ASX ANNOUNCEMENT

3 June 2016

Lithium Exploration Commences at Broken Hill

- **Exploration for lithium in pegmatites at Broken Hill has commenced**
- **Extensive zones of outcropping pegmatite in Silver City tenements covering some 100 square kilometres**
- **No systematic exploration for lithium ever undertaken at Broken Hill**
- **Important anomalous lithium indicator elements already identified in Waukeroo tin field**
- **Broken Hill mining centre provides logistical advantage to new discoveries**

Silver City Minerals Limited (ASX: SCI) ("Silver City" or "the Company") has commenced a program of mineral exploration specifically targeting lithium hosted in pegmatites at Broken Hill (ASX Release 11 May 2016). Initial field programs have begun with systematic rock chip sampling and geological mapping of pegmatites associated with areas of tin mineralisation and evaluation of existing airborne hyperspectral data. The purpose of the program is to locate pegmatites which contain lithium minerals with a particular emphasis on spodumene ($LiAlSi_2O_6$), the dominant commercial lithium mineral.

Current exploration is focussed on pegmatites located within granted exploration tenure on the northern and southern extensions of the Waukeroo tin field. SCI holds title to ten granted exploration licences and three licence applications.

Next Steps

SCI considers that, through systematic sampling and mineralogical studies, potential for discovery of lithium minerals at Waukeroo and elsewhere in the district is high. Work has commenced with field teams sampling and mapping, including re-sampling of drill chips from the previous tungsten resource drilling. Sampling has also been initiated in areas of the Western zone where extensive pegmatite outcrops have similarly never been assessed for lithium.

A study using an existing airborne hyperspectral (HyMap) survey is underway to assess the potential for remotely differentiating spodumene in the spectral data. Over the coming weeks and months, SCI expects:

- Results of HyMap analysis
- Results from extensive rock sampling program using laboratory and new hand-held Laser Ablation Breakdown Spectrometry (LIBS)
- Detailed work on Waukeroo tin field. Spodumene prospects defined; detailed sampling and project definition
- Drill testing advanced projects

Waukeroo Tin Field (ELA 5280)

This ELA encompasses the Waukeroo tin field. Waukeroo is considered to be the geological equivalent of the Euriowie tin field located 30 kilometres to the northeast (Figure 1). Lithium is commonly associated with tin and a suite of other indicator elements including, tantalum, niobium, beryllium, rubidium, boron and caesium. The Euriowie field is known to host lithium minerals and elevated indicator elements. Recent sampling by Platypus Minerals (ASX 19 February 2016) indicated values up to 4.45% Li_2O.

Within historic, open-file exploration reports, SCI has found only three rock samples which were analysed for lithium within the Waukeroo tin field. Much of the area covered by this licence application was previously held by Carpentaria Exploration (ASX:CAP) which focussed on drilling a tungsten resource associated with pegmatite. No analyses for lithium or associated indicator elements were undertaken in drill samples. SCI has access to drill chips from this work and will assess for lithium content.

CAP collected 23 rock chip samples from tin occurrences predominantly east and south of the tungsten resource where a number of multi-element analyses were obtained (Figure 2; Table 1). Even though these samples are unevenly distributed throughout the tin field, they suggest a pattern where anomalous indicators elements tin, caesium, tantalum, niobium and rubidium occur in an eastern belt and tungsten and caesium in a central belt. An extensive zone of pegmatites in the western belt has never been tested for lithium or indicator elements (Figure 2).

What is the significance of the indicator elements?

The Euriowie tin field (located north of the SCI ELA 5280) not only hosts lithium minerals, but also anomalous indicator elements. In contrast the geologically similar Waukeroo tin field (within SCI tenure) hosts elevated indicator elements but to date no lithium minerals have been reported nor have there been sufficient numbers of lithium analyses undertaken to assess lithium potential.

The two tin fields host profoundly similar geology. SCI believes that the geology of the area suggest that lithium minerals should also exist at Waukeroo. The likely explanation is that lithium (and lithium minerals) has never been systematically explored for at Waukeroo and most pegmatite belts in the Broken Hill district.

