



ASX ANNOUNCEMENT

12 September 2016

Lithium Exploration Update

- **Elevated lithium in Waukeroo tin field**
- **Continued work focused in tin field**
- **Lithium likely to be hosted in micaceous minerals**
- **Delineation of elevated lead and zinc in pegmatite samples**
- **Potential for undiscovered buried lead-zinc-silver resources in Riddock EL**

Silver City Minerals Limited (ASX: SCI) (“Silver City” or “the Company”) has completed an initial phase of sampling of pegmatites within its tenements at Broken Hill.

The program was designed to discover lithium-bearing minerals such as spodumene and amblygonite with the view to assessing potential lithium resources. The Company has some 100 square kilometres of outcropping pegmatite on its tenements (ASX releases 11 May 2016, 3 June 2016 and 15 August 2016).

Lithium minerals are known to occur in tin deposits north of SCI’s tenure and the Company has been searching for these in its tenements with similar geology (Figure 1).

Results of Pegmatite Sampling

To date over 1100 pegmatite samples have been collected from granted licences. Of these, the Company has received approximately 900 chemical analyses (Figure 2).

Lithium

The Waukeroo tin (and tungsten) field located within EL 8454 displays elevated lithium compared to the rest of the district (Figures 2 and 3). The rocks within the tin field are geochemical and geologically distinctive. They are quartz and muscovite rich, intrude low grade metamorphic rocks and contain similarly anomalous elements caesium, beryllium, niobium, tantalum, tin, thallium, gallium and rubidium.

While lithium anomalism is apparent, it remains at low levels (ranging from 0.6 to 319 ppm) and no specific lithium minerals have been identified at this time. The relatively high abundance of the micaceous mineral muscovite ($\text{KAl}_2(\text{Si}_3\text{Al})\text{O}_{10}(\text{OH},\text{F})_2$) within the same area suggests a relationship (Figure 3). In the northern Euriowie tin field, green muscovite has been reported to contain up to 0.65% Li_2O .

The similarly micaceous mineral, lepidolite ($\text{K}(\text{Li},\text{Al})_3(\text{Si},\text{Al})_4\text{O}_{10}(\text{F},\text{OH})_2$) has also been identified in the Euriowie field and may also be the source of anomalism within the SCI Waukeroo field (within EL 8454). Sampling and geological assessment has focussed on EL 8454 where work is ongoing.

Lead-Zinc

An unexpected consequence of the pegmatite sampling program has been the delineation of a large lead anomaly within EL 8020 (Riddock). This is an area where no historic lead-zinc mines or mineral occurrences are located. Similarly no previous exploration has identified base metal mineralisation.

Geological interpretation suggests this anomaly occurs within pegmatites close to the upper, highly prospective parts of the Broken Hill Group.

In the southern part of the sampled tenements, lead and zinc values locally exceed 0.5%. These samples are in all places located close to known Broken Hill-type lead-zinc-silver mineral occurrences.

The Riddock anomaly displays a lower level of geochemical response compared to the southern outcrops and, in contrast, cannot be explained by the presence of known mineral occurrences.

The company considers there to be potential for an undiscovered, buried metal source in the area. Infill pegmatite sampling has confirmed the presence of two anomalous trends. SCI proposes more detailed sampling of soils across the anomaly with analyses by portable XRF.

Nature of Pegmatites

Pegmatites form by the melting of older rocks under conditions of high temperature and pressure. Some remain close to the place of melting and others are allochthonous and move along fractures as a melt to zones of lower temperature and pressure. In the case of Broken Hill, these older rocks are largely sediments (with some volcanic components) of the Willyama Supergroup.

This sequence, and in particular the Broken Hill Group, hosts the lead-zinc-silver ore bodies at Broken Hill. As a consequence of the melting process, pegmatite chemistry will largely reflect that of the older host rock. Pegmatites close to the Broken Hill ore zones commonly contain lead-enriched minerals; notably a green feldspar.

