

SILVER CITY MINERALS LIMITED



Annual General Meeting – 15th November 2016 Chairman's Address to Shareholders

This time last year I reported that commodity prices were in decline and that this had a significant negative impact on junior explorers with market conditions such that many were trading below their cash backing and others exited the scene altogether. These conditions continued into the first half of 2015-16 but by the second half commodity prices strengthened for a number of metals and interest in the junior sector improved, particularly for gold and lithium explorers. Base metals lagged behind but in recent months these have shown sustained improvements with strong fundamentals for the outlook of zinc, lead and copper. Zinc in particular is showing a decline in LME stocks with projected shortages expected from a number of large mine closures and lack of new zinc mine developments

Silver City has maintained its focus on exploration discovery of zinc-lead-silver deposits on its large exploration land position surrounding the world class Broken Hill deposit with active exploration and drilling programmes. It was recognised that the Company also had a large number of pegmatites within its Broken Hill tenure and that these have analogous geological setting and chemistry to the major lithium bearing pegmatites elsewhere in the world. With increasing lithium prices and projected shortages of supply the economic potential for lithium bearing pegmatites has come into focus. A lithium pegmatite deposit located within the Silver City tenements at Broken Hill, a major mining centre with rail connections to port facilities, would have significant development cost and timing advantages compared to deposits in more remote areas of Australia. In June the company commenced a systematic surface sampling programme of pegmatites within its tenements

The Company retains its strong view that additional Broken Hill type zinc-lead-silver deposits remain to be discovered in the District. It has an outstanding tenement position over prospective host rocks within 50 kilometres of the Broken Hill Mining Centre. There are two operating milling facilities at Broken Hill producing zinc and lead-silver concentrates with more than 1mtpa excess ore processing capacity. Within the Company tenements there are greater than 100 kilometres of strike length of Broken Hill type host rocks. These occur within strike extensions of the line of lode and in parallel belts. Approximately 50% of these are under shallow alluvial cover.

Silver City has identified off-faulted host rock blocks to the north and south of the Broken Hill deposit that are largely covered but identified through geochemical and geophysical surveys and initial drill holes.

Recently Silver City was awarded funding by the NSW Government for 3 diamond drill holes to test the Razorback West Zone, the northern strike extension target. This is an important endorsement of the quality of this target and of the Company's technical team. Drilling has commenced with \$115,000 of direct drilling cost to be funded by the Government scheme.

In another recent development Silver City reached a farm-in agreement to earn an 80% interest in a large geophysical anomaly NW of Cobar. This has co-incident magnetic, gravity, induced polarisation and electromagnetic anomalous responses and is considered to be a prime target for copper-gold mineralisation. Drilling is due to commence in December.

With improvement in market interest for selected exploration plays, the Company was able to raise \$1.9 million in equity funds at the end of the financial year.

Silver City has a highly experienced exploration team that has honed its technical expertise to recognise quality exploration targets and apply the most up to date and cost effective evaluation techniques. Base metal exploration is an inherently high risk venture but for which rewards of discovery can be truly exceptional. Silver City strives to be positioned where it can have the lowest risk possible to achieve a discovery.

Bob Besley
Chairman