Logistical Advantage

The SCI tenements have excellent road access, all within 50 kilometres of the City of Broken Hill, one of Australia's largest mining centres. Existing infrastructure provides SCI a major cost and timing advantage for development of a new lithium discovery.

Background

SCI has been exploring for base metal and silver deposits at Broken Hill since incorporation in 2008. It has a number of drill-ready zinc-lead-silver exploration projects and is currently drilling two of these (ASX Release 31 May 2016).

Apart from some pegmatitic base metal ores at Broken Hill, beryl and feldspar occurrences, the pegmatites have largely been ignored as a source of economic mineralisation. The pegmatites of interest are younger than the base metal-bearing rock sequences at Broken Hill and have intruded, disrupted and diluted base metal ores. Lithium minerals have been documented in various NSW Geological Survey Bulletins since 1982 and have generally been considered a geological oddity and not evaluated as a potential source for lithium. These occur in the Euriowie and Kantappa tin fields (Figure 1).

In recent presentations by the Geological Survey of NSW two types of pegmatite have been identified at Broken Hill. They describe a lower sill complex, which results from crustal melting of mineral-rich metamorphosed sediments, and is emplaced in high grade metamorphic rocks. The second type is volumetrically less significant but has consistently moved from its original source, became more highly evolved, enriched in rare elements and intruded lower grade metamorphic rocks. It is this second, more prospective type which hosts lithium, tin, tantalum, niobium, rubidium and boron minerals (Figure 3).