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 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 Figures

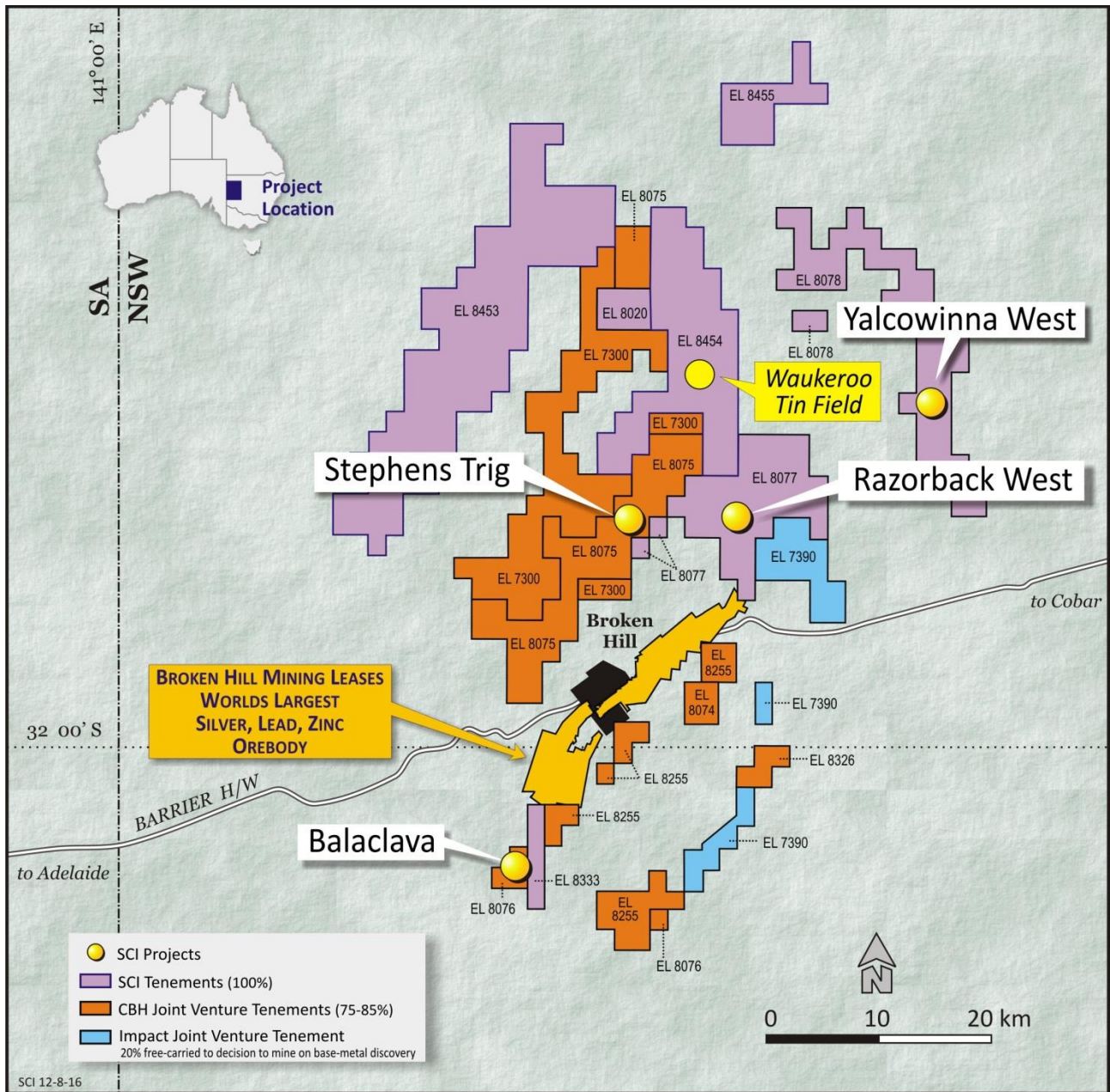


