SILVER CITY MINERALS LIMITED

ASX ANNOUNCEMENT

6 October 2016

Silver City signs funding deed for receipt of $114,800 Drilling Grant

Silver City Minerals Limited (ASX: SCI) ("Silver City" or "the Company") is pleased to announce that the New South Wales Department of Industry Division of Resources and Energy has formally signed off on the funding deed for a $114,800 grant to the Company.

The grant is part of a $2 million Co-operative Drilling Initiative (Round 2) funded by the New South Wales government. It will assist in the direct drilling costs for a three-hole diamond drilling program at the Razorback West Zinc project, 15 kilometres northeast of Broken Hill.

Drilling Schedule

The Company is aiming to commence drilling at Razorback West this month. Heavy rains and flooding in western NSW over the last six weeks has severely limited access to drill sites both at Broken Hill and Cobar. The weather forecast for the next month has considerably improved and the Company anticipates the ground will have dried out sufficiently for drilling to commence within two weeks.

Drill Targets

The Razorback West corridor is considered to be the northern extension of the Broken Hill "line-of-lode", offset by a fault known as the Stephens Creek Shear. The corridor extends for twelve kilometres, is approximately three kilometres wide and is mostly buried beneath a veneer of alluvium and soil in a valley with little more than 10-15% outcropping rock (Figures 1 and 2).

The Company has outlined a coincident lead-zinc-manganese geochemical, gravity and IP anomaly in the southern part of the corridor (Figure 3). This target zone is over five kilometres long and one kilometre wide. SCI initiated the first ever drilling in 2012 and to date has completed 18 holes. Drill holes have returned anomalous lead, zinc and manganese and have confirmed the presence of the favourable host-rock sequence for Broken Hill type zinc-lead-silver mineralisation.

In order to focus on more significant accumulations of sulphide of the Broken Hill type, the Company undertook both moving loop and fixed loop electromagnetic (EM) surveys. A number of subtle EM conductors were identified.

In plan, the conductors show a close spatial relationship with the peak zinc anomaly outlined in shallow RAB holes (Figure 4). Further, when reviewed in cross-sections with respect to Silver City

shallow reverse circulation (RC) drill holes, the main conductor shows a similar relationship to steeply dipping zones of elevated lead, zinc and manganese (Figures 5). The fact that the conductors are remarkably coincident with elevated zinc, lead and manganese suggests some causal link.

In addition, alteration minerals, especially fine grained garnet and locally blue quartz are also associated with the elevated geochemistry. This is similar to the Broken Hill deposit immediately to the southeast, which hosts abundant zinc and lead in sulphide ores within an envelope of manganese-rich garnet, garnet "sandstone" and blue quartz-bearing rock sequences.

The rock package with the alteration and elevated geochemistry is 35 to 50 metres wide and lies directly above the interpreted EM anomaly as shown in Figure 5.

The EM anomalies lie untested at depth beneath the existing Silver City drill holes. They could be responding to a significant accumulation of zinc-rich (sphalerite-rich) mineralisation in a deeper target zone depicted conceptually in Figure 6.

Reports Relevant to this announcement

ASX Release 12 July 2011 and Quarterly Report March 2015.

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 Person

The information in this report that relates to Exploration Results is based on information compiled by Chris Torrey (BSc, MSc, RPGeo Mineral Exploration) 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.

