SILVER CITY MINERALS LIMITED

Quarterly Report September 2017

ASX Code: SCI

Issued Shares: 196.3M
Unlisted Options: 28.2M
Cash Balance: $1.2M
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Ian Plimer
Greg Jones
Josh Puckridge

TOP SHAREHOLDERS

(At 19 October 2017)

Upsky Equity Pty Ltd:	3.6%
Jennings Family Investments	3.2%
HSBC Custody Nominees:	2.6%
Calm Holdings Pty Ltd	2.5%
Mr John Henry Toll	2.3%
BNP Paribas Noms Pty Ltd:	2.2%
Top 20:	**37.2%**

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HIGHLIGHTS

- Outstanding drill intersections in first two holes at Copper Blow Iron oxide Copper-Gold (IOCG) project 20 kilometres south of Broken Hill. Results for nine holes pending
  - **4 metres at 6.1% copper, 4.23 g/t Au, 13 g/t Ag and 220 ppm cobalt from 188 metres, including 1 metres at 11.3% copper, 10.7 g/t gold, 25 g/t silver and 405 ppm cobalt from 191 metres in hole 17CB041.**
  - **8.2 metres at 1.9% copper and 0.53 g/t gold from 131.8 metres in hole 17CB043**
  - **2 metres at 2.4% copper, 0.8 g/t gold, 5 g/t silver and 95 ppm cobalt from 162 metres in hole 17CB041**

- Historic surface trench samples at Copper Blow
  - **3 metres at 8.9% copper and 0.13 g/t gold**
  - **3 metres at 8.4% copper and 0.60 g/t gold**
  - **3 metres at 5.8% copper and 0.61 g/t gold**
  - **4 metres at 5.7% copper and 0.06 g/t gold**
  - **4 metres at 4.1% copper and 1.56 g/t gold**
  - **6 metres at 2.5% copper and 1.12 g/t gold**

- Yalcowinna Exploration Licence rock chip samples return numerous high grade copper and cobalt samples with peak values of **37.7% copper and 0.23% cobalt.** Eight prospects identified; 4 enriched in copper-cobalt and 4 enriched in copper

OUTLOOK

- Results for 9 holes at Copper Blow pending
- Results from ground gravity, magnetic and electromagnetic surveys at Copper Blow are pending
- Anticipated follow-up drilling at Copper Blow in months to come
- Initial field work on Yalcowinna copper-cobalt and copper projects with view to drill testing in the new year
- Gravity survey at Razorback West

OVERVIEW

The current quarter has seen a strong focus on exploration for copper, gold and cobalt within the Broken Hill tenements. At Copper Blow the Company has intersected outstanding copper-gold-cobalt mineralisation in its first two drill holes and has results for nine holes pending. In addition the Company is currently undertaking ground geophysical surveys along a prospective magnetic belt over 6 kilometres in order to locate similar styles of high grade mineralisation.

This Copper Blow project was "unearthed" from historic reports and data files during a detailed review. SCI is the first company to comprehensively gather the data from this project into one (now digital) dataset. More importantly the interpretation of this data shows that the project has significant, undrilled potential for an iron oxide copper-gold (IOCG) deposit of the style encountered in mines in Queensland such as Ernest Henry, Osborne and Selwyn. At Copper Blow not only is there elevated copper and gold but there are good indications of cobalt mineralisation.

Following a similar strategy in studying old reports in detail, the Company has again "unearthed" another eight copper and copper-cobalt projects within its Yalcowinna tenement 40 kilometres to the northeast of Broken Hill. In a first pass evaluation the Company has identified over 700 rock analyses which comprehensively show a strong copper response in a belt some 25 kilometres long.

WHAT'S NEXT?

The copper-rich projects are clearly the current focus of the Company and in the next Quarter SCI anticipates significant follow-up in the form of both exploration and resource drilling. The various copper projects outlined to date provide the Company with an excellent pipeline of new targets any of which might become the first modern copper mine in Broken Hill.

The important zinc-lead-silver projects at Razorback West will also receive more intense activity, with much delayed geophysical surveys and RAB drilling scheduled.