Figure 1. Silver City Minerals tenements

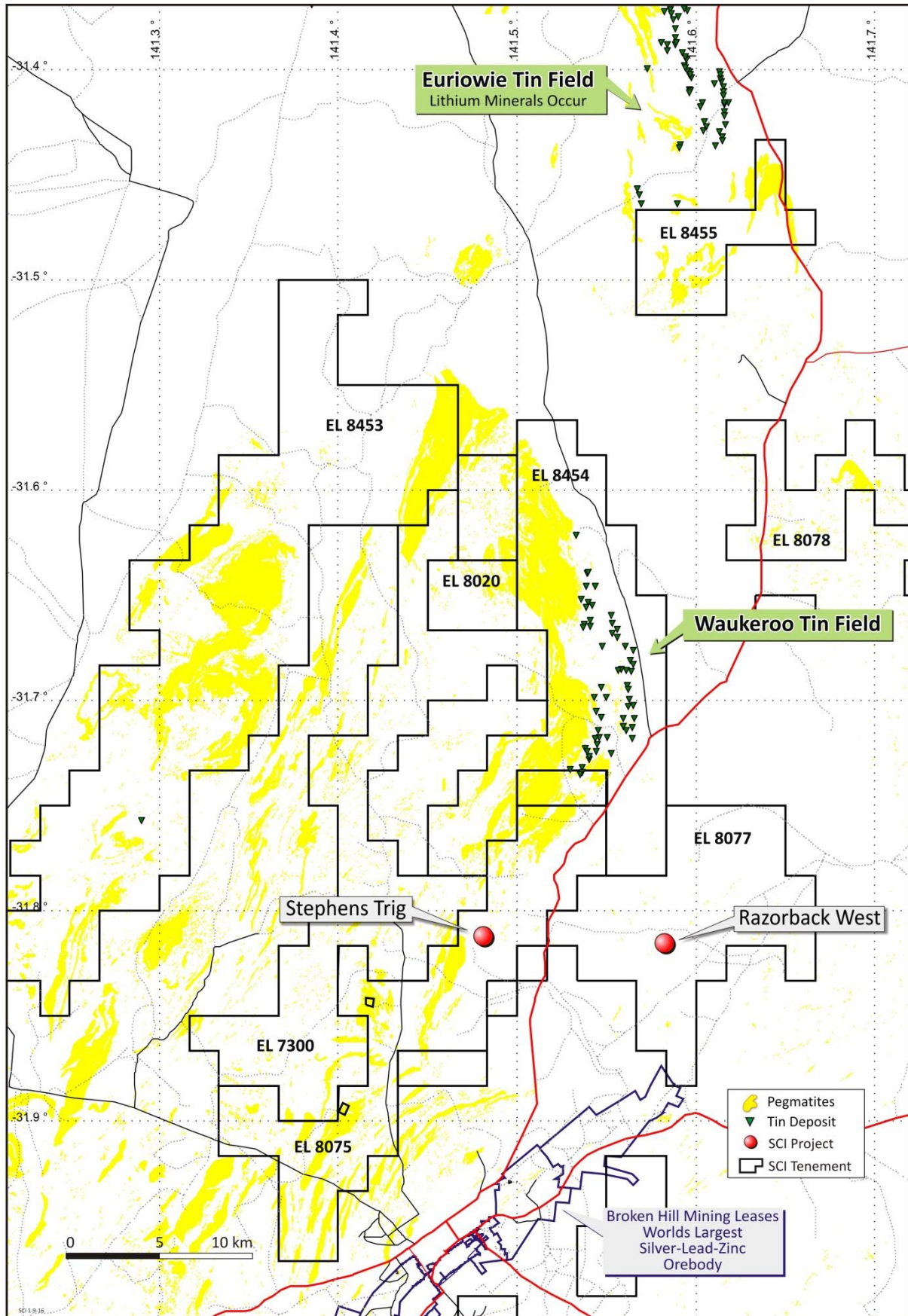


Figure 2. Silver City tenements at Broken Hill. Pegmatites and tin fields shown.

