade silver mineralisation continues very strongly at depth and well below the current resource and any previously known mineralisation in this area. This intersection extends high-grade mineralisation a further 90 metres down dip from the current resource.

Holes BD16003, BD16004 & and BD16006 were designed to test the northwest flank of the current known resource. The results from BD16003 and BD16004 confirm that the mineralised system remains open to the northwest of the current resource.

Drill holes BD16007, BD16008, BD16009 and BD16015 were designed to test both the continuity of high-grade silver mineralisation and for depth extensions along the eastern portion of the Bowdens Silver resource. This eastern portion of the deposit is referred to as the "Main Zone".

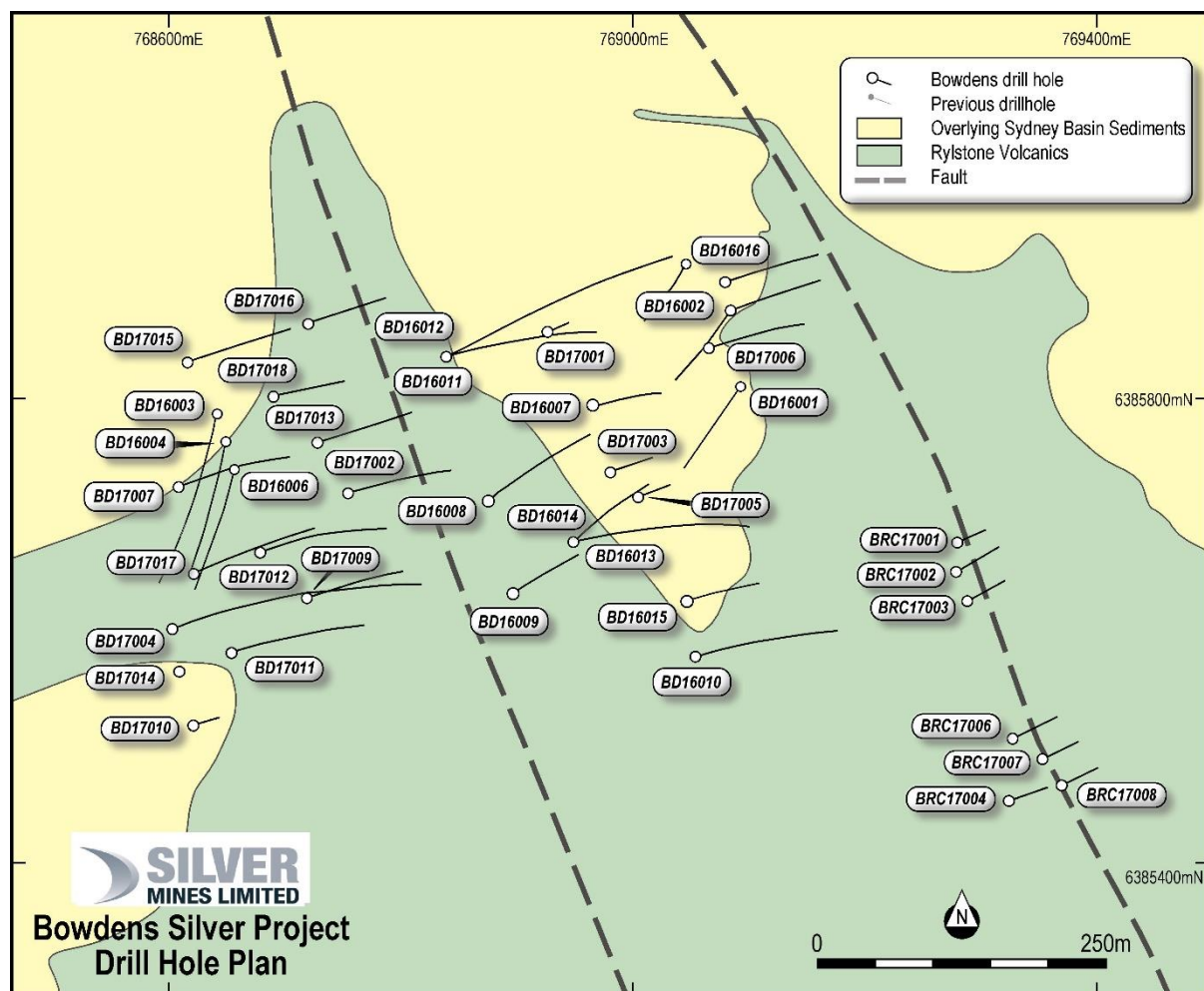


Figure 1. Bowdens Silver Drill Hole Location Plan

Hole BD17002 was designed to test for the continuity of deeper mineralisation along the western portion of the Bowdens Silver resource. The western portion of the deposit is referred to as "Bundarra".

