SILVER CITY MINERALS LIMITED

Quarterly Report June 2017

ASX Code: SCI

Issued Shares: 158.6M
Unlisted Options: 29.7M
Cash Balance: $0.9M
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Ian Plimer
Greg Jones
Josh Puckridge

TOP SHAREHOLDERS

(At 25 July 2017)

Variscan Mines Limited:	4.3%
HSBC Custody Nominees:	2.9%
BNP Paribas Nominees	2.7%
Jennings Family Investments:	2.2%
Kobia Holdings Pty Ltd:	2.2%
Top 20:	**34.3%**

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HIGHLIGHTS

- Outstanding sulphide-bearing drill intersections in historic drill holes at Copper Blow 20 kilometres south of Broken Hill.
  - **11.8 metres at 6.7% Cu, 1.92 g/t Au**
  - **15 metres at 2.7% Cu, 0.53 g/t Au**
  - **19.2 metres at 1.8% Cu (incomplete Au analyses) including 0.9 metres at 2.1% Cu and 3.0 metres at 4.6% Cu, 0.62 g/t Au**
  - **4 metres at 3.9% Cu, 0.29 g/t Au**
  - **6 metres at 5.0% Cu, 0.51 g/t Au**
  - **2.7 metres at 5.7% Cu, 4.2 g/t Au**
  - **2.1 metres at 3.2% Cu, 0.65 g/t Au**

- Surface rock chip samples with grades of **6.89% copper and 1.85 g/t gold, and elevated in cobalt, silver, molybdenum and rare earth elements.**

- Copper Blow is **an iron oxide copper-gold (IOCG)** project located close to the Broken Hill mining centre where two sulphide treatment plants currently operate.

- At Razorback West a detailed gravity survey is scheduled with the view to targeting high density lead-zinc-silver sulphide bodies.

OUTLOOK

- On 17 July 2017 the Company announced plans to drill test significant copper-gold mineralisation at the Copper Blow Prospect, located 20 kilometres from Broken Hill in NSW. Results of drilling are scheduled to be available towards the end of the Quarter.

- New opportunities continue to be evaluated during the Quarter. The Company will keep the market updated on any new acquisitions.

- Further drilling at Razorback West will await the outcome of the detailed gravity survey.

- Continued evaluation with possible drilling of the base-metal project at Wilga Downs, near Cobar.

OPERATIONS

Copper Blow (EL 8255; Joint venture with SCI 75%, CBH 25%,

Mining History

Copper Blow is an historic mine which was developed on five levels down to approximately 60 metres below surface. Records indicate that mining commenced in 1887 and produced 715 tonnes of copper ore at grades up to 13% copper in that early era of mining.

Historic Drilling

Historic reports indicate fifty three holes have been completed over a period of almost 60 years. The initial work began in 1949 and tested a zone one kilometre in strike. Of particular interest are a series of diamond drill holes completed between 1982 and 1994. Six of these were drilled to depths of greater than 250 metres and encountered high grade copper mineralisation. These were drilled by large mining companies Shell and BHP in a joint venture arrangement with a number of smaller explorers.

Since 1994 three campaigns of RC drilling focussed on shallow potential for open pit copper-gold ore and identified a number of lode zones, some with significant grade. SCI compiled the historic drill hole data for Copper Blow as part of a broader review of its southern tenements.

Diamond drill hole DDHCB009 was of particular interest as it contained an intersection of **11.80 metres at 6.7% copper, 1.92 g/t gold and 14 g/t silver** in a chalcopyrite-rich (copper sulphide) lode within a major shear zone (ASX Release 4 May 2017). DDHCB006 and 008 were of similar grade and overall width and suggestive of steeply dipping mineralised structures where true thicknesses of 10 to 15 metres occur. Best intersections in these holes occur between 160 to 220 metres below the surface and multiple lode zones were encountered throughout the holes (Figures 4 and 5). All contain sulphide mineralisation dominated by chalcopyrite associated with magnetite, biotite and quartz.