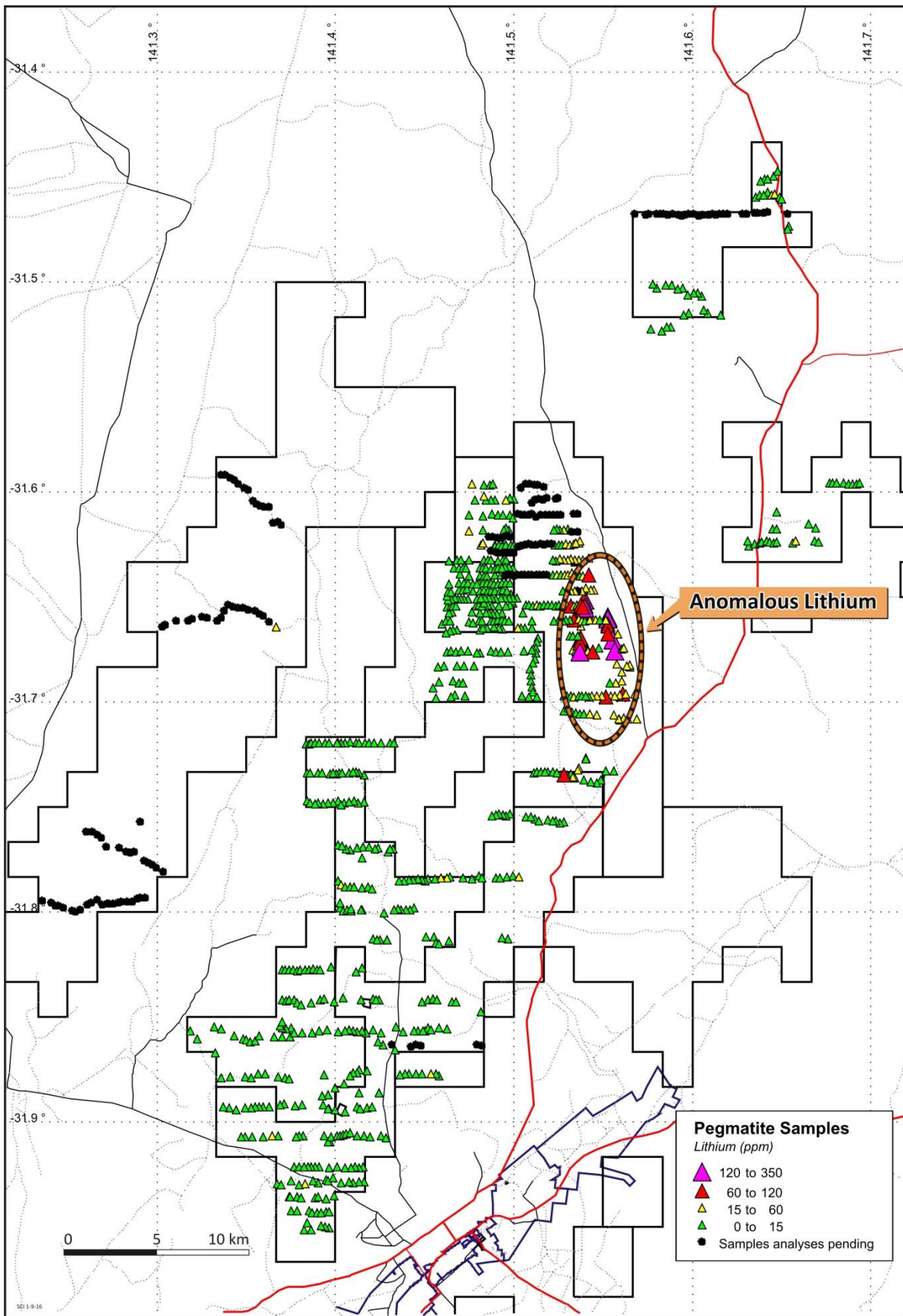


Figure 3. Pegmatite samples showing lithium content. Anomalous lithium is preferentially hosted in the Waukeroo tin field.

