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To: Company Announcements Officer
Australian Securities Exchange

27th February, 2012

INDICATED AND MEASURED JORC RESOURCE AT WEBBS PROJECT UPGRADED 400%.

Silver Mines Limited (ASX:SVL) is pleased to announce a 400% upgrade of its Indicated and Measured JORC resource to 969,000 tonnes averaging 269g/t Ag for a contained resource of 8.4 million ounces of silver at its fully-owned Webbs silver project in north-eastern NSW. Additional Inferred resources of 3.4 million ounces also exist.

The average grade of the resource provides further confirmation that Webbs is currently one of the highest grade undeveloped silver projects in Australia. The significance of the upgrade is clearly shown in the Webbs resources estimates for 2010 and 2012 (*see Table 1*).

Further upgrades and increases in overall tonnage and contained silver ounces are anticipated following additional deeper and extensional drilling as the deposit still remains open along strike to the south and down plunge at Webbs Main and Webbs South (*see Figure 1*). These targets are considered high priority as some of the widest and highest grade intercepts are still open at relatively shallow depth of approximately 80-140m below surface (*see Figure 2*).

A new round of drilling is scheduled to begin in April 2012, with 6,000m of pre-paid and cost competitive RC drilling. The primary objective of this drilling will be to grow the overall resource inventory.

Additional highlights from the latest resource assessment include:

- ***The 'Exploration Target' at Webbs within the range of 26-57Moz of Ag remains intact for the project*** *(see ASX Release 17th February 2011 for detail on Exploration Target).*
- Major project milestone achieved with a demonstrated high conversion rate of Inferred resource to Indicated and Measured categories.
- The 2011 drilling program has significantly improved understanding of the 3-dimensional geometry of the deposit and will help to optimize further drilling campaigns aimed at increasing the existing resource base.
- Webbs remains open at depth with excellent potential for growth in the resource with additional deeper drilling as demonstrated by wide high grade intersections as depicted in Figure 2.

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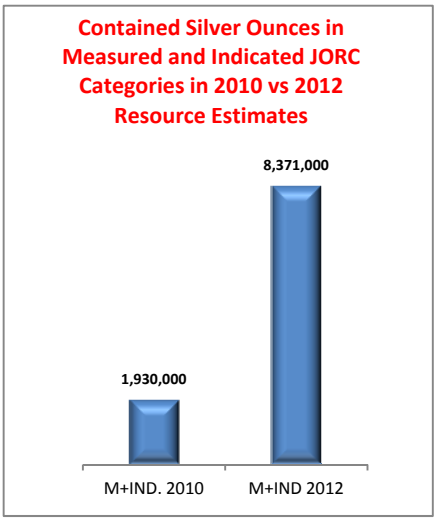
Table 1 – 2012 and 2010 Resource Estimates for Webbs at 70 g/t Ag cut-off

Webbs 2012 Resources - cut-off 70g/t Ag						
Resource class	Tonnes (t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Ag (oz)
Measured	194,000	364	0.29	0.75	1.67	2,269,000
Indicated	775,000	245	0.26	0.70	1.49	6,102,000
Total M & I	**969,000**	**269**	**0.27**	**0.71**	**1.53**	**8,371,000**
Inferred	522,000	201	0.27	0.71	1.61	3,375,000
Grand Total	**1,490,000**	**245**	**0.27**	**0.71**	**1.56**	**11,746,000**

Webbs 2010 Resources - cut-off 70pg/t Ag						
Resource class	Tonnes (t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Ag (oz)
Measured	-	-	-	-	-	-
Indicated	167,000	359	0.32	0.55	1.91	1,930,000
Total M & I	**167,000**	**359**	**0.32**	**0.55**	**1.91**	**1,930,000**
Inferred	1,065,000	239	0.27	0.83	1.83	8,199,000
Grand Total	**1,232,000**	**256**	**0.28**	**0.79**	**1.84**	**10,129,000**



In line with the Company's objectives the 2011 drilling program was aimed at;

- upgrading existing resources by infill and confirmatory drilling primarily in the upper 120m of the deposit, focussed in and around the open pit design shells generated from the Scoping Study;
- evaluating the 'exploration target' in the upper 120m in shallow zones to the north of Webbs Main and to the south of Webbs South and;
- testing for depth potential in key areas.