All lodes are open along strike and down dip. A structural interpretation of geology in diamond drill holes conducted in 1994 indicated that high grade copper mineralisation is located in a series of steeply southwest plunging shoots within a shear zone which itself dips steeply to the south west. No step-out or infill drilling was undertaken at the time to test this model.

SCI concludes that there is significant scope for near-term discovery of high grade copper-gold mineralisation focussed on these diamond drill hole intersections. Existing drill holes suggest mineralisation could extend to depths in excess of 350 metres below the oxidation boundary which is located approximately 50 metres below surface.

Rock Chip Sampling

During the Quarter SCI collected surface rock chip samples over approximately the same one kilometre strike length where drilling has taken place. The work was designed to evaluate the potential for other economic trace elements associated with high grade copper mineralisation (ASX Release 19 June 2017; Table 1). Sampling was selective, focussed on old mine dumps where copper carbonates were abundant in association with magnetite and biotite (Figure 3). Not only did the rocks return highly elevated copper (to 6.89%) but also gold (to 1.85 g/t),

silver (to 12.6 g/t), cobalt (to 749 ppm), lanthanum (a rare earth element; to 590 ppm) and molybdenum (to 198 ppm).

The conclusion from this work is that there may be potential for other economic elements associated with copper; especially cobalt, rare earths and silver. The signature of these elements and the mineral assemblage that hosts them is typical of an iron oxide copper gold deposit (IOCG). This style of deposit ranges in size from less than 1 million tonnes in the Tennant Creek deposits of the Northern Territory to 10 billion tonnes at Olympic Dam in South Australia. Copper Blow is perhaps the first documented IOCG in New South Wales.

Table 1 Surface Rock Chip Samples Copper Blow

Sample	East	North	Type	Description	Cu (%)	Au (g/t)	Ag (g/t)	Co (ppm)	Mo (ppm)	La (ppm)	P (ppm)
30397	547651	6444860	dump	quartz-magnetite rock with malachite & azurite	3.95	0.42	3.5	76	33	200	2030
30398	547616	6444868	dump	quartz-magnetite rock with malachite & azurite	1.46	0.27	4.9	316	16	50	1860
30399	547697	6444931	dump	sheared quartz-magnetite rock with malachite & azurite	4.04	0.65	5.6	54	45	110	2410
30400	547758	6445062	dump	quartz-magnetite rock with malachite	3.92	0.27	6.6	66	44	170	1880
30401	547886	6445158	Out-crop	sheared quartz-magnetite rock	1.06	0.27	1.5	38	47	480	1000
30402	547907	6445159	dump	magnetite-quartz vein with malachite	3.60	0.58	7.7	43	191	580	1360
30403	547891	6445176	dump	quartz-magnetite rock and veins with malachite	2.46	0.49	2.6	62	170	500	1220
30404	548032	6445302	dump	quartz-magnetite rock with malachite	6.36	1.03	4.7	228	78	450	4010
30405	547958	6445266	dump	quartz-magnetite rock and veins with malachite	0.05	0.03	0.4	381	19	170	4660
30406	548168	6445376	dump	sheared quartz-magnetite rock and veins with malachite	0.01	0.02	0.2	216	7	90	340
30407	548255	6445457	dump	magnetite quartz veins in biotite altered rock	0.03	0.01	<0.2	207	26	110	400
30408	548369	6445543	dump	magnetite quartz veins in biotite altered rock	0.03	<0.01	0.2	193	21	150	750
30409	547951	6445246	dump	magnetite quartz veins in biotite altered rock with malachite	4.04	0.79	5.2	54	53	590	2200
30410	547877	6445166	dump	magnetite quartz veins in biotite altered rock with malachite	3.70	1.85	12.6	73	198	400	910
30411	547637	6444961	dump	magnetite quartz zones in biotite altered rock	0.01	0.01	<0.2	39	20	40	790
30412	547587	6444842	dump	massive quartz-magnetite in biotite altered rock with malachite	6.89	0.13	3.4	749	24	20	2650

Work Program

As announced on 17 July 2017 an initial program of approximately 2600 metres of combined reverse circulation and diamond drilling is scheduled to commence this quarter.