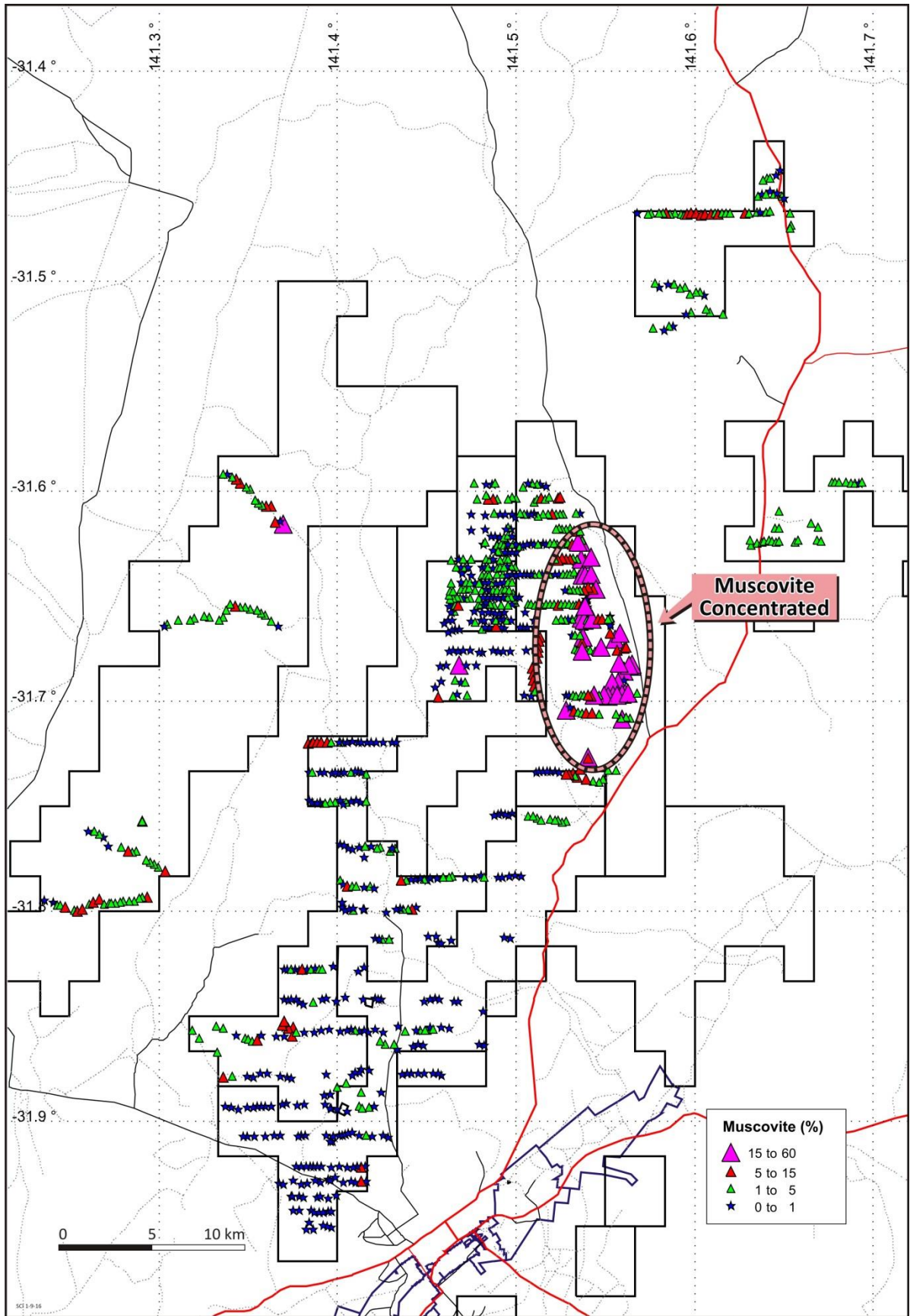


Figure 4. Content of muscovite in pegmatites. Indicates abundance in the Waukeroo tin field.