OPERATIONS

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

Silver City Drilling

The Company recently completed 2,764 metres of drilling in 11 holes to test for copper-gold mineralisation at Copper Blow. Two areas were tested within an envelope of a linear magnetic anomaly. The southern-most holes (17CB041 to 046) tested a zone where previous drilling returned very high grade copper sulphide intersections. Historic hole CB09 for example returned **11.80 metres at 6.7% copper, 1.92 g/t gold and 14 g/t silver**. Results for the first two SCI holes drilled in the program were located in this southern zone and returned:

- **4 metres at 6.1% copper, 4.23 g/t Au, 13 g/t Ag and 220 ppm cobalt from 188 metres, including 1 metres at 11.3% copper, 10.7 g/t gold, 25 g/t silver and 405 ppm cobalt from 191 metres in hole 17CB041.**
- **8.2 metres at 1.9% copper and 0.53 g/t gold from 131.8 metres in hole 17CB043**

- **2 metres at 2.4% copper, 0.8 g/t gold, 5 g/t silver and 95 ppm cobalt from 162 metres in hole 17CB041**

The northern-most holes (17CB047 to 051) tested beneath a series of shallow historic RC holes which hosted broad zones of copper mineralisation associated with magnetite. For example historic hole CBRC007 returned **86 metres of 0.6% copper and 0.14 g/t gold including 12 metres at 1.3% copper and 0.38 g/t gold.**

Analytical results for the remaining 9 holes were pending at the time of writing.

Exploration

Copper Blow mineralisation is intimately associated with magnetite which is easily recognised in airborne magnetic surveys in excess of 6 kilometres along strike. The prospective horizon is distinguished by its linear magnetic anomaly (Figure 3). At the time of writing ground geophysical surveys were being conducted over the northeastern part of the anomaly. These include magnetic, gravity and moving loop electromagnetics (MLEM). In addition downhole electromagnetic (DHEM) surveys were being undertaken in the new SCI drill holes designed to detect off-hole conductors.

Copper sulphide mineralisation, associated iron sulphide and magnetite occur together. Collectively this mineral assemblage is characterised by high magnetic susceptibility, high electromagnetic conductivity and high density. The geophysical methods employed by SCI directly measure these physical properties. Elevated and coincident anomalies will provide the Company with excellent targets for further drilling.

The iron oxide mineral magnetite and a potassium-rich mica; biotite have been introduced into a shear zone imparting strong hydrothermal alteration, which the SCI drilling suggests is at least 100 metres wide. Drilling also indicates this alteration extends to depths in excess of 400 metres.

Copper mineralisation such as the Company has encountered at Copper Blow occurs at structural discontinuities or bends within magnetic linear feature. The geophysical surveys currently underway are designed not only to directly measure the physical rock properties but also to map out prospective bends and crosscutting structures.

Geological mapping and rock chip sampling along the belts is also ongoing.

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.

Diamond drill hole DDHCB009 was of particular interest as it contained an intersection of **11.8 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. 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. The purpose of the SCI drilling was to follow-up these intersections.

Historic Trench and RAB Sampling

Historic trenches are located over oxidised and outcropping mineralised horizons in the area of drilling at Copper Blow. Very high grade results were encountered as part of a detailed geological mapping and a backhoe trench sampling program in the late 1980s.

The trench data includes 670 samples and a number which returned very high grades. Eight composite zones host in excess of 4% copper. Collectively the sampling also outlines a broad, elongate zone of strong copper mineralisation. Results show the copper forms an overall anomaly 1.1 kilometres long and 160 metres wide at its widest point (Figure 3).

RAB data to test for geochemical anomalies are sparse with lines over 300 metres apart to the northeast of Copper Blow and occasional lines to the west. The limited data outline a copper anomaly, largely coincident with the magnetic linear which hosts Copper Blow (Figure 3). Collectively there is over six kilometres of prospective strike indicated by this work.