Figures

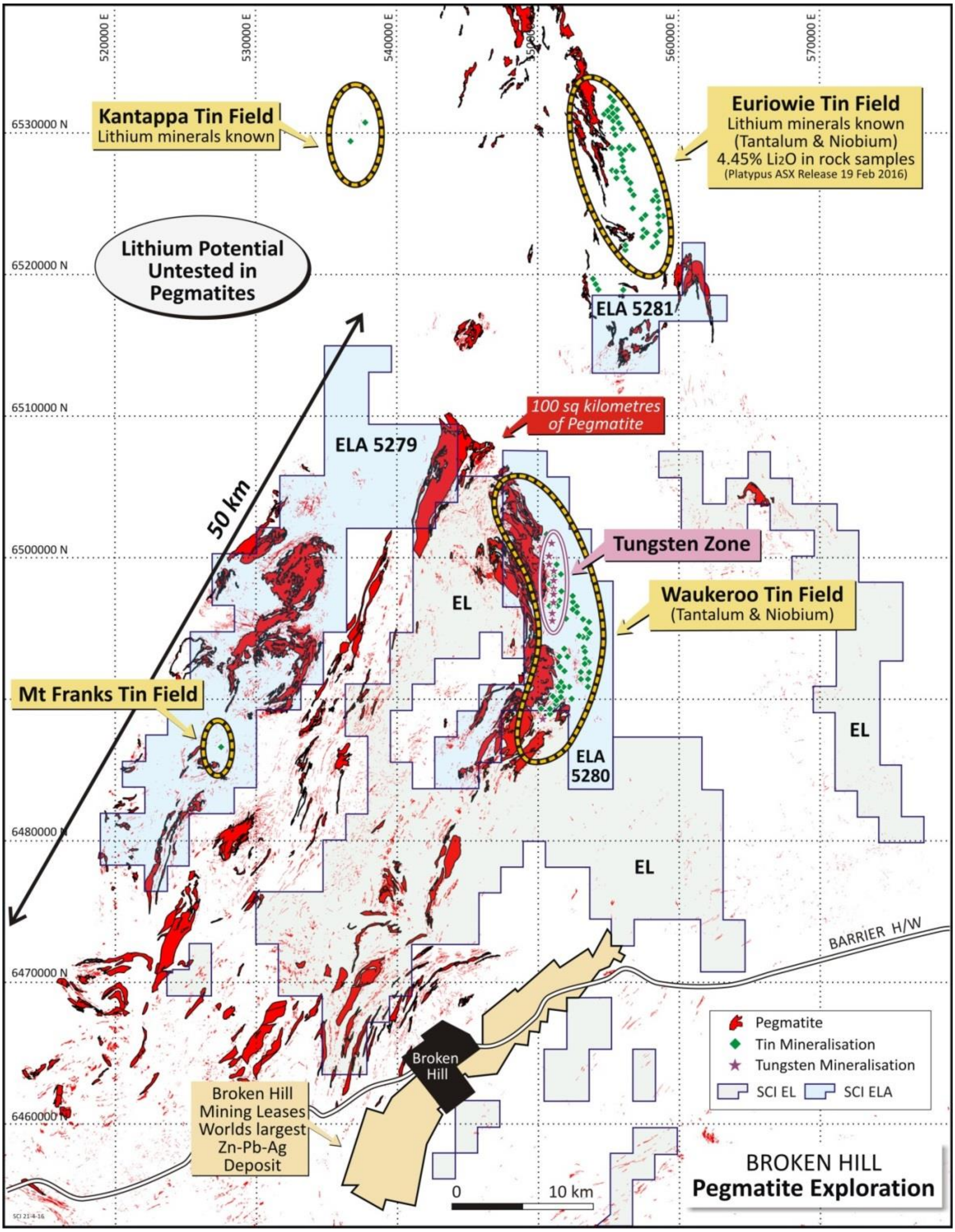

Figure 1. Broken Hill district showing the extent of pegmatites and Silver City tenements. There are 100 square kilometres of outcropping pegmatite within the SCI ground. Lithium minerals are known to occur in tin fields and these are starting points for exploration. The tenure has never been systematically assessed for lithium.