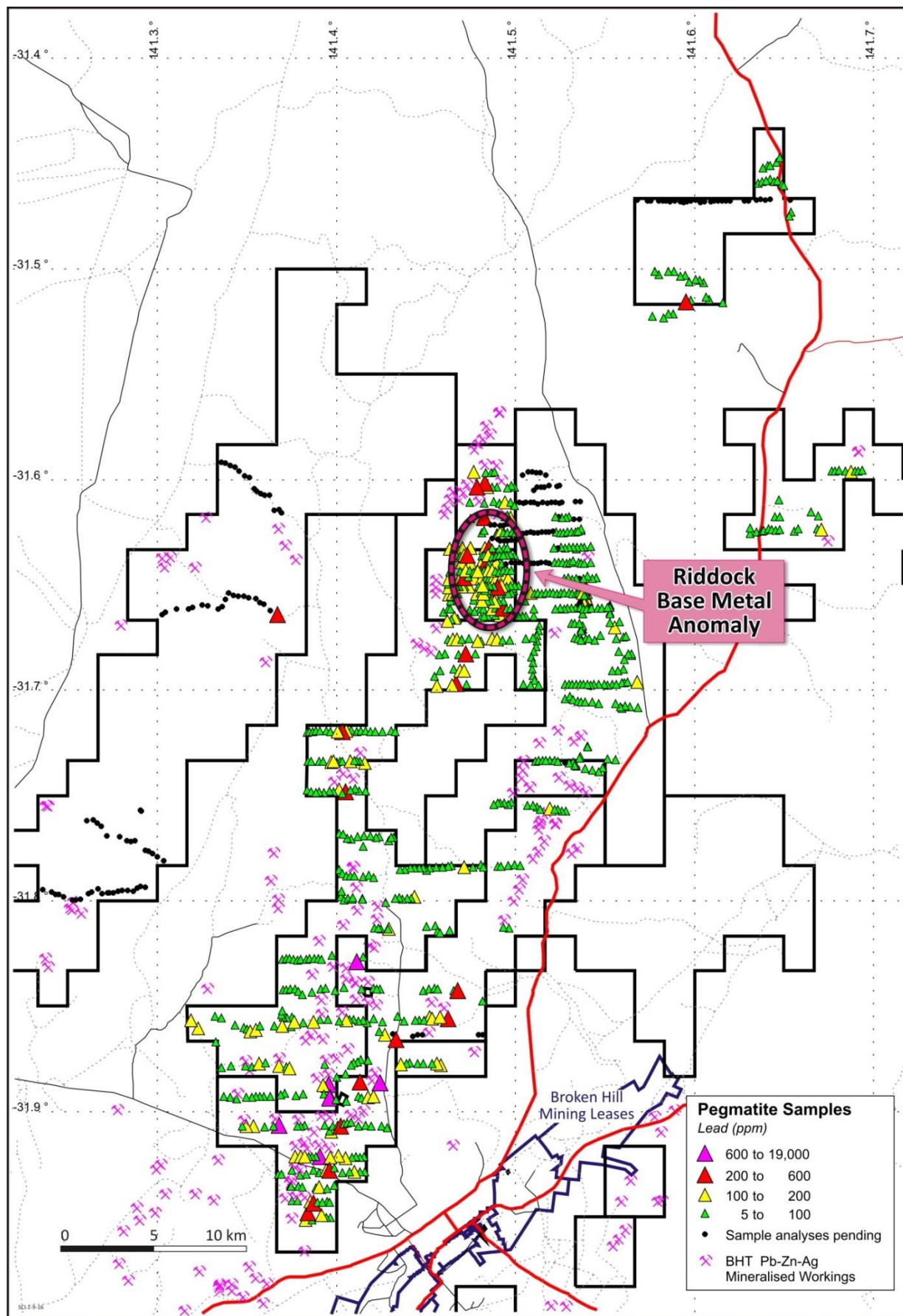


Figure 5. Pegmatite samples showing lead content. Note two main areas of anomalism. A southern zone where there is an abundance of known BHT lead-zinc-silver occurrences and a northern area of lower tenor within the Riddock EL. This remains unexplained by the presence of BHT occurrences.