Managing Director Charles Straw commented: "*We have achieved another key milestone with a 400% increase in JORC Indicated and Measured resources at the Webbs project. As well as the significant upgrade in resource category, we are particularly pleased in maintaining an excellent high grade of over 8 ounces of silver per tonne. Much of this resource is contained at relatively shallow depths, which augurs well for potential initial open pit development. With a high proportion of the current resource in the higher confidence JORC category, the Webbs Silver project can now move to a more advanced stage of evaluation. We now look forward to our next drilling program and hope to significantly expand the resource base at Webbs.*

"Our technical team led by Exploration Manager David Hobby can now move forward with even greater confidence and focus on growing the overall size of the Webbs resource through further extensional drilling, particularly at depth where the deposit remains open in many areas."

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The Company has been exploring the Webbs project since 2007 and has released two previous resource estimates. Both of these estimates had resources substantially classified in the Inferred category due to drill spacing and the use of historical data. An additional 144 RC and 11 DD holes have been incorporated into the new resource estimate. Much of this drilling would be classed as infill and/or confirmatory type drilling, thus, providing for increased confidence in the resource estimate.

This significant upgrade in JORC classification and associated improvement in confidence is a key milestone for any resource project and has an important bearing on moving a project into more detailed stages of evaluation. This confidence increase and its consequent impact on project assessment is illustrated in *Chart 1* which demonstrates the progression of evaluation with associated risk and confidence levels.

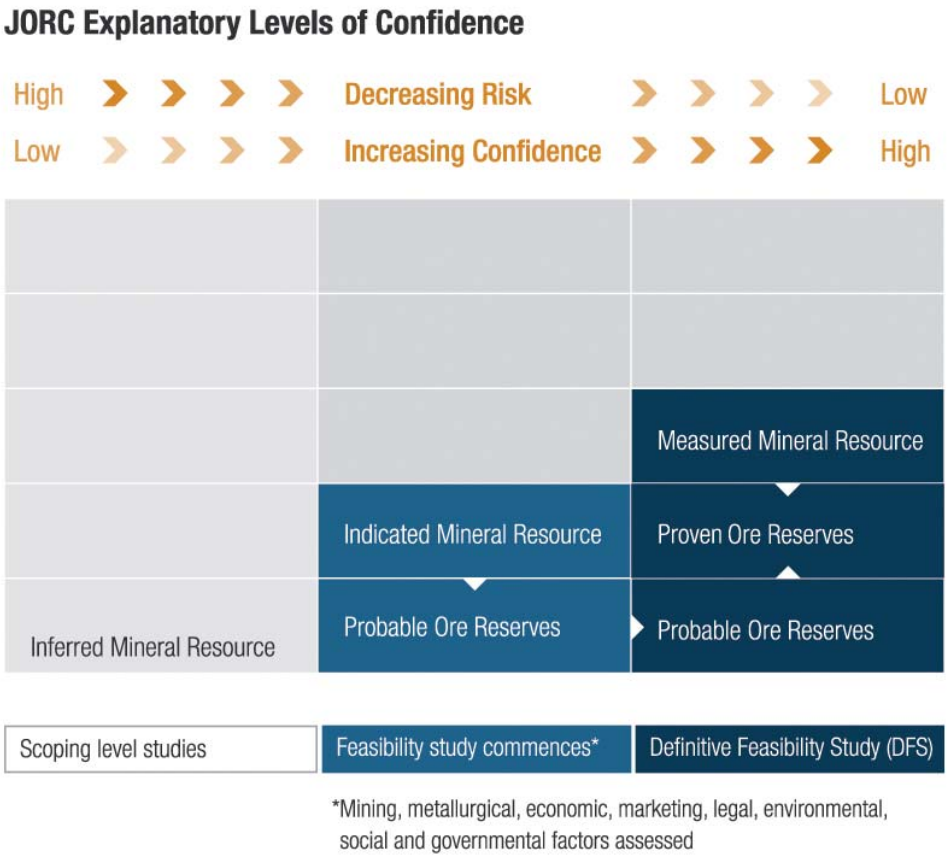

Chart 1 – Typical resource project flow chart showing how confidence increases with upgrades in JORC Resource/Reserve Classification and the stages of project assessment.