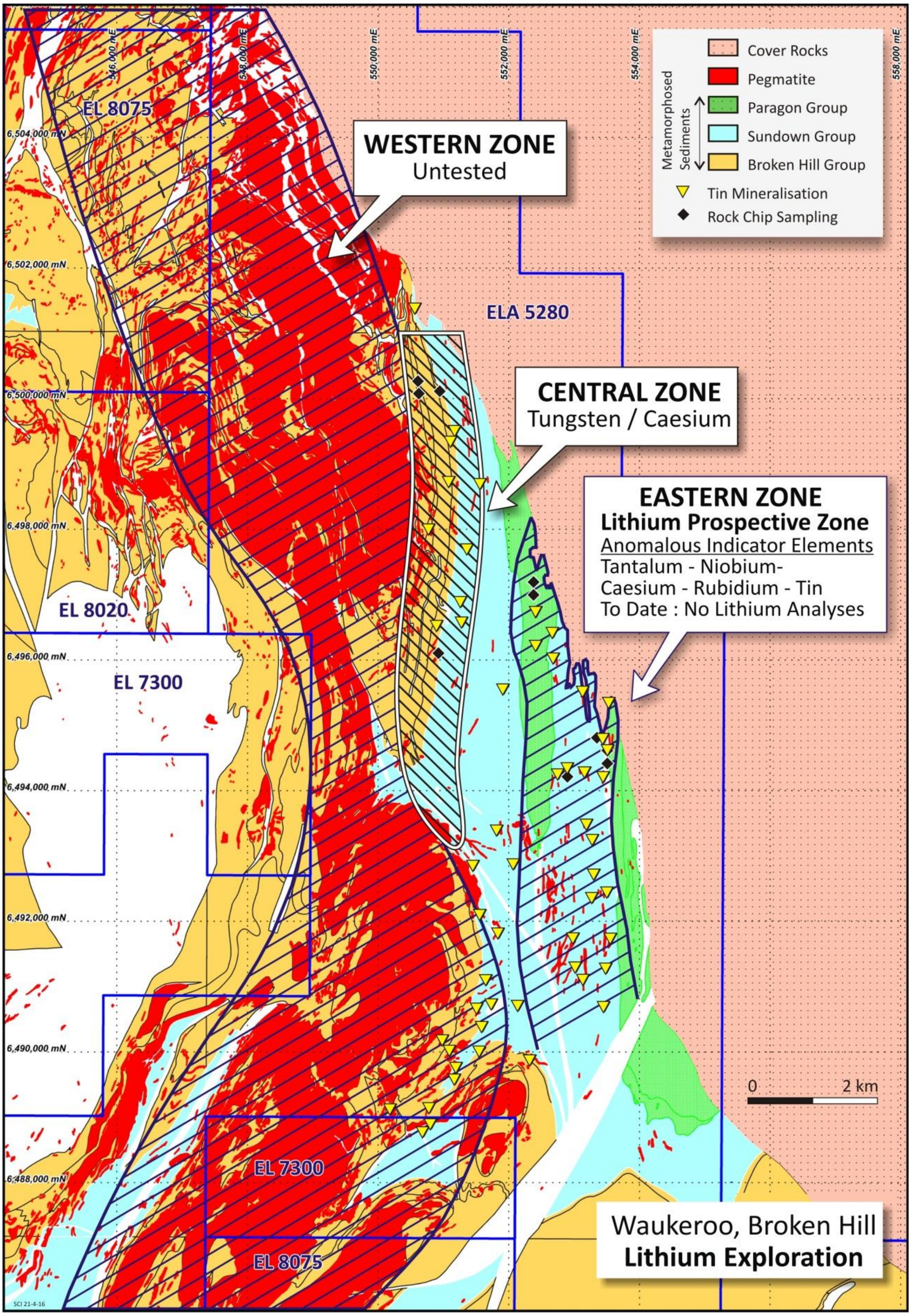

Figure 2. Waukeroo tin field showing an eastern zone of anomalous indicator elements, a central zone of tungsten-caesium enrichment, and the western zone where no lithium exploration has been undertaken to date. Location of rock chip samples shown.