The results from BD16007 to 148 metres down hole confirm the high-grade silver mineralisation from this portion of the resource and in addition the interval to 201 metres down

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hole extends the current resource by up to 50 metres vertically. Furthermore, the high-grade interval from 235 metres in BD16007 is among the highest assays received for the project. The results from BD16008, which remain open to end of hole (252.6 metres), indicate that the mineralised system extends for up to 100 metres directly beneath the current resource.

Targeted drilling within the Main and Bundarra zones continues to surpass expectations and will expand the existing resource model across the deposit and at depth. The results from the zone intersected support the justification of further delineation at depth under the current resource.

The drill program follows approximately 63,000 metres of drilling that has been previously completed at Bowdens Silver with the current program providing tighter drill spacing along with testing of extensional targets. Included in the program is oriented diamond core drilling to provide structural geology information for targeting extensions of high-grade zones.

Semi-Massive and Massive Sulphide Discovery

Drill holes BD17009 and BD17011 were designed as both a resource definition and metallurgical test hole in the western part of the Bowdens Silver resource. The upper portions of the holes intersected typical Bowdens Silver style mineralisation hosted within the Rylstone Volcanics.

In BD17011 from approximately 284 metres, the hole intersected approximately 31 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 intersected predominantly fracture controlled sphalerite, galena and minor chalcopyrite (copper iron sulphide) base metal mineralisation.

This style of mineralisation coupled with the 31 metre intercept above has never been seen before at Bowdens Silver and is a new discovery.

Based on the results of BD17011, BD17009 was subsequently extended from 252 to 435.8 metres. Results are pending for this extension.

Silver Mines is currently reviewing this new discovery hole (BD17011) to place into the context of other known mineralisation within the Bowdens Silver deposit. The results are indicating a zoned hydrothermal system from high-level Ag-Pb-Zn associated mineralisation to a deeper level Zn-Pb-Ag-Au association. Silver Mines is encouraged by the appearance of gold and trace copper sulphide which is suggestive of a deeper source for the current Bowdens deposit.

Gumarooka Intrusion and Surrounds

In late 2016, the Company advised that it had completed a high-resolution aerial magnetic and radiometric geophysical survey covering over 20,000 line kilometres encompassing the entirety of the Bowdens Silver regional tenement area of 1,654 km².

Preliminary interpretations of the new high-resolution airborne magnetic and radiometric data has identified an elliptical body approximately 1,300 metres by 800 metres located

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immediately to the north-west of the Bowdens Silver epithermal deposit which has been named the Gumarooka Intrusion.

Apart from one drill hole of the northern margin, the magnetic body has not been previously drilled and is covered by thin Shoalhaven Group sediments. Intrusions, such as the Gumarooka Intrusion, formed from hot-molten rock and are often the heat and metal sources for epithermal mineralisation such as that seen at Bowdens Silver.

Drilling has commenced and the program is designed to intersect a variety of magnetic signatures at the Gumarooka Intrusion.

In addition to the main Gumarooka target, a second intrusion target located to the north-west of Gumarooka will also be tested. This target area is located in an area known as Walkers Meadow where quartz veins, shear zones and sulphide mineralisation has been observed in outcrop.

Furthermore, the Plines target located to the south west of Bowdens Silver will also be tested. The target consists of mapped millimetre scale base-metal veins anomalous in silver along with a 600 metre by 200 metre lead soil anomaly.

