Mexican Silver Mines Ltd. Entered into a Definitive Agreement to Acquire Rio Alto Mining Limited

For Immediate Release

June 18, 2009

Mexican Silver Mines Ltd. (“Mexican Silver”) (TSXV: MSM, WKN: A0MSLE) is pleased to announce that it has entered into a three-cornered amalgamation agreement with Rio Alto Mining Limited (“Rio Alto”) and a recently incorporated, wholly-owned subsidiary of Mexican Silver pursuant to which Mexican Silver has agreed to acquire (the “Proposed Transaction”) all of the securities of Rio Alto. The Proposed Transaction will result in Rio Alto becoming a wholly-owned subsidiary of Mexican Silver and in all shares and warrants of Rio Alto being exchanged for shares and warrants of Mexican Silver on a one for one basis, with the warrants of Mexican Silver to be issued in exchange for the warrants of Rio Alto having substantially the same terms and conditions of the Rio Alto Warrants. The completion of the Proposed Transaction is subject to a number of conditions. Please refer to Mexican Silver’s news releases of March 10, 2009 and April 6, 2009 for additional information regarding the Proposed Transaction and Rio Alto.

Definitive Agreement with IAMGold Completed

Mexican Silver is also pleased to announce that Rio Alto has entered into an Option and Earn-In Right Purchase Agreement (“Option Agreement”) with IAMGold Quebec Management Inc. (“IAMGold”) and La Arena S.A. La Arena S.A. is a wholly-owned subsidiary of IAMGold that owns La Arena gold-copper project (“La Arena Project”) in Peru. The completion of the transactions contemplated by the Option Agreement is subject to a number of conditions. Please refer to Mexican Silver’s news release of April 6, 2009 for additional information regarding La Arena Project.

Pursuant to the Option Agreement, Rio Alto has agreed to purchase an option (the “Option”) to purchase all of shares of La Arena S.A. in consideration of cash payments of US$47.55 million (subject to adjustment) and the right (the “Earn-in Right”) to acquire up to 38.7% of the shares of La Arena S.A. by incurring expenditures of up to US$30 million on the La Arena Project. The consideration to be paid to IAMGold for the Option and Earn-in Right is US$1 million (which is anticipated to be paid by the issue of common shares of Rio Alto at the deemed price of $0.20 per share), that number of Rio Alto common shares equal to 5.5% of the number of Rio Alto common shares now outstanding (on a fully diluted basis) and warrants entitling IAMGold to purchase 1.5 million Rio Alto common shares upon payment of the exercise price of $0.30.

Private Placement

Immediately prior to the completion of the Proposed Transaction, Rio Alto will complete a private placement (the “Private Placement”) of a minimum of 15,000,000 Rio Alto Shares (the “Minimum Private Placement”) at the price of $0.20 per share for minimum gross proceeds of $3 million and that
Mexican Silver will subscribe for and purchase 5,000,000 Rio Alto Shares ($1 million) under the Private Placement, subject to the Minimum Private Placement being completed.

Subject to the conditions of the relevant agreements, it is anticipated that the Private Placement, the acquisition by Rio Alto of the Option and the Earn-in Right pursuant to the Option Agreement and the Proposed Transaction will close concurrently on or about June 23, 2009.

ON BEHALF OF THE BOARD OF MEXICAN SILVER MINES LTD.

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Feisal Somji, B.Sc., MBA
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This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends” and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this press release contains forward looking statements and information concerning completion of the Proposed Transaction, the Private Placement and the acquisition of the Option and Earn-in Right pursuant to the Option Agreement. The forward-looking statements and information are based on certain key expectations and assumptions made by Mexican Silver. Although Mexican Silver believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because Mexican Silver can give no assurance that it will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. There are risks also inherent in the nature of the Proposed Transaction, incorrect assessment of the value of the respective properties of each of Mexican Silver and Rio Alto, and failure to obtain the required security holder, regulatory and other third party approvals. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements and information contained in this press release are made as of the date hereof and Mexican Silver undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.