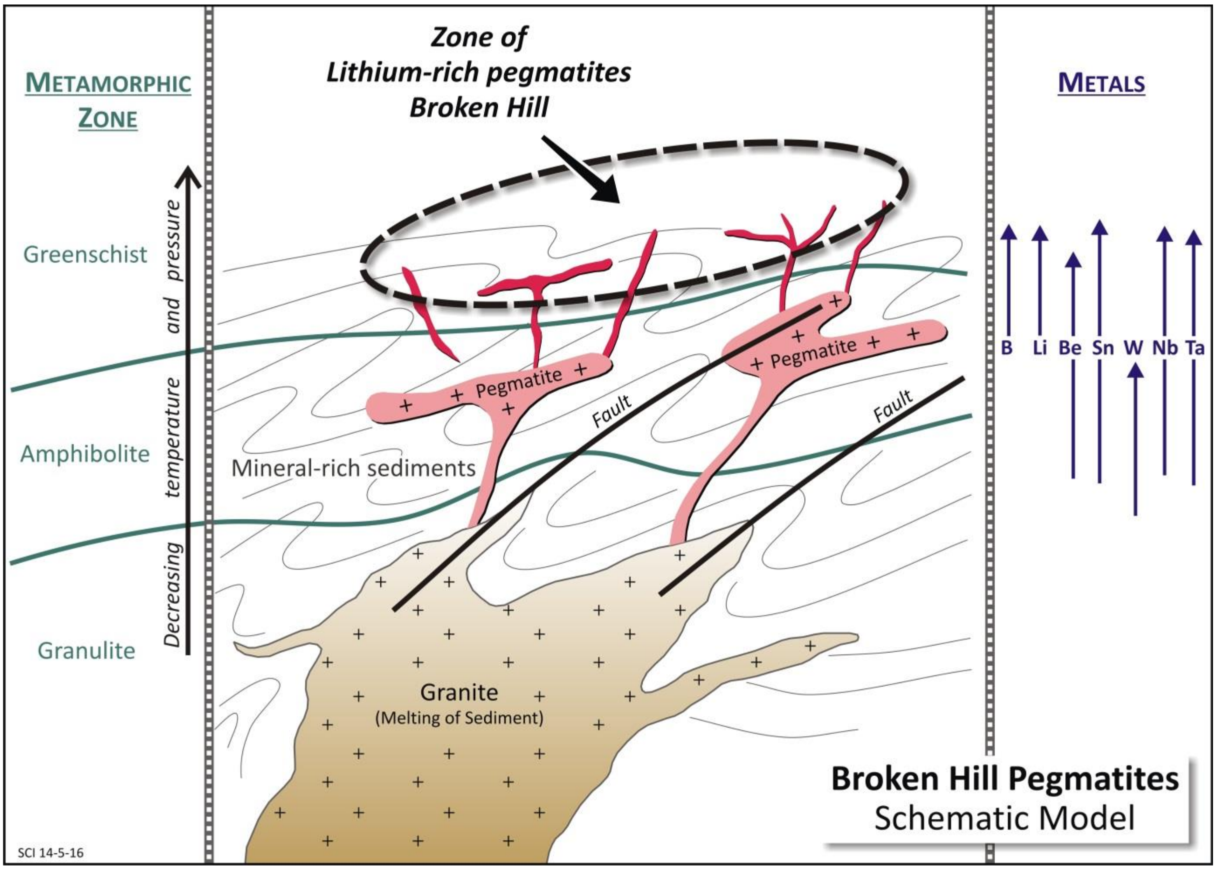

Figure 3 Schematic model for lithium-bearing pegmatites at Broken Hill

About Lithium

Properties

Lithium is a soft metal, the lightest in the periodic table with a density of 0.534 g/cm^3. It has a silvery white appearance that reacts immediately with water and air. Lithium (Li) has an atomic weight of 6.938, is the third element in the periodic table.

Lithium also has the highest electrochemical potential of all metals. These properties provide very high energy and power densities for batteries.

Lithium is chemically active and does not occur as a pure element in nature, but is contained within stable minerals or salts. The concentration of lithium is generally low in nature and there are only a limited number of resources where lithium can be economically extracted.
Lithium and its chemical compounds exhibit a broad range of beneficial properties including:

- The highest electrochemical potential of all metals
- An extremely high co-efficient of thermal expansion
- Fluxing and catalytic characteristics
- Acting as a viscosity modifier in glass melts
- Low density
- Low atomic mass

Uses

Lithium is used extensively in the ceramics and glass making industry and is also used in steel and iron castings. The fastest growing use of lithium is in batteries. The advantages of the lithium battery are its higher energy density and lighter weight compared to nickel-cadmium and nickel-metal hydride batteries. A growing application for lithium batteries is as the power source for a wide range of electric vehicles and portable electronic devices.

Sources

Lithium-bearing pegmatites, such as those at Greenbushes in Western Australia, account for half of global production. There are three lithium minerals commercially mined today; spodumene, petalite and lepidolite. Spodumene is the most important given its high inherent lithium content (approximately 8%). Grades of 1 to 1.5% Li_2O are generally required for commercial operations.

Lithium is found in commercial quantities in some continental brine deposits of volcanic origin, and in desert areas in playas and saline lakes where lithium has been concentrated by evaporation. These range in concentration from Clayton Valley, USA, at 0.02% Li to Salar de Atacama in Chile, with 0.14% Li. The process of extracting the lithium from brines involves pumping, evaporation and chemical extraction. The other half of the world's lithium supply comes from brine production in Chile and Argentina.

Sedimentary rock deposits account for 8% of known global lithium resources and are found in clay deposits and lacustrine evaporites.

SILVER CITY MINERALS LIMITED

Christopher Torrey
Managing Director

ABOUT Silver City Minerals Limited
Silver City Minerals Limited (SCI) is a base and precious metal explorer with a strong focus on the Broken Hill District of western New South Wales, Australia. It takes its name from the famous Silver City of Broken Hill, home of the world's largest accumulation of silver, lead and zinc; the Broken Hill Deposit. SCI was established in May 2008 and has been exploring the District where it controls Exploration Licences through 100% ownership and various joint venture agreements. It has a portfolio of highly prospective projects with drill-ready targets focused on high grade silver, gold and base-metals, and a pipeline of prospects moving toward the drill assessment stage. The Company continues to seek out quality projects for exploration and development.