With regard to the Webbs deposit it is now apparent that 71% of the contained silver ounces are now classified in the Indicated and Measured categories under the current JORC Code, and are located relatively near surface, which has important implications for the project. The increased resource confidence now allows for a more detailed evaluation of open cut mining potential which the Company believes is critical to the development capacity of the project. It is also vitally important that with additional drilling it has been demonstrated that Inferred resources can be upgraded to higher confidence resource categories, and that tonnage and grade have essentially remained unchanged. The increased geological knowledge associated with increasing resource confidence provides additional support for the design, execution and evaluation of future deeper drilling programs at Webbs.

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The 'Exploration Target' at Webbs within the range of 26-57Moz of silver remains intact for the project
(see ASX Release 17th February 2011 for detail on Exploration Target).

The 2011 drilling supports the depth potential of the deposit. Many near surface targets still remain open along strike namely south of Webbs South and south of Webbs Main as well as other near surface targets.

Drilling planned for 2012 is designed to expand the existing resource base. This will be achieved by targeting extensions at depth where previous holes have intersected mineralisation which remains open. At this stage drilling is designed to target mineralisation up to 330m below surface, adding nearly 200m of vertical extent to most of the current drilling data used to compile the existing resource estimate.

Drilling will also target near surface extensions to Webbs Main and Webbs South and at other locations along the trend where near surface potential still exits. Some minor additional infill drilling is also planned in key areas, however this will comprise only a minority of total metres planned.

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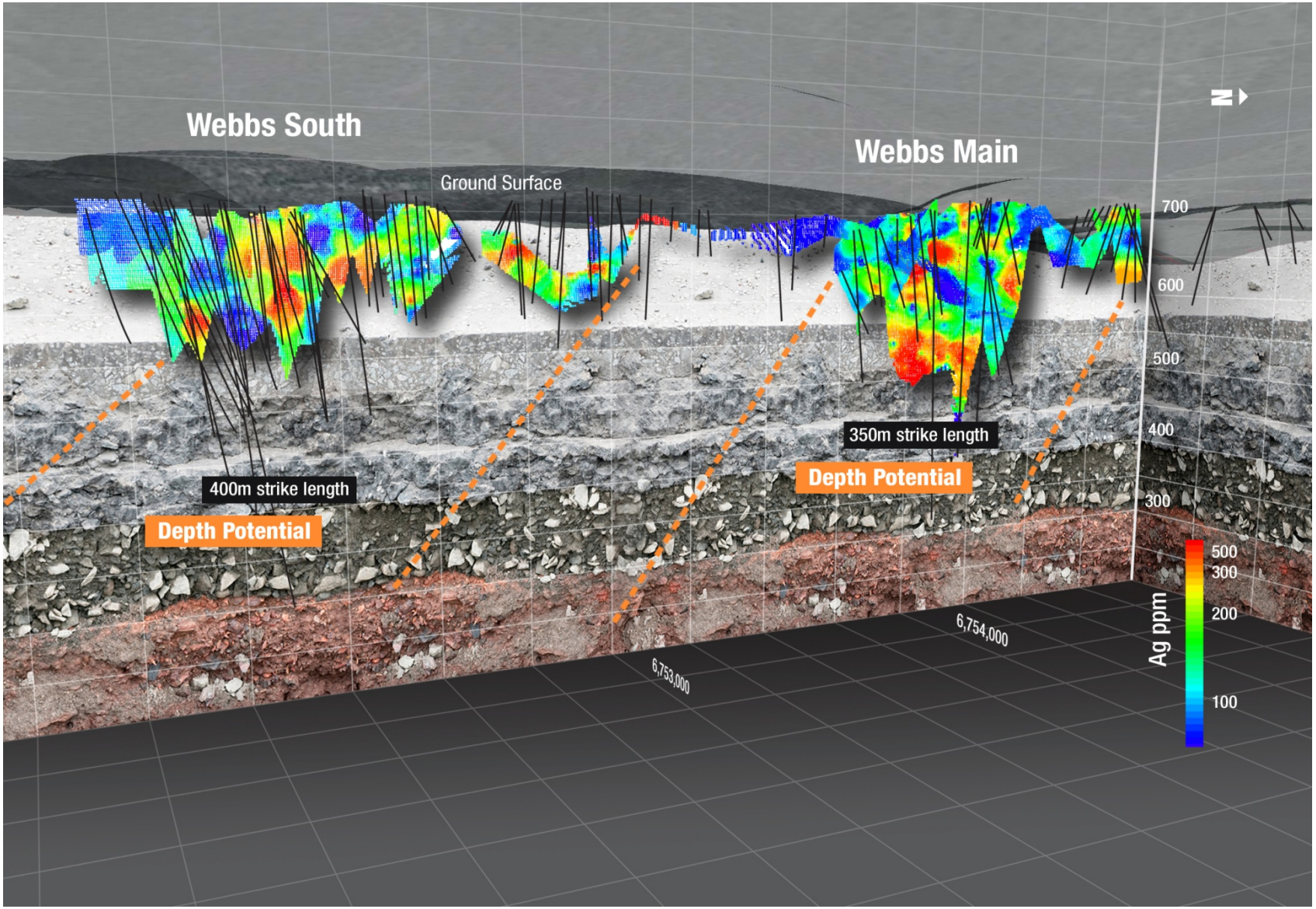