ANNEXURE 2

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	Commentary
Sampling techniques	<ul style="list-style-type: none"> Rock samples are designed to test a representative pegmatite at the sample site. Grab samples of material of between 2 and 3 kg was selected over outcropping areas of up to 20 square metres. Representivity was achieved by visual selection of material at the sample site. Assays determined are Material to this Public Report
Drilling techniques	<ul style="list-style-type: none"> No drilling was undertaken
Drill sample recovery	<ul style="list-style-type: none"> No drilling was undertaken
Logging	<ul style="list-style-type: none"> Detailed documentation and description of the sample, including site and rock photography was undertaken
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> Subsampling was undertaken to obtain a duplicate for follow-up work and potential re-assay. Visual quality control of the sub-sample was undertaken by a geologist. The size of the sample is appropriate to the grain size of the rock sampled.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> Sample preparation was by ALS method PUL-23 whereby the sample was crushed to 70% nominal 6mm, then was riffle-split to a maximum of 3kg then pulverized to 85% passing 75 microns Four acid digest, multi element ICP-MS analyses for 48 elements. ALS Global method ME-MS61(alsglobal.com). The nature and quality of the analytical methods are appropriate to style of mineralisation anticipated at this stage in the project and are of industry standard. No duplicates or standards were analysed. The laboratory has its own QAQC of systematic standard, repeats and duplicates. No geophysical tools were used No external laboratory checks were undertaken and are not appropriate at this early stage of exploration.
Verification of sampling and assaying	<ul style="list-style-type: none"> No drilling was undertaken All rock data were recorded manually then entered into an onsite digital data system. No adjustments have been made to data.
Location of data points	<ul style="list-style-type: none"> Rock chip sample locations (GDA94 MGA Zone 54) were determined by handheld GPS with an accuracy of +/- 5 metres which is considered an appropriate level of accuracy for regional, early stage target assessments
Data spacing and distribution	<ul style="list-style-type: none"> Pegmatite samples have been collected on east-west oriented sample lines between 400 and 1600 metres apart. Nominal sample spacing along each line varies from 200 to 400 metres depending on the location of the pegmatite outcrop. Data spacing is sufficient for the nature of a regional assessment survey as outlined but is not sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s). No compositing has been applied
Orientation of	<ul style="list-style-type: none"> Sample orientation is not considered important in the nature of this survey. Extent of bias is

Criteria	Commentary
data in relation to geological structure	<p>unknown</p> <ul style="list-style-type: none"> No drilling has been conducted
Sample security	<ul style="list-style-type: none"> All samples were assembled in a secure sample facility in Broken Hill before being dispatched to the laboratory by a freight forwarding company.
Audits or reviews	<ul style="list-style-type: none"> No audits or reviews have been undertaken

Section 2 Reporting of Exploration Results

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

Criteria	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Rock chip sampling has been undertaken on ELs 8453, 8454, 8455, 7300, 8020, 8333, 8078 and 8075. 8075 and 7300. Els 7300 and 8075 are subject to a joint venture agreement with CBH Resources. EL 8020, 8333, 8453, 8455, 8454 and 8078 are 100% SCI. Access agreements are in place for all and no Native Title applies. No impediments to operate are known.
Exploration done by other parties	<ul style="list-style-type: none"> Extensive exploration for base metals, precious metal, tin and tungsten has been conducted on all of the above tenure and is of a high quality. No exploration for lithium has ever been undertaken.
Geology	<ul style="list-style-type: none"> BHT zinc-lead-silver deposits and lithium-bearing pegmatites
Drill hole Information	<ul style="list-style-type: none"> No drilling was undertaken
Data aggregation methods	<ul style="list-style-type: none"> No weight averaging has been undertaken in this report. No short lengths have been aggregated No metal equivalent has been reported.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> No drilling has been undertaken
Diagrams	<ul style="list-style-type: none"> See Annexure 1
Balanced reporting	<ul style="list-style-type: none"> It is impractical to provide all analytical data. Instead samples values for specific elements are depicted as ranges on the accompanying thematic maps.
Other substantive exploration data	<ul style="list-style-type: none"> All available information of significance has been included in this or previous reports
Further work	<ul style="list-style-type: none"> The program of pegmatite sampling outlined in the report is ongoing. Insufficient results are available at this stage to make any conclusions as to the nature of future work