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Annexure 1
Diagrams

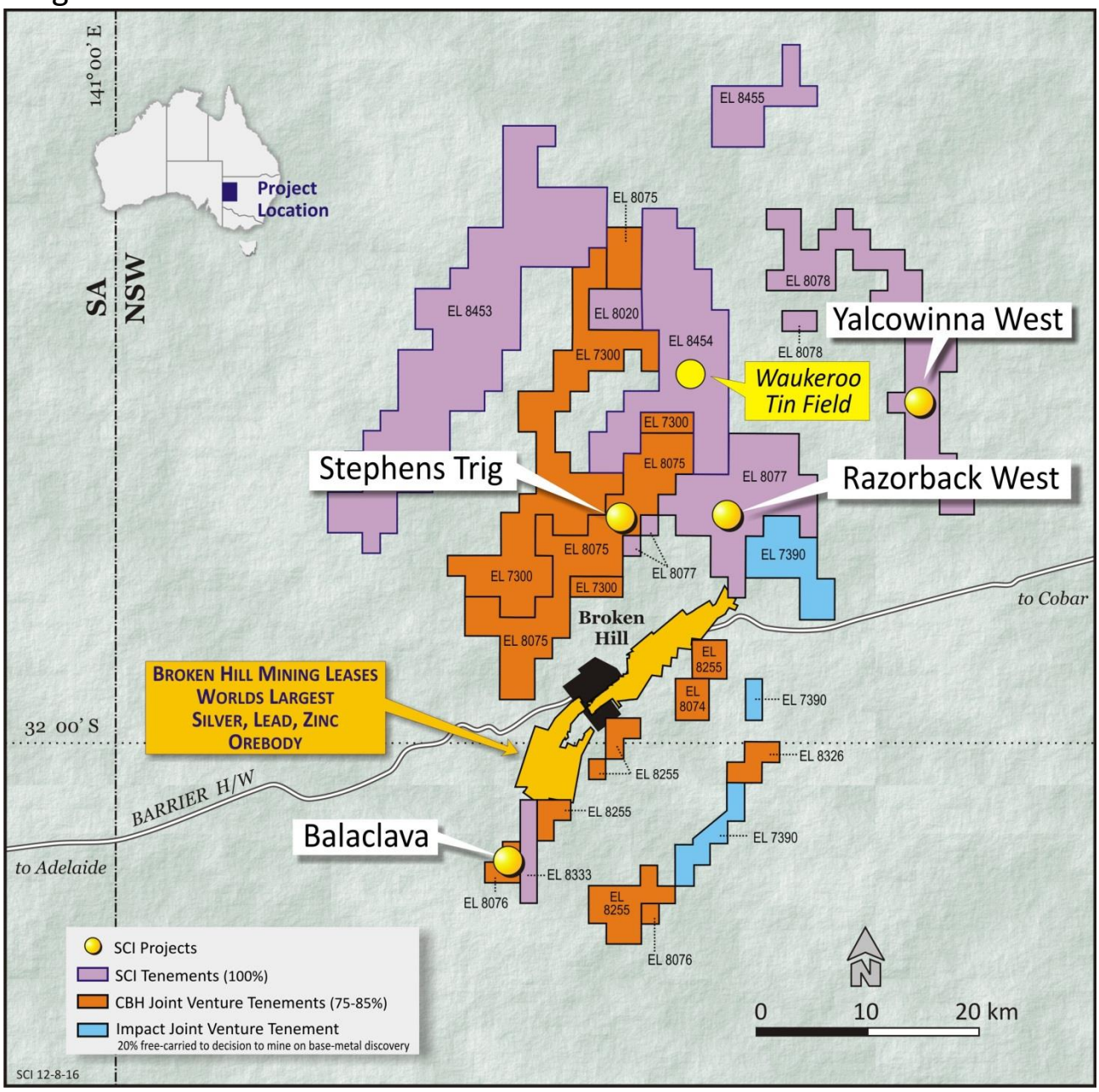

Figure 1. Silver City Minerals tenements at Broken Hill.