Yalcowinna (EL 8078; 100% SCI)

Recent work by SCI has identified a mineralised belt which hosts six copper and copper-cobalt prospects identified on the basis of their geology and rock geochemistry (Figure 5). Two additional zones outside the belt are also recorded. The mineralisation in these prospects has been identified in the past and classified by the NSW Geological Survey as either Great Eastern-type (pyrite, Cu-Co) or vein-type Cu mineral occurrences. The review found data for 723 surface rock chip analyses, 126 of which were collected by SCI.

- **One hundred and seven (107) or 14% of all samples contain greater than or equal to 0.5% copper. Fifty eight (58) samples returned 2% copper or more with a maximum value of 37.7% recorded at Fairy Hill.**
- **Ninety (90) or 12% of all samples contain greater than or equal to 200 ppm cobalt with a maximum value of 0.23% cobalt recorded at Parnalleroo.**

The prospectivity of these zones will be assessed in the coming months with the view to drill testing new targets in the new year.

Razorback West (EL 8077; 100% SCI)

A detailed gravity survey scheduled for last quarter has been postponed while work is focussed on Copper Blow.

Table 1. Significant Trench Results Copper Blow

Trench_ID	Sample	Interval(m)	Cu (%)	Au (g/t)	Fe (%)	MGA_East	MGA_North
9750E	121183	3	5.8	0.61	14.7	547646	6444799
9750E	121206	1	2.8	0.15	20.5	547602	6444864
9850E	122137	2	4.9	0.66	20.6	547665	6444950
9875E	122155	4	4.0	0.62	14.6	547706	6444934
9900E	122086	4	5.7	0.06	11.1	547718	6444962
9905E	122079	6	2.7	1.12	11.4	547719	6444975
9905E	122076	3	8.4	0.60	15.9	547713	6444983
9905E	122072	3	8.9	0.13	10.3	547709	6444989
9905E	122115	2	5.8	BLD	19.2	547693	6445012
10000E	122544	1	1.7	0.25	23.1	547788	6445039
10050E	122319	1	1.2	0.15	8.5	547796	6445115
10300E	122442	4	1.0	0.31	15.2	547996	6445269
10350E	122476	4	4.1	1.56	13.8	548040	6445295

Note : Co-ordinates denote the centre point of the sample. BLD denotes below detection limit.

BUSINESS DEVELOPMENT

The Broken Hill district 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. Detailed reviews 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 and a number of copper-cobalt projects within the Yalcowinna tenement. The Company intends to pursue these with targeted exploration in the coming months.

REPORTS

Information referred to in this report is derived from ASX Releases 3 April 2012, 5 May 2013, 26 September 2017, 27 September 2017, 5 October 2017, 17 October 2017.

CORPORATE

Net operating expenditure for the Quarter was $312k. This included $189k expenditure on projects held by the Company, $143k on administration offset by $4k received in interest income and $16k received from JV income. Cash on hand at the end of the Quarter was approximately $1.2 million.

On 28 July 2017 the Company issued placement shares for a total value of $428,145. The Company also completed a Share Purchase Plan (SPP) on 18 August 2017 which raised a further $250,500. The placement and SPP shares were issued at 1.8 cents and the funds raised are being utilised to fund a significant drilling program at the Company's Copper Blow Project.

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.