Razorback West (EL 8077; 100% SCI)

A detailed gravity survey scheduled for last quarter was delayed to coordinate with landowner activities. It has been rescheduled to start in August.

Wilga Downs (EL 8136; SCI earning 80%)

This project is located approximately 80 kilometres north of Cobar and is prospective for copper, lead, zinc and gold. Recent three dimensional modelling of magnetic data in conjunction with downhole electromagnetic (EM) data has been completed. The work indicates a number of features:

1. A plate-like, off-hole conductor has been modelled and lies some 40 metres to the north of where SCI hole 16WD02 terminated. In addition, this conductive plate, which probably represents an accumulation of sulphide minerals, lies within the core of a magnetic high anomaly.
2. Drill holes, including the SCI hole, have only tested the margins of the magnetic high anomalies. The most intense parts of the magnetic responses have not been drilled (Figure 8).
3. The magnetic anomalies are partly coincident with, and partly offset to the south of gravity anomalies. This indicates the presence of rock which has high magnetic susceptibility and higher densities compared to the surrounding sedimentary sequences. In the district this type of geophysical configuration can be attributed to the presence of sulphide mineralisation with attendant hydrothermal alteration, notably silicification. These provide excellent targets for follow-up drilling.

The Company concludes that the centres of the magnetic anomalies have the potential to host copper-gold or lead-zinc-silver sulphide mineralisation similar to Tritton, Endeavor or the CSA mines near Cobar; all significant producers in the district (Figure 2). Further drilling of these magnetic anomalies is being considered by the Company (Figure 6).

BUSINESS DEVELOPMENT

Broken Hill remains of significant focus for the Company. The emphasis has been on the discovery of new lead-zinc-silver mineralisation of the type that is currently mined at Broken Hill. An in-depth review of historic exploration data suggests that other styles are also present. In particular, the Company has outlined an historic copper-gold project at Copper Blow which has potential to become a significant resource.

The Company has also embarked on an initiative to acquire new projects suited to its financial capacity and expertise. It now has three Exploration Licences in the Cobar mining district, one located immediately to the east of the Endeavor lead-zinc-silver mine.

During the Quarter the Company conducted a number of evaluations of new business opportunities. In Australia the focus has been on Queensland, New South Wales and the Northern Territory. It has undertaken detailed due diligence and entered into discussions with vendors on several of these. At the time of writing, no contracts had been signed with respect to new acquisitions. Should this change the Company will immediately update the market.

REPORTS

Data referred to in this report is derived from Quarterly Reports December 2016 and March 2017 and ASX Releases 4 May 2017, 19 June 2017 and 17 July 2017.

CORPORATE

Net operating expenditure for the Quarter was $212k. This included $177k expenditure on projects held by the Company, $110k on administration offset by $5k received in interest income and $70k received from a Government Grant. Cash on hand at the end of the Quarter was approximately $0.9 million.

On 25 July 2017 the Company announced a placement of new shares for a total value of $428,000. The Company also advised that it will be conducting a Share Purchase Plan to existing eligible shareholders to raise a maximum of $250,000 ("**SPP**") which will close on 15 August 2017. The new shares and SPP shares will be issued at a price of 1.8 cents per share.

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 focused 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. It recently entered into a farm-in and joint venture agreement with respect to the Wilga Downs project near Cobar.