Caution Regarding Forward Looking Information.
This document contains forward looking statements concerning Silver City Minerals Limited. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Silver City's beliefs, opinions and estimates of Silver City Minerals as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future development.

Competent Persons
The information in this report that relates to Exploration Results is based on information compiled by Chris Torrey (BSc, MSc, RPGeo.) who is a member of the Australian Institute of Geoscientists. Mr Torrey is the Managing Director, a shareholder and full time employee of Silver City Minerals Limited. Mr Torrey 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 by the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Torrey consents to the inclusion in this Report of the matters based on this information in the form and context in which it appears.

CONTACT DETAILS

Management and Directors

Bob Besley	Chairman
Chris Torrey	Managing Director
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Table 1 Historic Rock Chip Analyses Waukeroo Area

Sample Number	MGA_E	MGA_N	Beryllium (ppm)	Caesium (ppm)	Lithium (ppm)	Niobium (ppm)	Rubidium (ppm)	Tin (ppm)	Tantalum (ppm)	Tungsten (ppm)	Rock Type	Analytical Method (ALS Global Codes)
CAP9854	550935	6496097	1.75	203	440	35.5	630	38.8	3.2	250	Quartz-tourmaline rock	ME-MS61 4 acid digest ICP-MS
CAP9855	550935	6496097	1.8	156	307	79	378	53.7	36.6	360	Quartz-tourmaline rock	ME-MS61 4 acid digest ICP-MS
CAP9856	550940	6496924	0.54	286	37.8	3.3	93.9	6.3	9	90	Quartz-mica rock	ME-MS61 4 acid digest ICP-MS
CAP9857	550940	6496924	na	7.9	na	30.8	748	76	8	1660	Schist	ME-MS81 ICP-MS. Lithium borate fusion
CAP9858	550940	6496924	na	115.5	na	76.7	498	41	6.5	>10000	Schist	ME-MS81 ICP-MS. Lithium borate fusion
CAP9859	550940	6496924	na	31.3	na	20.8	556	24	2	380	Gneiss	ME-MS81 ICP-MS. Lithium borate fusion
CAP9860	550935	6496097	na	11.4	na	51.7	52.5	10	29.4	>10000	Quartz-tourmaline rock	ME-MS81 ICP-MS. Lithium borate fusion
CAP9861	550935	6496097	na	115.5	na	12.9	453	19	4.9	4740	Schist	ME-MS81 ICP-MS. Lithium borate fusion
CAP9862	550935	6496097	na	31.3	na	14.7	379	27	13.3	50	Quartz vein in pegmatite	ME-MS81 ICP-MS. Lithium borate fusion
CAP9863	550935	6496097	na	11.4	na	622	78.7	15	82.9	>10000	Quartz vein in pegmatite	ME-MS81 ICP-MS. Lithium borate fusion
CAP9875	553506	6494510	na	283	na	263	2540	>10000	>2500	29	Pegmatite	ME-MS81 ICP-MS. Lithium borate fusion
CAP9876	553506	6494510	na	39.3	na	12.9	547	251	6.3	20	Schist	ME-MS81 ICP-MS. Lithium borate fusion
CAP9877	553525	6494599	na	78.3	na	72.5	738	136	55	17	Schist and pegmatite	ME-MS81 ICP-MS. Lithium borate fusion
CAP9878	553360	6494803	na	199	na	23.2	1115	708	9.1	39	Schist	ME-MS81 ICP-MS. Lithium borate fusion
CAP9879	553369	6494784	na	371	na	17.4	1100	244	30.4	43	Psammite	ME-MS81 ICP-MS. Lithium borate fusion
CAP9880	552391	6497047	na	13.9	na	1535	183.5	>10000	2490	85	Pegmatite	ME-MS81 ICP-MS. Lithium borate fusion
CAP9881	552385	6497156	na	41.6	na	76.3	730	136	110.5	14	Pegmatite	ME-MS81 ICP-MS. Lithium borate fusion
CAP9882	552901	6494274	na	34.4	na	160	1075	3470	83.9	22	Pegmatite	ME-MS81 ICP-MS. Lithium borate fusion
CAP13404	550609	6500219	1.7	na	na	na	na	na	na	1510	Quartz vein in gneiss	ME-MS61 4 acid digest ICP-MS
CAP13405	550637	6500140	1	na	na	na	na	na	na	3200	Quartz vein in gneiss	ME-MS61 4 acid digest ICP-MS
CAP13406	550645	6500116	1.9	na	na	na	na	na	na	4550	Quartz vein in gneiss	ME-MS61 4 acid digest ICP-MS
CAP13407	550961	6500117	1.2	na	na	na	na	na	na	40	quartz-gahnite rock	ME-MS61 4 acid digest ICP-MS
CAP13408	546566	6507395	1.6	na	na	na	na	na	na	30	quartz-gahnite rock	ME-MS61 4 acid digest ICP-MS