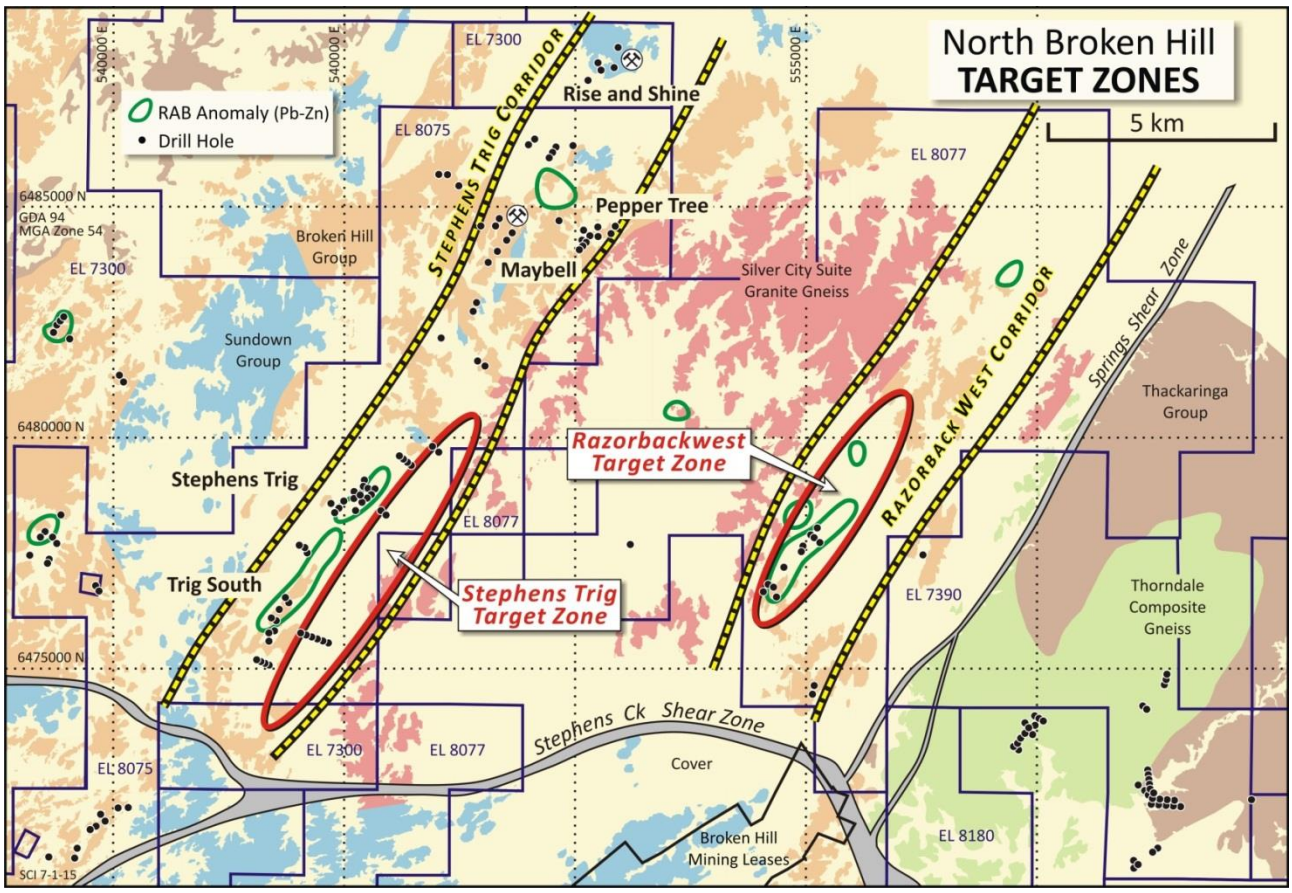

Figure 2. North Broken Hill target zones. Diagram shows outcropping rock types and areas of alluvial and soil cover (pale yellow). The prospective Stephens Trig and Razorback West corridors trend in a northeast direction and lie to the north of the Stephens Creek Shear Zone. The Broken Hill orebodies are located to the south of the shear zone within the Broken Hill Mining Leases. The Target Zones outlined in red are areas of focussed exploration by SCI.