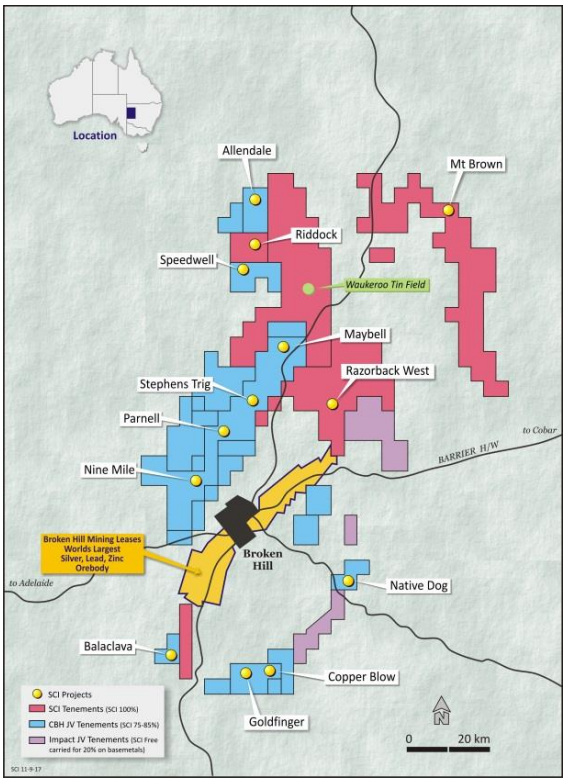

Figure 1. Silver City Minerals, Broken Hill tenements and location of projects

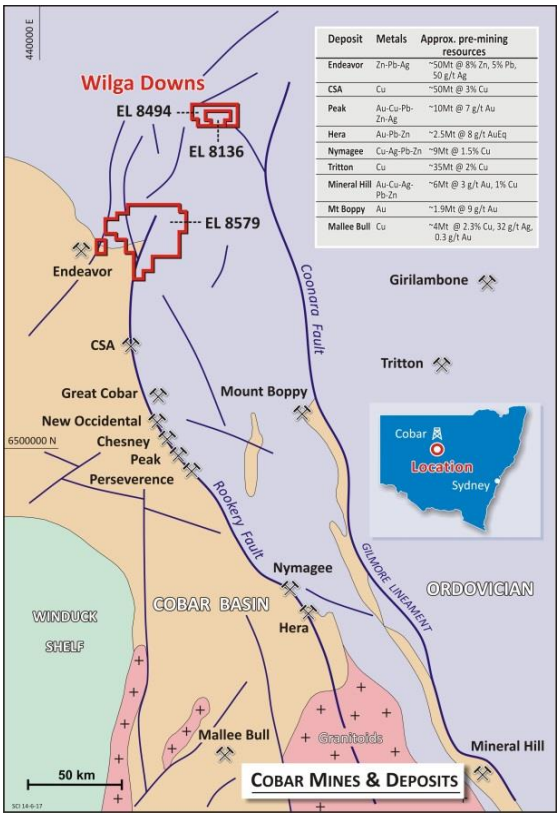

Figure 2. Location of mines and mineral deposits in the Cobar District. Diagram shows the Joint Venture Tenement (EL 8136) and new 100% Silver City tenements (ELs 8494 and 8579).