Figure 1 – Long Section Looking West of Webbs Silver Deposit showing resource grade

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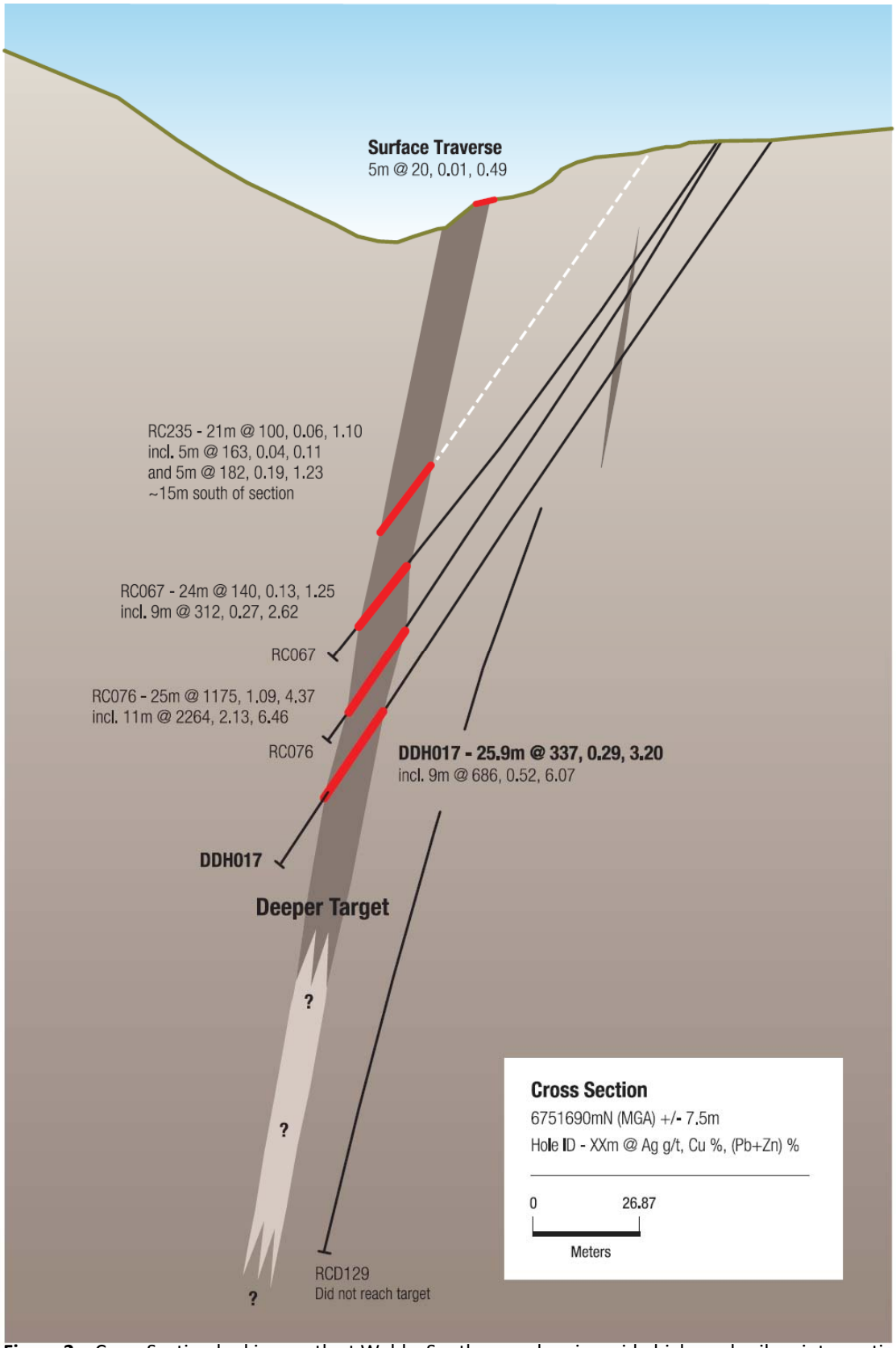