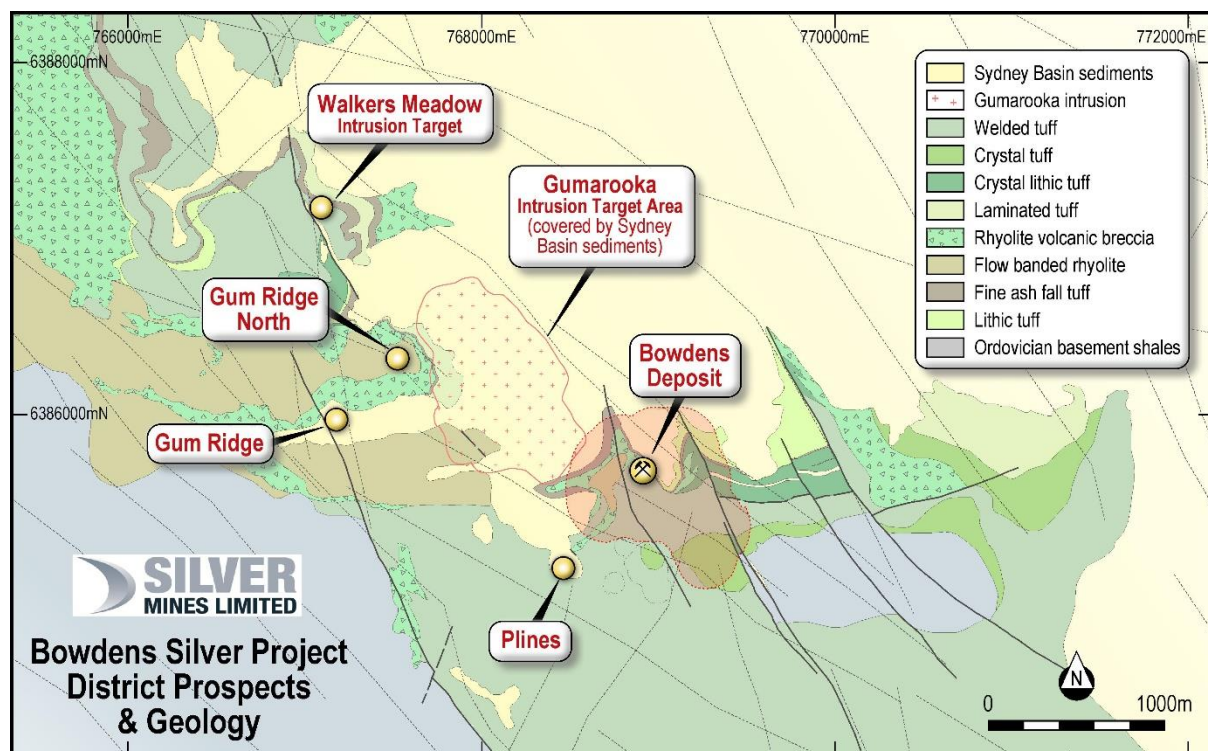


Figure 2. Geological interpretation map of the Bowdens Silver district showing the location of prospects.

The current thirteen hole drilling program at Gumarooka forms part of a larger approved fifty hole reverse circulation and/or diamond drilling program. A total of thirty-five drill holes are designed to test the Gumarooka target and surrounds in Stage 1 (thirteen holes) and Stage 2 (twenty-two holes). A further 15 drill holes are planned as geotechnical and sterilisation drilling as part of the current Definitive Feasibility Study.

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All targets lie within 100% owned Bowdens Silver tenements (Exploration License EL5920 along with all surface rights).

Other Exploration Targets

Outside the Bowdens and Gumarooka areas, several areas have been initially assessed including:

Gulgowra - located approximately four kilometres north-west and along strike from Bowdens Silver interpreted with alteration within Rylstone Volcanics coinciding with anomalous surface geochemistry;

Bara Mine - historic mineral occurrences of sediment hosted copper-lead-silver-zinc deposits located approximately 10 kilometres north-west of Bowdens Silver. Interpretation highlights geological structures associated with a granitoid intrusion; and

Havilah - magnetic interpretation in this Joint Venture area located to the west of Bowdens Silver indicates historical mineral occurrences and substantial anomalous surface geochemistry coinciding with granitic dykes. There are several undrilled targets in this area.

