

SILVER MINES ENTERS MEMORANDUM OF UNDERSTANDING TO ACQUIRE CONRAD SILVER PROJECT

Silver Mines limited (ASX Code: SVL) (“SVL” or the “Company”) advises that it has entered into a Memorandum of Understanding (“MOU”) with Malachite Resources Limited (ASX Code: MAR) to Purchase Malachite Resources’ Conrad Silver Project (“Conrad”) near Inverell, NSW.

This agreement marks the first step in SVL’s strategy to aggressively pursue the acquisition of what it considers to be under-valued silver ounces globally.

Under the terms of the MOU Malachite has received an initial option payment of \$50,000 which gives SVL an exclusive one month period to undertake due diligence in respect of Conrad.

Subject to SVL electing to proceed with the purchase MAR will receive the following from SVL as consideration for the sale of Conrad:

- \$200,000 on exercise of the option to acquire Conrad;
- \$200,000 plus SVL shares to the value of \$125,000 within 90 days of execution of formal documentation; and
- a 1% Net Smelter Return royalty on all metals.

CONRAD HISTORY

Historical workings were developed mainly on the Conrad Lode, which was accessed through the Conrad, Moore, Davis and one or two minor additional shafts over about 1.5km of strike length. The deepest mining is the bottom of the Conrad main shaft at 270m below surface but most of the development and stoping is a lot shallower than that. Some ore also came from the King Conrad and Alwell’s Lodes, each with an access shaft. The first production period extended from 1898 to 1912, when the mine closed due to industrial relations problems. It was then largely inactive until 1948, when Broken Hill South Ltd commenced underground development. The mine resumed production from 1955 to 1957, but then closed due to falling lead prices; it has been idle ever since. Malachite has explored the Conrad project for a number of years and has completed a significant amount of drilling as well as arrange of other technical studies. SVL is currently reviewing the technical information and will make further news releases during the due diligence period.

On Behalf of the Board Silver Mines Limited.

The information in this report that relates to Mineral Reserves, Mineral Resources and Exploration Results is based on information compiled by Mr Charles Straw, Managing Director of SVL. Mr Straw is a Member of The Australasian Institute of Mining and Metallurgy. Mr Straw 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 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Straw consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.