



MACMIN SILVER LTD

(A.B.N. 53 056 776 160)

P.O. Box 7996
Gold Coast Mail Centre
Queensland 9726
AUSTRALIA

Telephone: (07) 5592 2274
Facsimile: (07) 5592 2275
Email: info@macmin.com.au
Internet: www.macmin.com.au

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Australian Stock Exchange Limited
Company Announcements Office

TEXAS SILVER PROJECT UPDATE

Twin Hills Silver Mine

Progress towards silver production is well advanced.

- Topsoil stripping has commenced in mid-February over part of the open pit at the Twin Hills Silver Mine. The topsoil is being stockpiled for future rehabilitation work on site. Grade control drilling for the first two mining benches will be completed by the end of February.
- The electro-winning circuit (EM-EW) is currently under installation by engineers from Electrometals Technologies Ltd. The 180 cell plant will produce silver powder from the leach solutions, which drain the heaps. The building housing the EM-EW circuit is currently under construction and is situated beside the leach ponds (reference photos – Macmin website – www.macmin.com.au).
- The concrete foundations for the crushing circuit have been laid and installation will commence on the 27th February. As was mentioned in the January Quarterly Report, the non-delivery of a cone crusher from a UK manufacturer after a five month delay resulted in the cancellation of the order and a replacement unit sourced and delivered to site in January. The replacement cone crusher has now been commissioned by the supplier.
- Installation of the power plants for both the crushing circuit and the processing circuit will commence in March.
- A storm containment dam is required to collect overflow from the process area in the event of a major storm event (100 year event). The dam construction and completion is subject to approval by the Environmental Protection Agency (EPA). The storm containment dam is undergoing construction with the 'key-way' in the floor of the dam, beneath the proposed dam wall, being prepared (i.e. grouting of weak points in the bedrock floor/walls), prior to the dam wall construction taking place. Successful compaction tests have been carried on the clay, which will be used in the wall. Coarse rock to construct the exterior of the walls will be sourced from the waste rock to be blasted prior to the start of mining of ore at Twin Hills. Continual intermittent rain since November 2005 has impeded the dam construction and continues to do so. The rainfall however has replenished water supplies in dam storage and in the subsurface aquifers.
- The current schedule sees the crushing circuit assembled and ready for commissioning in April and the agglomerator and stacking conveyors assembled and commissioned in May. Heap construction will commence soon thereafter.

The current production plan proposed in the Mining Feasibility Study indicated that 2.5 million ounces of silver equivalent would be achieved from the first year of full production from the heap leach and dump leach operation.

As the price of silver has continued to increase since the completion of the Feasibility Study, a further review will be undertaken by an outside consultant to determine whether by lowering the cut-off grade for silver, more tonnage might be available to increase the production rate (possibly up to four (4) million ounces AgE per annum).

Silver Spur

The Silver Spur mining lease is located about 1.5km south east of the Twin Hills mine.

- **Slag**

Macmin has initiated a pre-feasibility study to determine the optimum route to follow to extract value from the Silver Spur slag dump, in light of the continuing rise in the price of metals, particularly zinc. In 1997 Rimfire Pacific Ltd (the previous holder of the Mining Lease) sampled the slag dump and estimated that 90,000 tonnes was present. Semi bulk samples gave an average grade of **15.8% zinc, 158g/t silver, 3.17% lead, 0.34% copper and 0.5g/t gold.**

The pre-feasibility study will examine the following avenues and make recommendations:

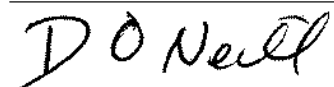
1. The leachability of the slag, with possible treatment on the Twin Hills Mine lease;
2. The shipping of slag to smelters inside/outside Australia
3. The outright sale of slag to third parties.

- **Underground Resource**

An extensive programme of drilling by Rimfire Pacific Ltd at the historic Silver Spur mine resulted in the definition of the following in-situ resource. At a 7% zinc equivalent cut-off Combined Indicated and Inferred Resources of **369,000 tonnes at 6.47% zinc, 5.79oz/t silver, 2.89% lead and 0.35% copper and 0.26g/t gold.**

A mineralisation model is being compiled by an independent consultant to determine how to explore the remnant mineralisation and its possible further extensions. An evaluation of the possibility of extracting the remnant zinc ore from the mine will also be undertaken.

Yours faithfully



Denis O'Neill
Managing Director

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