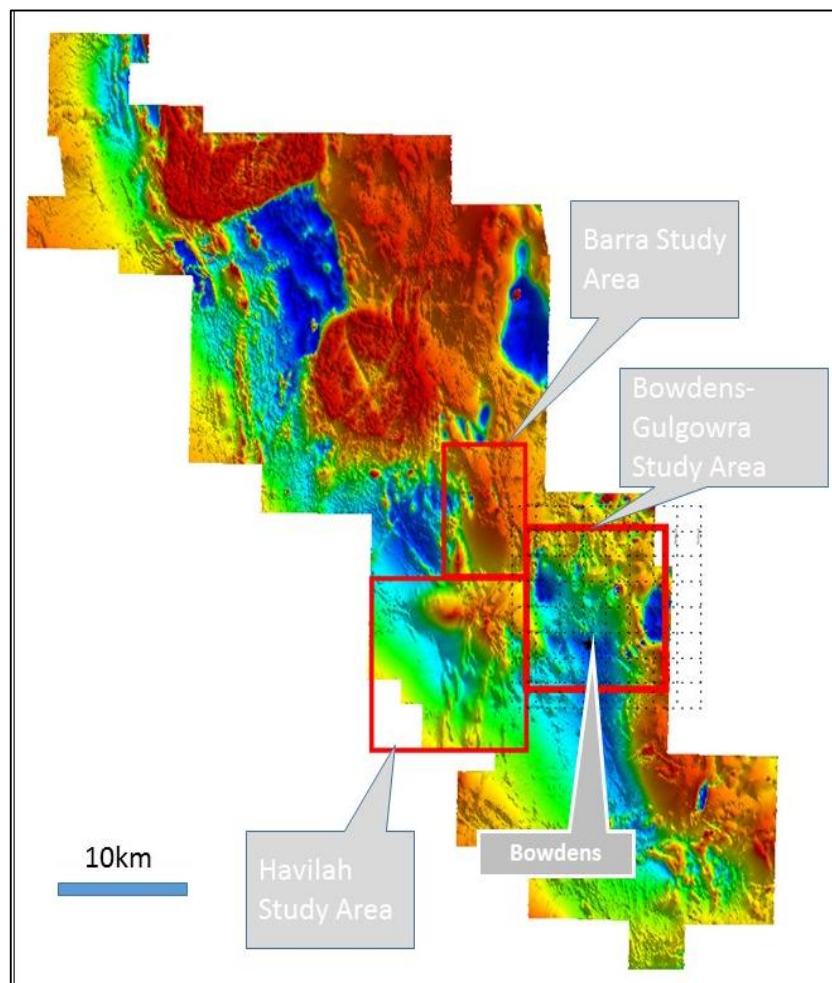


Figure 3. Full extent of new magnetics data over Silver Mines Exploration License Portfolio in the Mudgee region.

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Further details of these high-order target areas will be provided as interpretation is completed. In addition, the Company is continuing to interpret the remainder of the magnetics data with the intention of mapping key geological units and generating new mineral deposit targets.

Feasibility Study and Environmental Impact Study

It is the Company's priority to fast-track the Bowdens Silver Project to mine development. Part of the reassessment of the project and the Feasibility Study works is to examine a more capital cost-effective development with enhanced project economics.

The various components of the Feasibility Study are currently being evaluated in conjunction with the Company's primary consultants including GR Engineering, AMC Consultants, ATC Williams and other specialist consultants.

Ongoing pit optimisation and cost estimation work demonstrates robust project economics at current commodity prices.

Other works commenced include updated mineral resource modelling, mine planning and scheduling and water and tailings management. Flowsheet development and process and plant design aspects of the Feasibility Study have also commenced.

Environmental Impact Statement work to date by RW Corkery & Co has been comprehensive. Many elements requiring significant lead-time have mostly been completed or are well advanced allowing the Company to expedite lodgement.

As part of the Environmental Impact Statement, Silver Mines will continue and expand upon all considerations with State and Local Government along with all stakeholders and community and interest groups.

The Company is targeting Feasibility Study completion and Environmental Impact Statement lodgement in the second half of calendar 2017.

Government and Community Engagement

Silver Mines continues an expansive program of consultation with relevant Government departments, local communities and other interested stakeholders. The program examines the potential impacts and benefits of exploration and development across the substantial Bowdens Silver tenement portfolio. Consultation processes focus on the current potential mine development area and also the wider area where the Company is commencing exploration programs.