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 Christopher 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 relevant to the styles of mineralisation and type of deposits under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Torrey consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Annexure 1: Diagrams

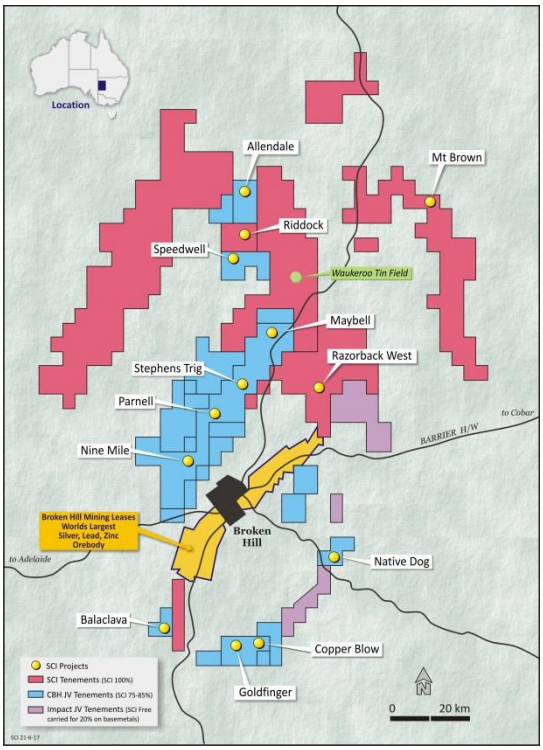

Figure 1. Silver City Minerals, Broken Hill tenements and location of projects.

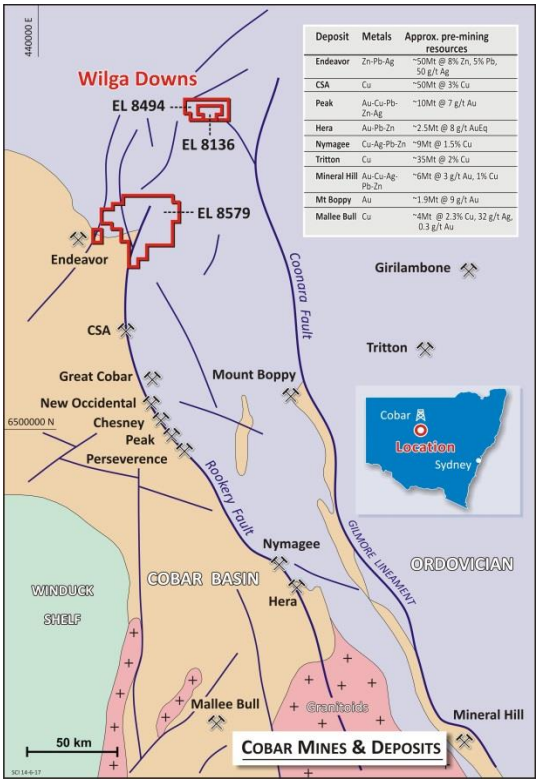

Figure 2. Location of mines and mineral deposits in the Cobar District. Diagram shows the Joint Venture Tenement (EL 8136) and new 100% Silver City tenements (ELs 8494 and 8579).

