FKP House, Level 5
17-19 Bridge Street
Sydney, NSW, 2065
P: +61 2 9253 0900
E: info@silverminesltd.com.au
W: www.silverminesltd.com.au

12 April 2012

Dear Optionholder

NOTICE TO OPTIONHOLDERS
EXPIRY OF SILVER MINES LIMITED 1 May 2012 UNLISTED OPTIONS

We write to you as a registered holder of the above number of options as at today's date. These options entitle you to acquire ordinary fully paid shares in Silver Mines Limited ('the Company'). Each option held is for the acquisition of one ordinary fully paid share, and the exercise price is 35 cent per option.

You are formally advised that these options will expire at 5.00 pm Australian Eastern Standard Time (AEST) on 1 May 2012.

Options may be exercised wholly or in part by completing the Exercise of Options form and payment of 35 cent for each option exercised, by no later than 1 May 2012.

Given the current market price of the Company is significantly lower than the exercise price of the 1 May 2012 options, a 'Notice of Exercise of Options and Application for Shares' form will not be mailed to applicable Optionholders.

Pursuant to Listing Rule 6.24, Appendix 6A of the Australian Securities Exchange Limited (ASX), the Company provides the information contained in this notice.

Market Sale Price
The market sale price of ordinary fully paid shares in the Company on the ASX was $0.105 on 12 April 2012, being the last trading day prior to the date of this notice.

During the three months preceding the date of this notice:

- The highest market price on the ASX was $0.155 on 17 January 2012; and
- The lowest market price on the ASX was $0.105 on 12 April 2012.

Last Date of Quotation on ASX- the Options are not quoted.

There are a total of 5,000,000 options on issue and if exercised would have resulted in the issue of 5,000,000 fully paid ordinary shares and the receipt of a total funds of $1,750,000.

How to Exercise Your Options.

Should you wish to exercise your options, a 'Notice of Application for Shares upon Exercise of Options' form can be obtained from the Company by telephoning: +61 2 9253 0900

On receipt, please complete the enclosed 'Notice of Application for Shares Upon Exercise of Options' form and then forward it together with your cheque, to be received no later than 5.00 pm AEST on 1 May 2012 to:

Silver Mines Limited
FKP House, Level 5
17-19 Bridge Street
Sydney, NSW, 2065
P: +61 2 9253 0900
F: +61 2 9253 0901

Payments must be made in Australian Dollars only. Cheques should be made payable to Silver Mines Limited and crossed "Not Negotiable" and drawn on an Australian Bank.

If the 'Notice of Exercise of Options and Application for Shares' form and payment is not received by 5.00 pm AEST on 1 May 2012, the options will not be exercised and will result in the forfeiture of any rights that you as an option holder may have in relation to ordinary shares.

Yours sincerely

Kevin Lynn
Company Secretary