Other Projects

Outside selected environmental work, no exploration work was undertaken during the quarter on the Webbs and Conrad projects. A technical review program has commenced as the Company assesses exploration options and other options for these projects.

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Share Purchase Plan

During the quarter, the Company conducted a Share Purchase Plan (“SPP”) to eligible shareholders, raising A\$3 million (before costs), via the issue of 18,181,968 shares at \$0.165 per share. Eligible shareholders were entitled to subscribe for parcels of shares up to A\$15,000 under the offer, which was fully underwritten by Enrizen Capital Pty Ltd.

The Company received applications for A\$1,480,000 of SPP shares, following which the underwriter placed the remaining A\$1,520,000.

Minimum Shareholding Buy-Back

Simultaneously to the SPP, Silver Mines also conducted a buy-back of ordinary shares for holders of share parcels with a market value of less than A\$500. At the date of this report, the buy-back had closed and 582,611 ordinary shares were bought back and cancelled by the Company.

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About the Bowdens Silver Project

The Bowdens Silver Project is located in central New South Wales, approximately 26 kilometres east of Mudgee (Figure 4). 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.

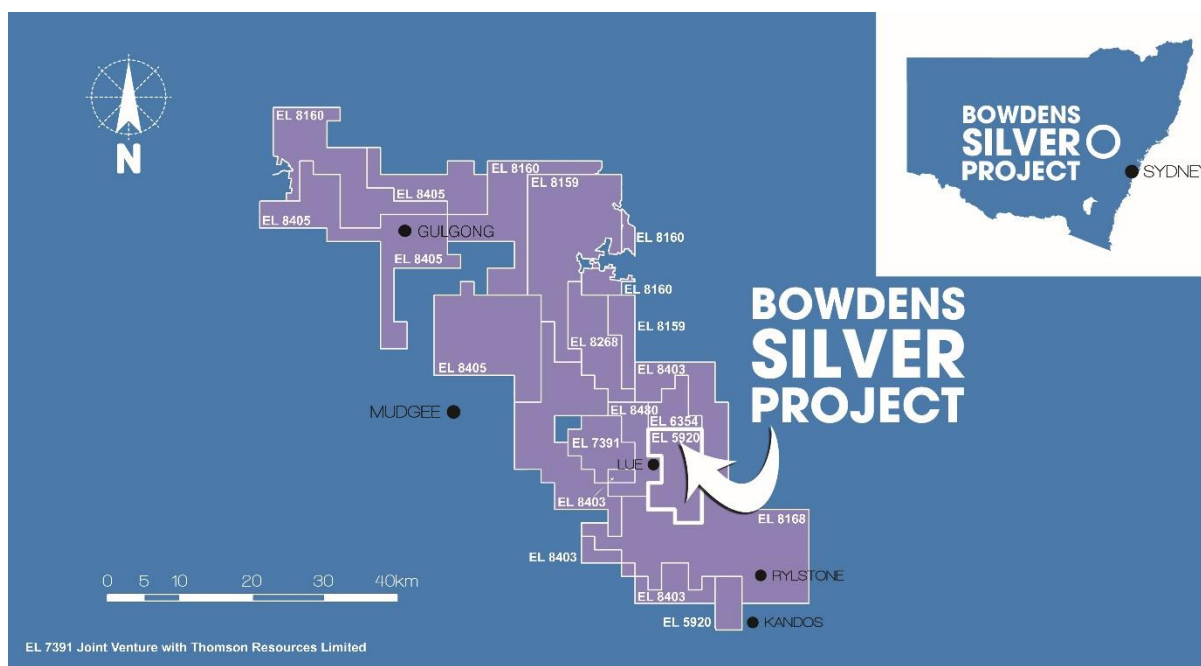


Figure 4. Bowdens Silver tenement holdings in the Mudgee district.

Yours faithfully
Silver Mines Limited



Trent Franklin
Company Secretary

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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.