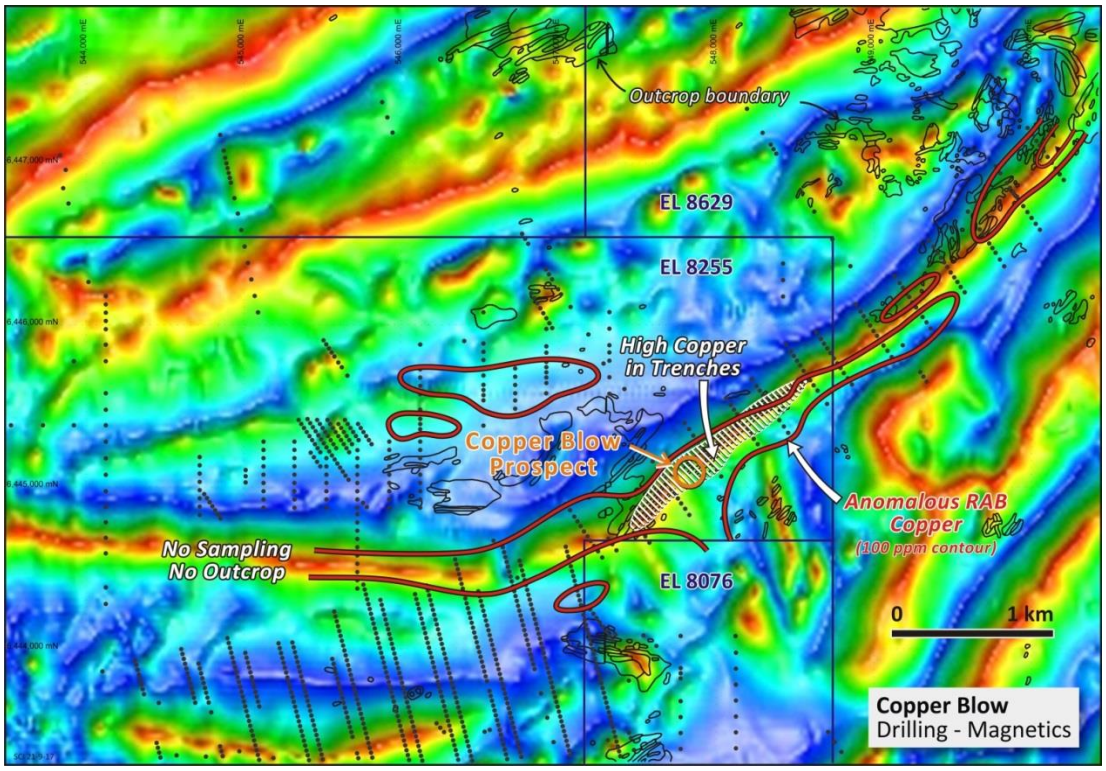

Figure 3. Copper Blow magnetic map showing the main Copper Blow prospect with high grade copper in trenches and the extent of a weak copper RAB anomaly