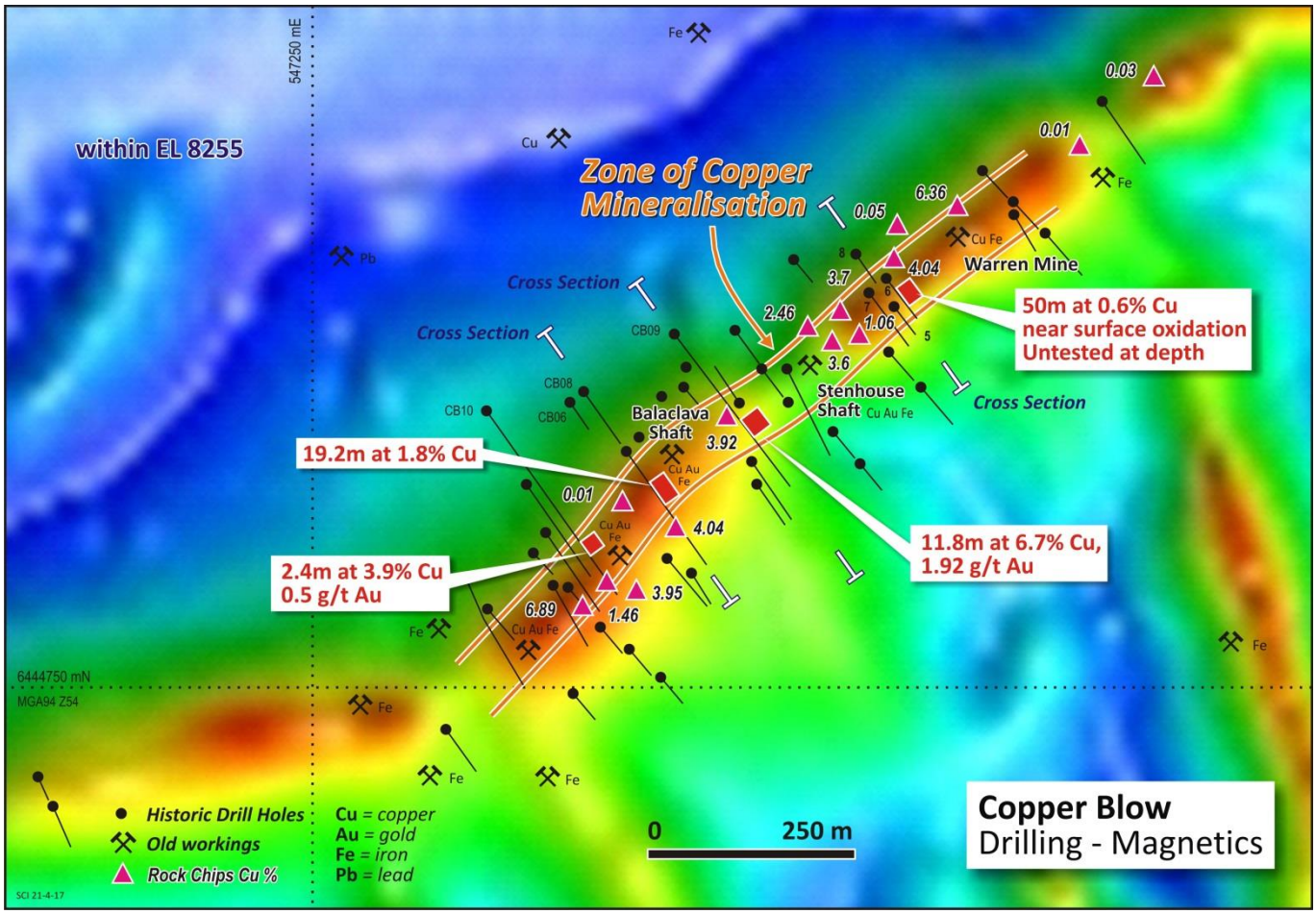

Figure 3. Location of drilling and rock chip samples at Copper Blow. Diagram shows strong spatial relationship between magnetic anomaly and copper mineralisation.