Tenement Information as at 31st March 2017

Tenement	Project Name	Location	Silver Mines Ownership	Change in Quarter
EL 5920	Bowdens Silver	NSW	100%	-
EL 6354	Bowdens Silver	NSW	100%	-
EL 8159	Bowdens Silver	NSW	100%	-
EL 8160	Bowdens Silver	NSW	100%	-
EL 8168	Bowdens Silver	NSW	100%	-
EL 8268	Bowdens Silver	NSW	100%	-
EL 7391 ¹	Bowdens Silver	NSW	0%	-
EL 8403	Bowdens Silver	NSW	100%	-
EL 8405	Bowdens Silver	NSW	100%	-
EL 8480	Bowdens Silver	NSW	100%	100%
ELA 5405	Bowdens Silver	NSW	application	application lodged
EL 8526	Tuena	NSW	100%	100%
EL 5674	Webbs	NSW	100%	-
EPL1050	Conrad	NSW	100%	-
EL 5977	Conrad	NSW	100%	-
ML 6040	Conrad	NSW	100%	-
ML 6041	Conrad	NSW	100%	-
ML 5992	Conrad	NSW	100%	-

1. Under Joint Venture with Thomson Resources Limited. Silver Mines Limited earning 80%.

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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	assays received
BD16008	768874	6385712	621	-65	40.5	252.6	assays received
BD16009	768895	6385633	614	-65	45.5	162.7	assays received
BD16010	769053	6385578	637	-65	60.5	279.6	assays received
BD16011	768838	6385837	620	-53	53.5	354.7	assays received
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	assays received
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 received
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	partial assays
BD17010	768619	6385518	645	-85	60.5	240.8	assays pending
BD17011	768652	6385581	631	-75	60.5	444.8	assays received
BD17012	768678	6385668	615	-75	60.5	363.7	assays pending
BD17013	768727	6385763	613	-70	60.5	249.8	assays received
BD17014	768606	6385566	633	-78	60.5	516.8	assays pending
BD17015	768615	6385832	637	-74	60.5	339.8	assays pending
BD17016	768720	6385865	614	-70	60.5	210.8	assays pending
BD17017	768621	6385650	618	-75	60.5	414.8	assays pending
BD17018	768690	6385803	619	-74	60.5	219.3	assays pending
BD17019	768671	6385692	612	-75	60.5	309.8	assays pending
BRC17001	769279	6385676	606	-68	60.5	72	assays pending
BRC17002	769277	6385649	604	-65	60.5	84	assays pending
BRC17003	769288	6385626	603	-65	60.5	90	assays pending

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Appendix 2 Drill Hole Results Summary

Hole ID	From (metres)	To (metres)	Interval (metres)	Silver (g/t)	Zinc (%)	Lead (%)	Ag Eq (g/t) ¹
BD16005	249.3	274	24.7	184	0.03	0.09	188
including	270	274	4	924	0.05	0.30	936
BD16003	206	249	43	35	0.28	0.25	53
Including	213	221	8	63	0.31	0.19	80
BD16004	215	225	10	91	0.36	0.77	129
Including	218	222	4	169	0.41	0.98	215
BD16006	NSI						
BD16007	72	201	129	89	0.15	0.28	103
Including	82	92	10	77	0.30	0.29	97
	103	148	45	143	0.20	0.50	168
	155	172	17	139	0.07	0.17	147
	235	236	1	2370	0.89	1.90	2465
BD16009	23.8	26	2.2	433	5.10	2.80	695
BD16008	0.7	130	129.3	41	0.33	0.21	59
Including	90	105	15	77	0.20	0.20	90
	142	175	33	30	0.10	0.28	43
	189	252.6	63.6	65	0.07	0.12	71
Including	189	199	10	80	0.08	0.26	91
	217	234	17	79	0.06	0.10	84
	240	248	8	143	0.12	0.26	156
BD16015	27	62	35	46	0.31	0.14	61
Including	52	62	10	95	0.85	0.35	135
BD17002	34.9	48	13.1	83	0.80	1.11	146

Drill hole intersections using a minimum 30g/t silver cut-off over 5 metre width and up to 10 metres internal dilution factor with higher-grade zones using a minimum 60g/t silver cut-off over 5 metre interval and up to 5 metres internal dilution. NSI = no significant intersection.

1. 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.

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Appendix 2 Drill Hole Results Summary (cont.)