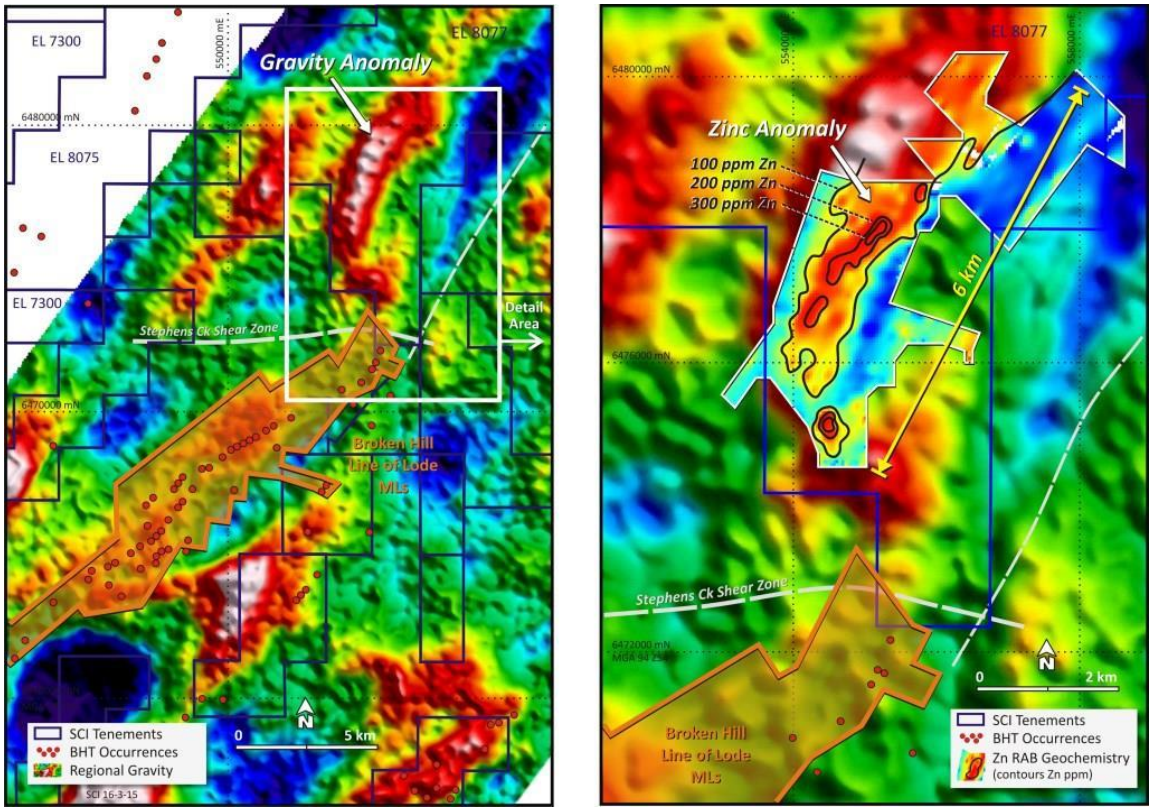

Figure 3. On left gravity image with Broken Hill "line-of-lode" mining lease superimposed, showing significant gravity anomaly to the north of the Stephens Creek Shear Zone. Image on right is an enlarged view of that gravity anomaly with the SCI RAB zinc anomaly superimposed.