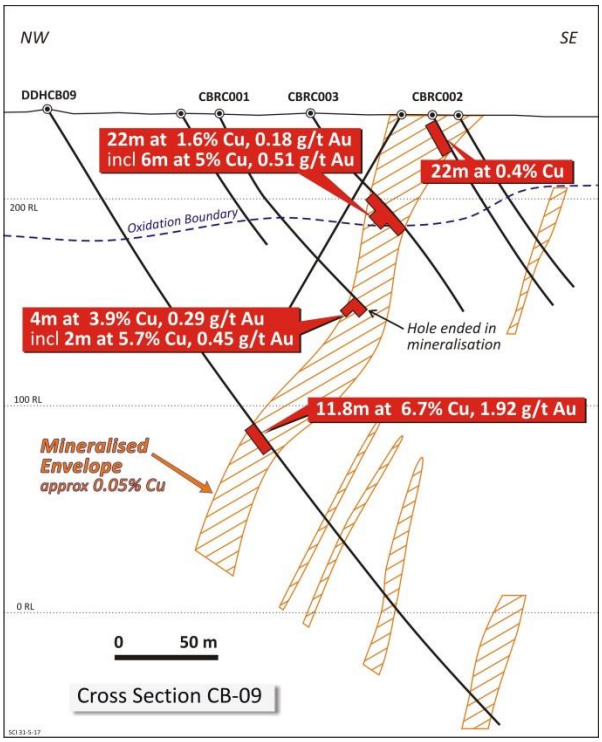

Figure 4. Cross section CB-09

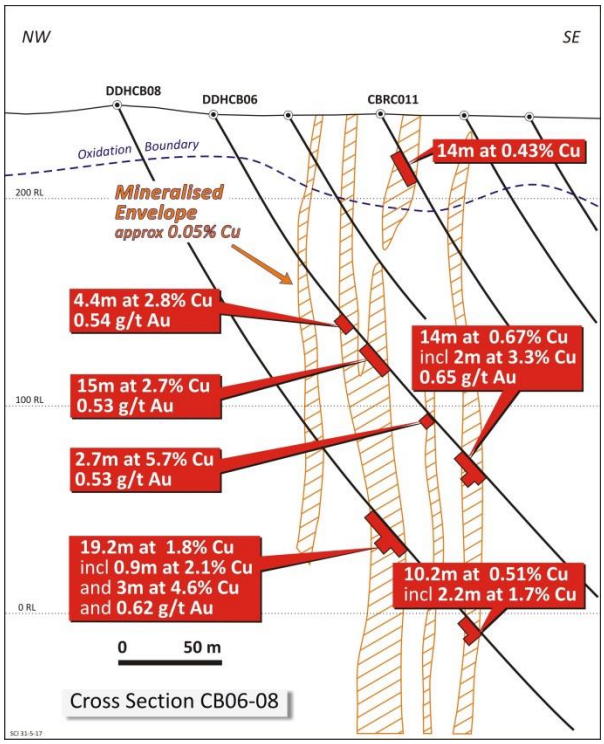

Figure 5. Cross section CB06-08

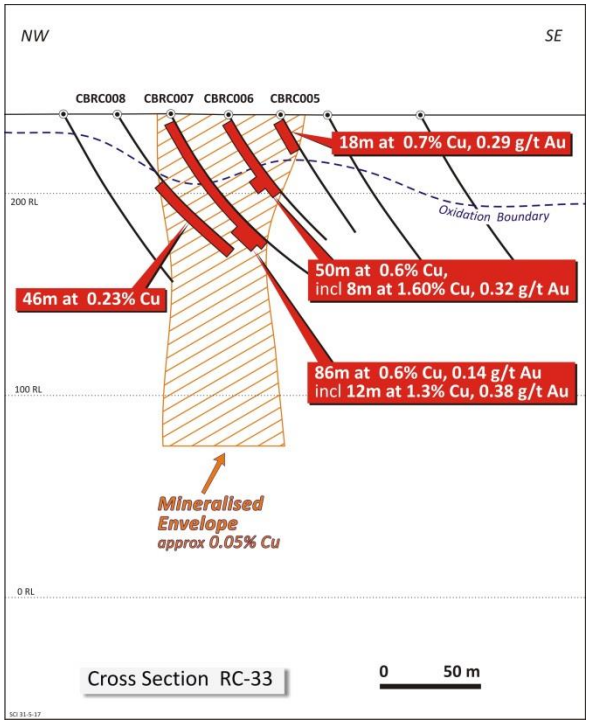

Figure 6. Northern-most cross section RC-33

Figure 7. Examples of high grade copper mineralisation. Combinations of chalcopyrite, pyrite, magnetite, biotite and quartz.