Hole ID	Cut off	From (metres)	To (metres)	Interval (metres)	Silver (g/t)	Zinc (%)	Lead (%)	Gold (g/t)	Ag Eq (g/t) ¹
BD17011	1	110	147	37	25	1.20	0.52	0.01	82
	incl	2	140	147	7	66	1.04	0.01	111
		2	158	211	53	34	0.45	0.01	56
	1	283.75	315	31.25	23	3.24	1.88	0.40	218
	**incl	283.75	302	18.25	31	4.60	3.00	0.52	313
	**incl	2	286.0	299.2	13.2	36	5.55	3.68	383
	1	391	414	23	11	0.97	0.58	0.25	77
	1	428	435	7	8	1.03	0.42	0.05	59
BD17009	1	35.7	41.8	6.1	11	0.14	0.55	0.01	77
	1	50	55	5	38	0.25	1.39	0.01	92
	2	101	129	28	73	0.71	0.53	0.01	114
	2	146.4	165.5	19.1	41	1.01	0.71	0.01	98
BD17013	2	76.2	195	118.8	58	0.51	0.49	NA	92
	Incl	3	128	171	43	112	0.37	0.85	NA
	2	213	249.8	36.8	78	0.70	0.30	NA	111
	Incl	3	215	226	11	138	0.86	0.42	NA
BD16010	1	28	45	17	14	0.88	0.5	NA	60
	1	116	122	6	17	0.49	0.98	NA	66
	3	158.55	164	5.45	68	0.09	0.17	NA	77
	2	187	257	70	40	0.13	0.07	0.01	46
BD16011	2	76	87	11	30	0.16	0.08	NA	38

Drill hole intersections using 1. a minimum 1% combined lead + zinc cut-off over a minimum 5 metre interval with up to 2 metre internal dilution or 2. a minimum 30g/t silver cut-off over 10 metre interval and up to 10 metre internal dilution or 3. A minimum 60g/t silver cut-off over 5 metre interval and up to 5 metre internal dilution.

1. 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.

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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. 	<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

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Measures taken to maximise sample recovery and ensure representative nature of the samples. 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. 	<p>zones where some sample loss may have occurred. However this is not considered to have materially affected the results.</p>
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 	<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
	<i>been established.</i>	
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
Audits or reviews	<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
Mineral tenement and land tenure status	<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.
Exploration done by other parties	<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.
Geology	<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.
Drill hole Information	<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"> o dip and azimuth of the hole; o down hole length and interception depth; and o 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 or a minimum 30 g/t silver with maximum 10 metre internal dilution and a minimum 60g/t silver with maximum 5 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 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	<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.
Other substantive	<ul style="list-style-type: none"> • Other exploration data, if meaningful and material, should be reported including but not limited to: geological observations; 	<ul style="list-style-type: none"> • This report relates to drill data reported from this program.

Criteria	JORC Code explanation	Commentary
exploration data	<i>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>	
Further work	<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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Silver Mines Limited

ABN

45 107 452 942

Quarter ended ("current quarter")

31st March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4	30
1.2 Payments for		
(a) exploration & evaluation	(2,242)	(4,729)
(b) development	-	-
(c) production	-	-
(d) staff costs	(509)	(1,362)
(e) administration and corporate costs	(508)	(2,159)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	54
1.5 Interest and other costs of finance paid	(2)	(101)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,245)	(8,266)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(11)	(375)
(b) tenements (see item 10)	-	(5,000)
(c) investments	-	-
(d) other non-current assets	-	(775)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	2
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	100
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(11)	(6,048)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	5,317
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(463)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (transfer for June capital raising)	-	1,973
3.10 Net cash from / (used in) financing activities	-	6,827

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	7,326	11,557
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,245)	(8,266)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(11)	(6,048)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	6,827
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	4,070	4,070

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5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,070	7,326
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,070	7,326

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	286
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,150
9.2 Development	-
9.3 Production	-
9.4 Staff costs	400
9.5 Administration and corporate costs	270
9.6 Other (provide details if material)	300
9.7 Total estimated cash outflows	3,120

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EL 8526 – Tuena	Exploration Licence	Application	Application Granted
	ELA 5405 - Bowdens	Exploration Licence Application	Nil	Application

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