



2013 Annual General Meeting Chairman's Address

I am pleased to report to shareholders that the 2012/13 year began with the noteworthy achievements of our first silver bar poured in July 2012 and our first silver sale in August 2012.

This was achieved within a timeframe of 41/2 years, from the time we had first started work on the Wonawinta project in 2008.

It is also pleasing to report that as we moved from construction into commissioning and operations a high standard of safety performance has been maintained. Our last lost time injury was 653 days ago in November 2011 and management and staff are to be congratulated on their efforts. HSE performance remains a key value.

In our first year of production we produced 889,945oz of silver but our production ramp up was slower than we had expected.

With the benefit of hindsight we had underestimated the geological and mineralogical complexity of the orebody.

As production ramped up over the latter half of 2012 we experienced a higher than expected level of oversize ore. The oversize ore was rejected to a stockpile and was not able to be processed through the leaching and elution circuit. This issue had not been identified in the metallurgical test work conducted as part of feasibility study, where reverse circulation drilling chip samples had been used for test work. About 6 large diameter core samples were also tested without identifying this problem.

During the year, ore was mined initially from the Manuka Pit and then from the Boundary Pit.

We had expected predominantly soft clay ore to be presented to the process plant in the initial years of the project life. This was not the case. There was a higher than expected proportion of hard clay ore and harder limestone ore was encountered at shallower levels than our geological models had predicted.

Recognising these issues, we sourced and purchased a ball mill, which was delivered to site in April 2013. The mill was commissioned over May and June and was operational by early July.

The stockpile of oversize ore, which accumulated over the year, is being treated together with current production.

Reliability issues with both the plant and the mill, which also came in significantly over budget, also affected us. It is pleasing that the plant performance has improved significantly and we believe we will be able to produce silver at a level exceeding 200koz per month.

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The grade of ore mined from the Manuka Pit reconciled well with the geological model. The ore grade from the Boundary was slightly lower than the geological model. A program of in-fill drilling was brought forward to enable better definition of ore and waste boundaries and therefore improved pit design. The benefits of this will be less waste removal per tonne of ore and will be seen in the 2013/14 year.

In September we installed an additional retort. The retort is fully operational, eliminating the need for off-site treatment of silver filter cake.

We also intend to trial the lead circuit in the next few months, and once we are confident that lead recovery will not sacrifice silver revenue we shall commence production of lead

In July we made organisation changes which resulted in personnel numbers reducing by around 10% and staffing costs by around 17%. The silver price remains volatile and is some 30% lower today than it was a year ago. The lower silver price and slower ramp up have put pressure on the Company's cash position and we continue to monitor our working capital position but unless there is a major turnaround in the silver price we shall have to restructure our loans and working capital position and we are currently in discussions on this matter.

In the annual accounts you will note we took up an impairment of \$28.5M against our major asset, the Wonawinta Silver Mine. While this has no cash impact on our business, it reflects the Board's view of the carrying value of the asset under a number of scenarios. As mentioned above, we regret that the process plant, which was the major capital component of the mine, ran over time and budget.

We undertook a number of financing initiatives during the year: firstly, in September 2012 by way of a placement to institutional investors and a share purchase plan, to raise \$15 million. This was necessary primarily because completion of the process plant ran over time and consequently over budget.

Secondly, in April 2013, it was unfortunately necessary to return to shareholders again with a \$12.2 million entitlement offer, due to the constraint on silver production caused by the oversized ore issue, which had become more acute over the early months of 2013. The entitlement offer was fully underwritten by our major shareholder Magna Resources Corporation.

More recently, on 30 September we announced that our major shareholder Magna Resources Corporation had agreed to provide a \$3M working capital facility to support the Company during the ramp up period. The Company is fortunate to have had Magna's support both for the entitlement offer in April and the working capital facility.

I will now comment on changes to the Board and Executive.

In December 2012, Tom de Vries joined as General Manager Operations, replacing Grant Davidson.

Chairman's Address

Together with entitlement offer announcement in April we also announced that Managing Director Ian Lawrence would be leaving the Company. Paul Bibby was appointed initially as Chief Operating Officer and after Ian's departure, as acting Chief Executive Officer. Paul's appointment was made permanent in August. Under Paul's leadership the Company has made significant operational improvements.

Today I can announce that non-executive Director Dr. Richard Mazzucchelli will retire at the close of today's meeting. Richard was instrumental in the evaluation of the Company's original tenements, before it floated in 2006 and he has played an on-going role monitoring and mentoring our exploration activities.

Our Chief Financial Officer, Alan Knights, has advised his intention to retire on 31 December 2013. A search is underway for a successor.

Our Company Secretary Trevor Shard, will step down at the conclusion of today's meeting. Claire Miller, sitting here in the front row today, will assume the responsibility of Company Secretary and General Counsel.

Trevor will continue to provide investor relations services and Richard will also be available as a geochemical consultant.

On behalf of the Board I would like to pay tribute to Ian, Richard, Alan and Trevor's collective contribution to the Company's growth and development.

Looking forward, our immediate focus is to continue the production ramp up at the Wonawinta Silver Mine and move the Company into a position of positive cash-flow. We expect to achieve our targeted level of silver output of in excess of 200,000oz per month early in 2014. At the current silver price of \$23/oz the Company will then be cash flow positive.

We thank employees, shareholders and our wider community for their continuing support and look forward to keeping you up to date with the Company's activities in the year ahead.

I now invite Paul Bibby to update you on operations.

John Dreyer
Chairman