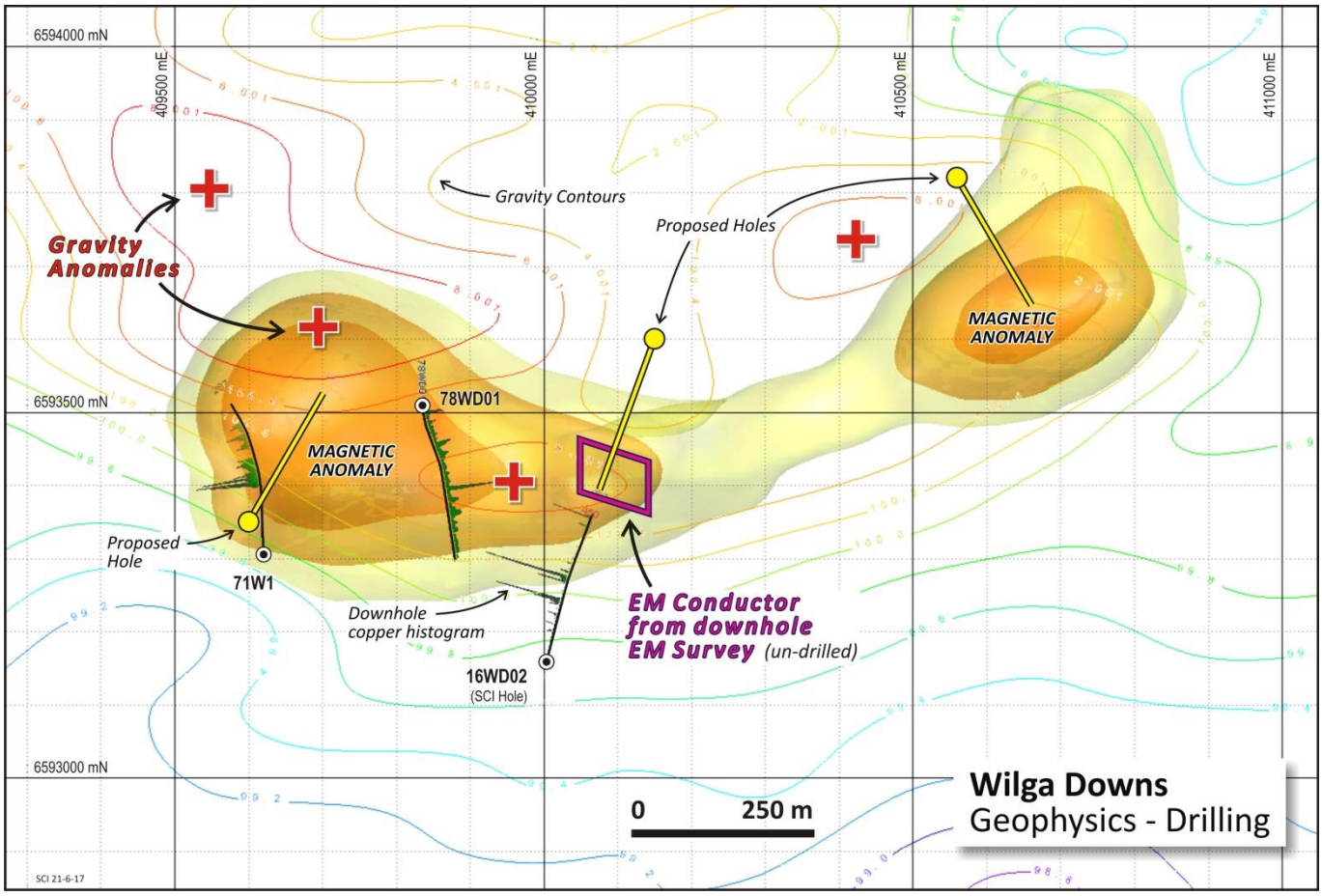

Figure 8. Wilga Downs showing model of magnetic susceptibility, location of drill holes, gravity contours and EM conductor. Green histograms on holes represent copper grade down hole. Diagram shows that an off-hole EM anomaly is located 40 metres north of the end of hole 16WD02 and remains untested. Also shows that the centre of the magnetic high anomalies have not been tested by drilling.