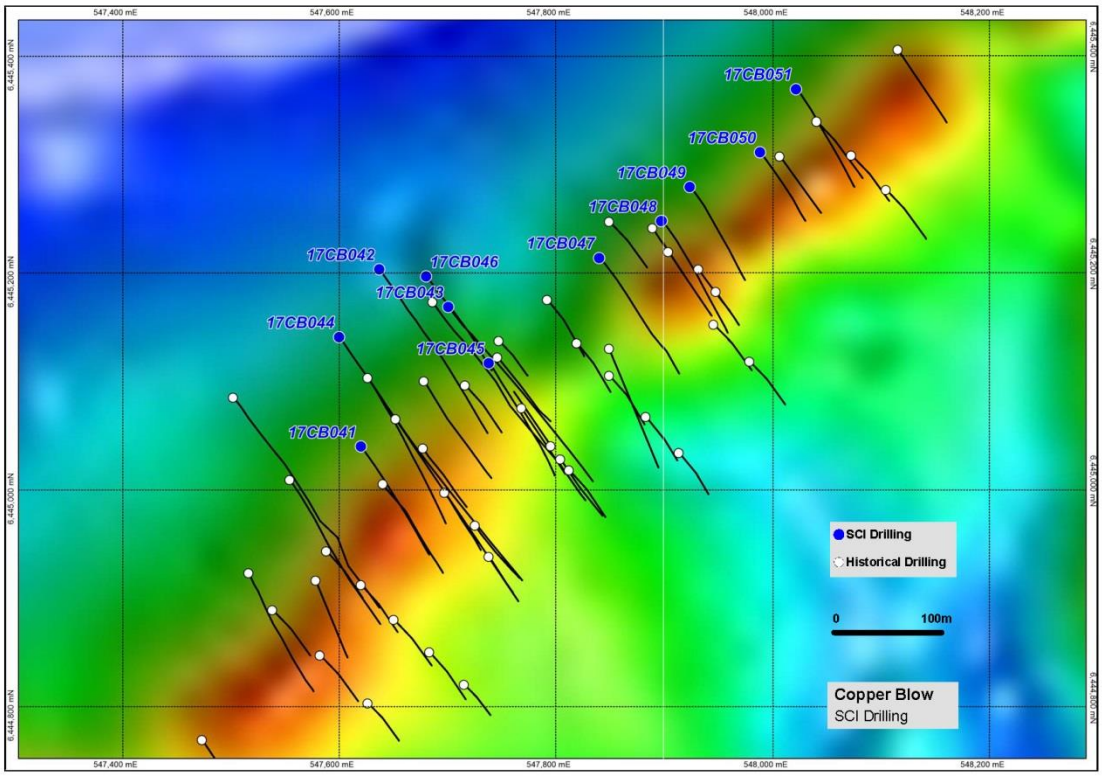

Figure 4. Silver City drill hole locations

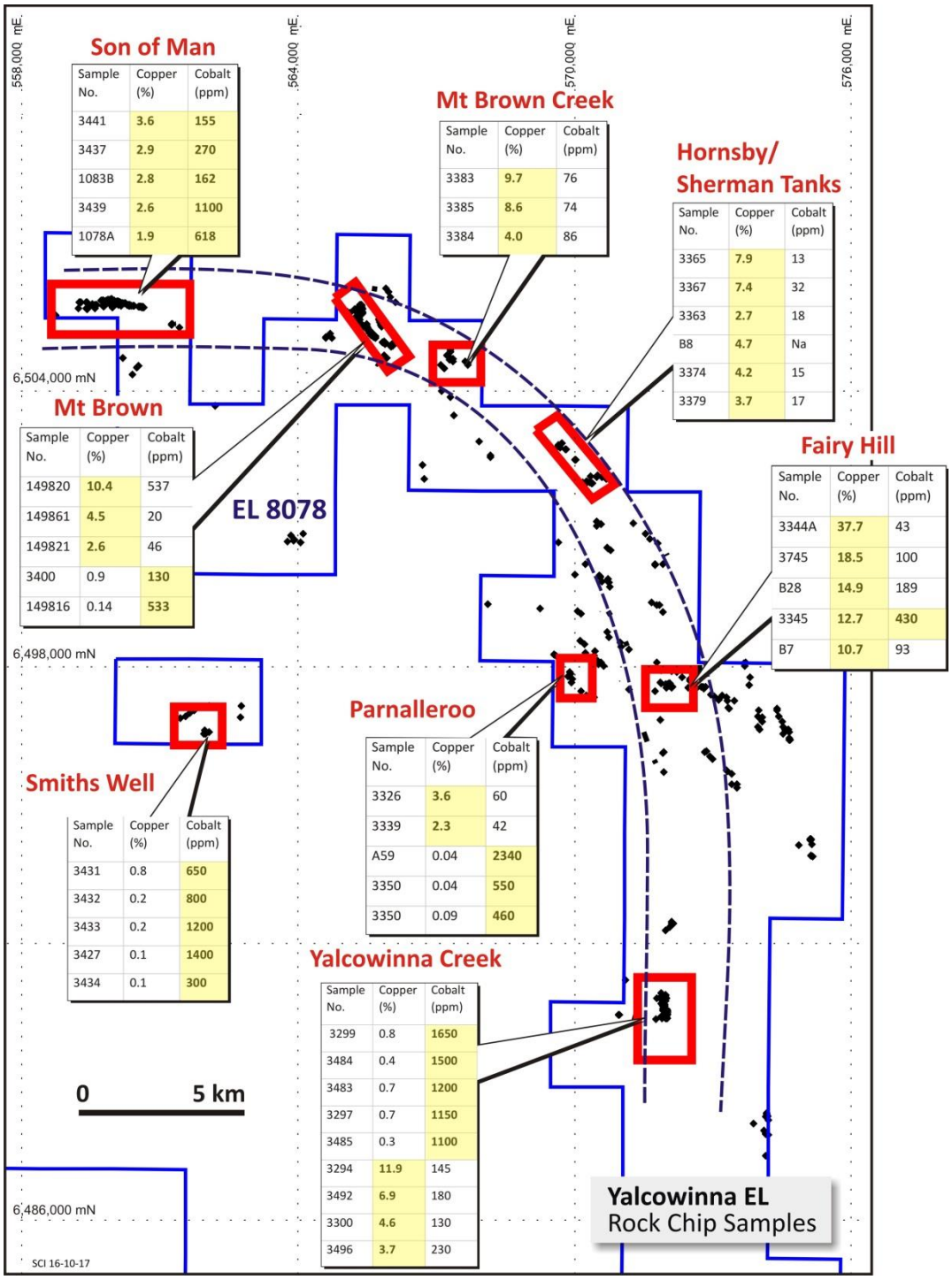

Figure 5. Copper and copper-cobalt prospects and significant rock chip sample results