Note: na = no analyses

ANNEXURE 1

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Grab-style rock chip samples reported to be of specific rock types or mineralisation styles • Samples are reported to be character samples and represent style of mineralisation or rock type. • The samples are only Material in that they are indicative of geochemistry of specific mineralisation styles and rock type. The purpose of reporting here is to give an indication of a specific group of anomalous elements.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• No drilling was undertaken
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• No drilling was undertaken
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Lithology and mineralisation for each rock sample was reported.
Sub-sampling techniques and sample	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the*	• No subsampling was reported • No drilling was undertaken • The sampling considered to be appropriated to the nature of the study

Criteria	JORC Code explanation	Commentary
preparation	*sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• No quality control was reported • No sampling representivity was reported.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Samples CAP9854 to 9856 were analysed using 4 acid digest and ICP-MS (ALSGlobal Code ME-MS61) and the remainder by Lithium Borate fusion and ICP-MS (ALSGlobal Code ME-MS81). • No geophysical tools were used • No quality control was reported.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• No verification was reported • No drilling was undertaken • Rock types were described to industry standards. • No adjustments were reported.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Rock locations were reported in GDA94 MGA Zone 54. Type of instrument and accuracy were not reported, however industry standard hand held GPS is assumed with 5 metre accuracy. • No topographic control was reported.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Data spacing and distribution is not sufficient to give a sense of continuity of grade. • Sample compositing was not reported
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• The nature of the sampling reported was not unbiased. • No orientation-bias sampling was reported
Sample security	• *The measures taken to ensure sample security.*	• Not reported

Criteria	JORC Code explanation	Commentary
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Not reported

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	Rock chips described here fall with NSW ELA5289 held by Silver City Minerals Limited. The ELA was applied for 26 April 2016 and under NSW Department of Industry Guidelines (http://www.resourcesandenergy.nsw.gov.au/miners-and-explorers/programs-and-initiatives/service-delivery) should be granted by late July 2016. ELAs 5279 and 5281 have a similar timeline to grant. SCI controls 10 granted Exploration Licences in the district and has joint venture relationships with CBH Resources and Impact Minerals. Licences include EL's 8020, 7300, 8077, 8078, 8255, 8074, 8326, 8235, 8333 and 8076 Landowner access agreements are in place for much of the tenure and Native Title does not apply. • No impediments to operate are known.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Exploration for tin and tungsten on ELA 5289 work has been undertaken previously and is considered to be of high quality. Exploration for lithium within SCI tenure has not been undertaken in the past.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Lithium in pegmatite
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• No drilling has undertaken
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade*	• No weight averaging has been reported • No metal equivalent have been reported.

Criteria	JORC Code explanation	Commentary
	results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• No drilling was undertaken
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• See Figures
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• For the purposes of this report all CAP rock chips are reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• All available information of significance has been included in this or previous reports.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Work is at an early stage. Regional rock sampling is being conducted in conjunction with mineralogy studies and geological mapping. The exploration concept is new and untested. • See Figures for areas considered prospective