Figure 2 – Cross Section looking north at Webbs South zone showing wide high grade silver intersection in deepeost hole drilled on this section to date.

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RESOURCE ESTIMATION METHODOLOGY.

The resource estimates has been reported for Silver Mines by the Company's consultants, GeoRes Pty Ltd ("GeoRes") and their results are shown in Table 1.

The resource estimate has been produced from information derived from 255 drill holes, 239 of which were drilled by Silver Mines. The other 18 holes are all diamond core drilled by previous explorers. Drill hole sampling for the RC holes is based on 1m splits through the mineralised zones. Diamond drill hole sampling methods by previous explorers are unknown. Sample intervals are typically from 1-3m.

Surface trench and outcrop traverse sampling have also been used in the resource estimate. This includes 13 such zones derived from work by Silver Mines as well as the results from 10 surface trenches excavated and sampled by previous explorers, some of which Silver Mines have re-sampled.

The resource estimate also contains 130 samples that were collected by previous explorers at various locations from the Webbs Main underground workings extending to 200m below surface.

All Silver Mines samples are analysed by appropriate techniques at a commercial laboratory. Appropriate QA/QC procedures are undertaken by Silver Mines, the results of which support the integrity of the assay database. Assay methods by previous explorers are unknown.

All Silver Mines drill holes have been located by a Registered Surveyor and all have been down hole surveyed. The location of trench and outcrop samples is derived from DGPS. Drill holes drilled by previous explorers have been surveyed by DGPS. Where the drill collar has been destroyed the location was derived from plans generated by previous explorers. Downhole survey data has not been found.

The location of the underground samples is derived from underground maps and plans generated by previous explorers and transformed into the Silver Mines grid.

All drillhole, trench, outcrop and underground sampling data have been compiled into an Access database. Silver Mines assume responsibility for the data.

Density data are based on the modelling of 95 individual specific gravity determinations from 1m assay pulps of waste and representative mineralised material. This data was supported by a small number of density measurements on 20cm lengths of drill core. Density has been modelled using polynomial formulas derived from specific gravity measurements and applied to Cu, Pb, Zn and Ag assays.

A series of 3D geological shapes have been interpreted by GeoRes and Silver Mines from geological and assay data. These shapes are constrained into domains or 'lodes'. Three dimensional grade modelling within each domain utilised the Inverse distance squared method with a series of different search ellipses reflecting dip, strike and plunge controls of the mineralisation and information derived from geostatistics and variography applied to the major domains of mineralisation.

The classification of the resources pursuant to the JORC Code as shown in Table 1 is derived from a combination of data spacing, the perceived continuity of the geology and grade and confidence in the various data inputs which constitute the resource database. Accordingly GeoRes has elected to report much of the resource in the Indicated category with some in the Measured category and the remainder as Inferred.

The principal reporting is based on a 70g/t Ag lower cut off. The cut-off grade is intended to reflect mineralisation potentially mineable by open pit methods, given that 80% of the resource lies above 120m below surface where open pit mining is potentially economic. Additional resources at higher and lower cut-offs are also reported.

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Competent person declaration (Mineral Resource Statement)

The information in this document that relates to Exploration Results, Mineral Resources and Ore Reserves, is based on information compiled by Mr Robin Rankin, who is a Member of The Australian Institute of Mining and Metallurgy (MAUSIMM) and registered as a Chartered Professional Geologist (CPGeo). Mr Rankin Principal Consulting Geologist and operator of the independent geological consultancy of GeoRes Pty Ltd. He has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (The JORC Code). Mr Rankin consents to and has provided consent to the inclusion in this report of these matters based on the documentation in the form and in the context in which it appears.

Competent person declaration (Exploration Target)

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

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