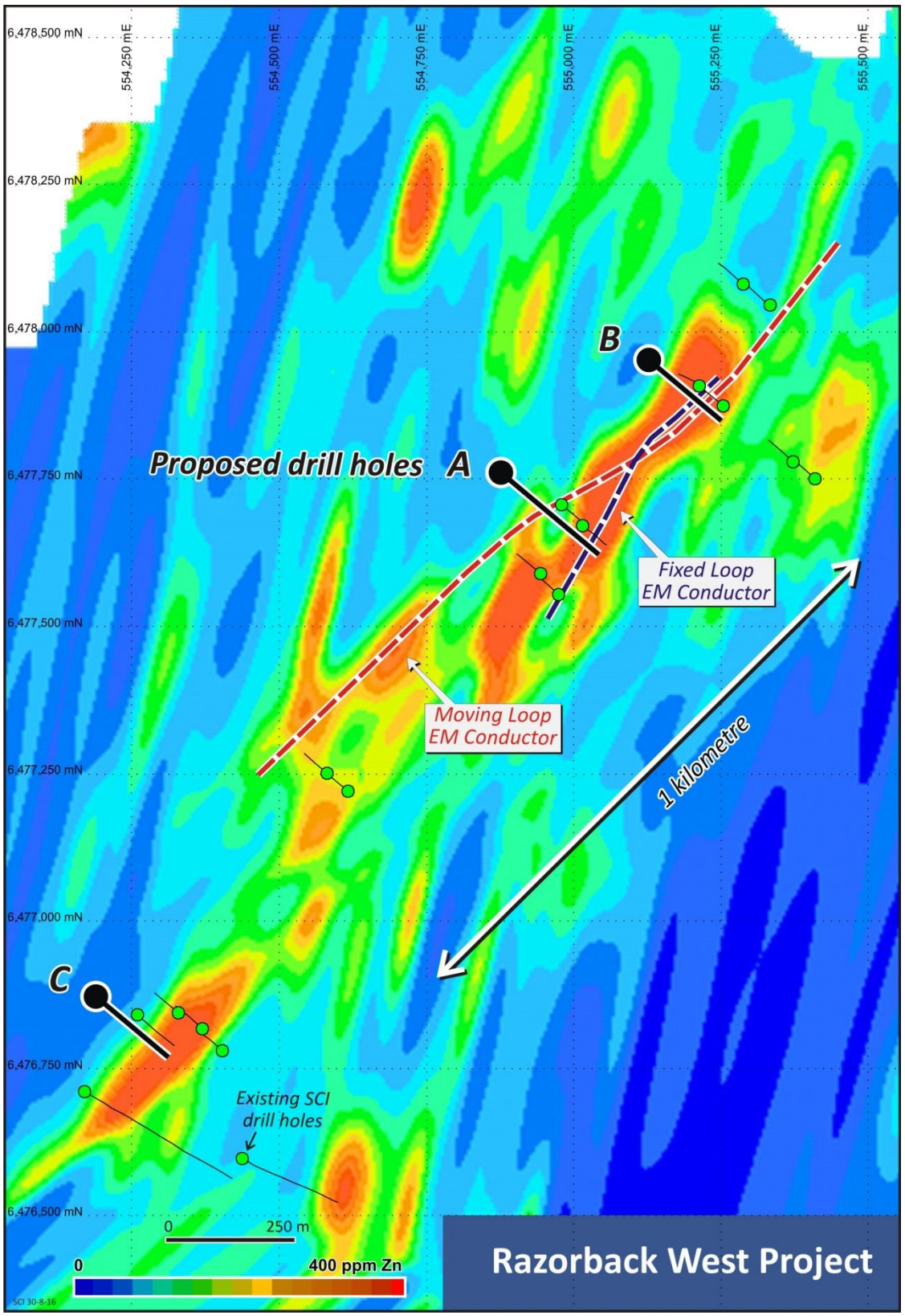

Figure 4. Shows the RAB zinc anomaly (colour image) from Figure 3 in detail and the positions of the moving and fixed loop electromagnetic conductors. SCI drill hole locations are shown, as are proposed Holes "A", "B" and "C" to be partly funded by the drilling grant.

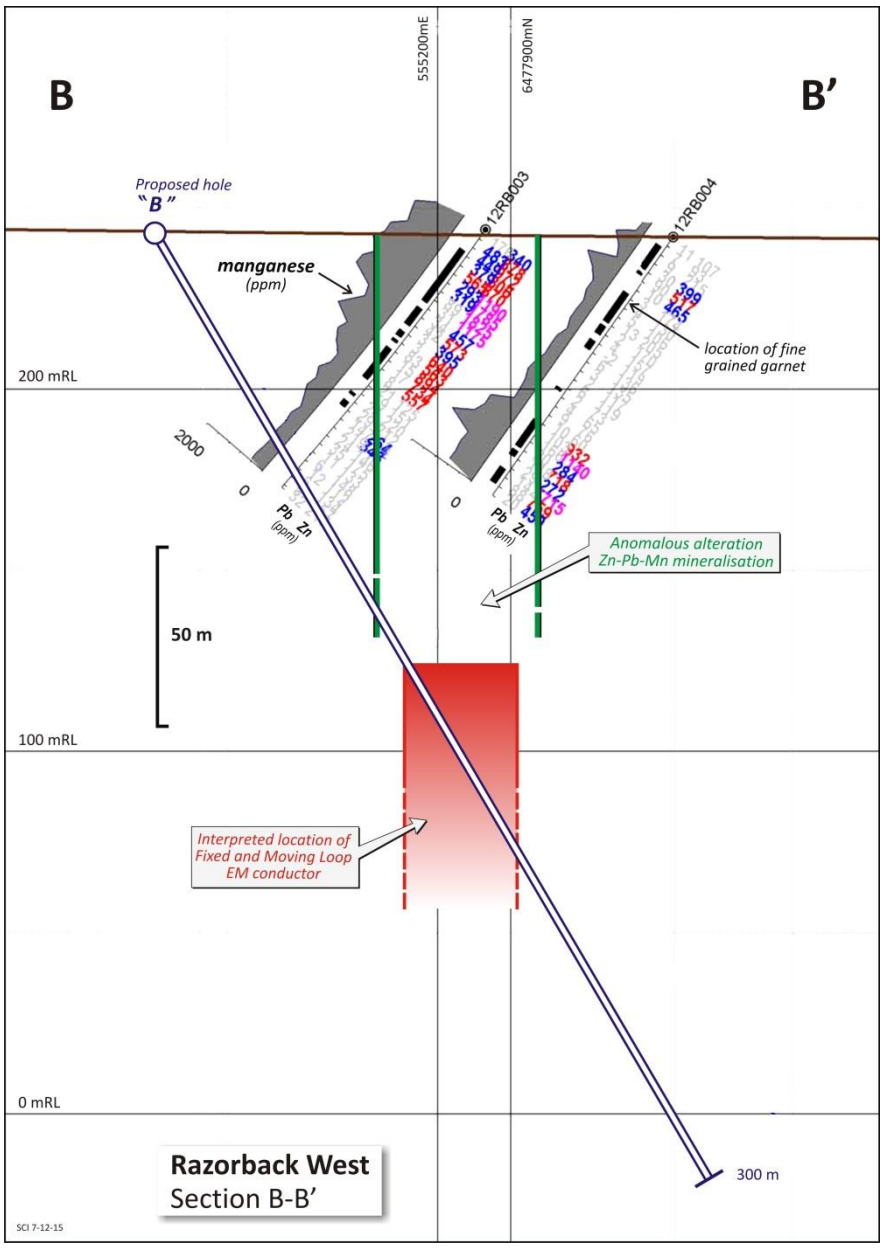

Figure 5. Cross-section B-B' (Hole "B" in Figure 4). Proposed drill hole tests EM anomaly approximately 150 metres below surface.

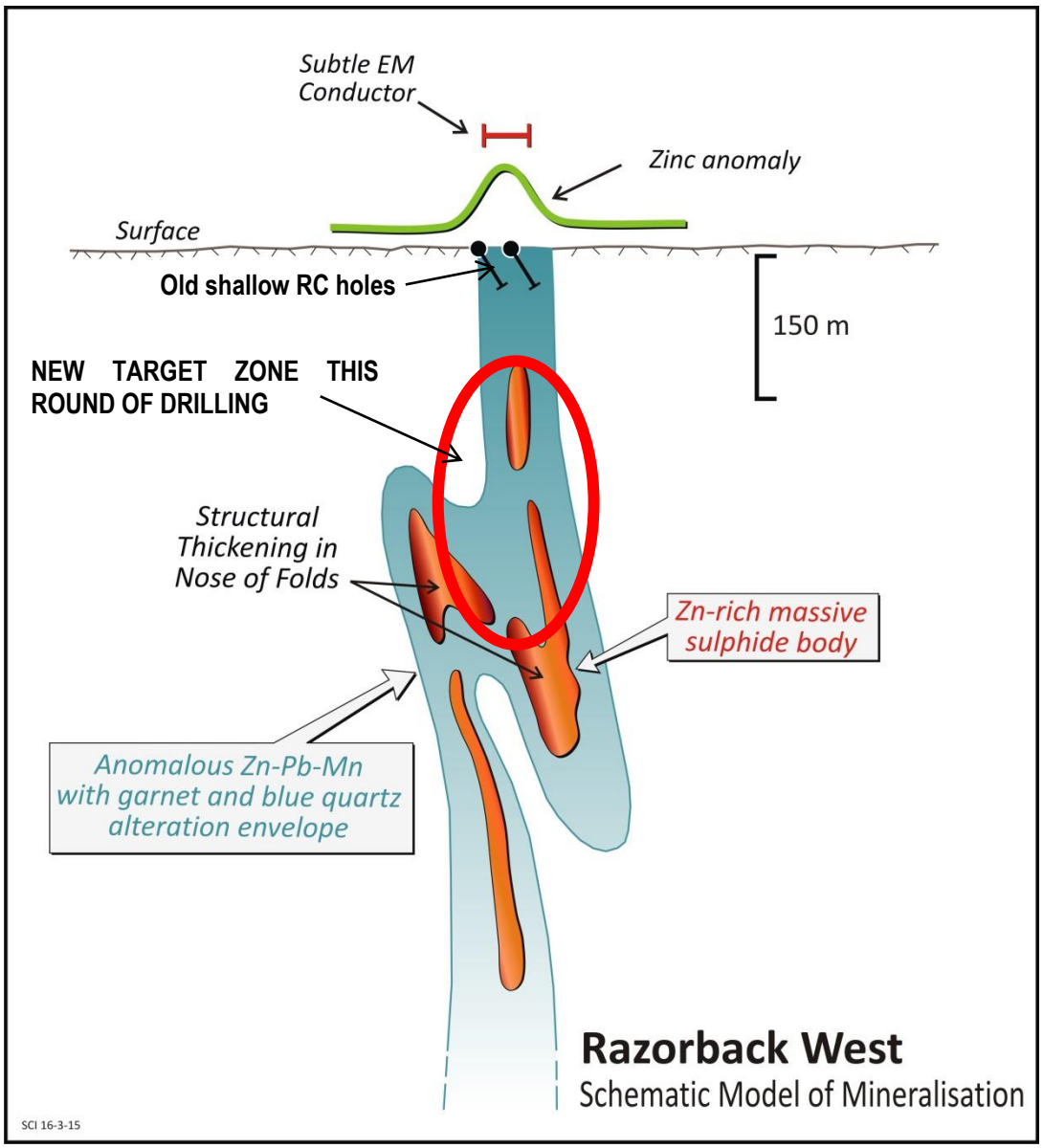

Figure 6. Schematic cross-section showing new target zone to be tested in upcoming round of drilling.