

SILVER CITY MINERALS LIMITED

Quarterly Report

December 2017

ASX Code: SCI

Issued Shares: 196.3M
Unlisted Options: 24.2M
Cash Balance: \$0.7M
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Greg Jones
Josh Puckridge

TOP SHAREHOLDERS

(At 22 January 2018)

Dead Knick Pty Ltd	3.7%
Jennings Family Investments	3.6%
Upsky Equity Pty Ltd:	3.6%
HSBC Custody Nominees:	2.8%
Calm Holdings Pty Ltd	2.5%
BNP Paribas Noms Pty Ltd:	2.2%
Top 20:	36.1%

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HIGHLIGHTS

The first round of drilling at Copper Blow completed with a number of high grade intersections:

- **4 metres at 6.1% copper, 4.23 g/t Au, 13 g/t Ag and 220 ppm cobalt from 188 metres, including 1 metre 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**
- **7 metres at 3.7% copper, 1.07 g/t gold and 134 ppm cobalt in hole 17CB045 from 126 metres, including 3 metres at 7.4% copper, 2.38 g/t gold and 254 ppm cobalt from 127 metres**

All eleven holes in this program intersected copper, gold or cobalt mineralisation over a strike length of 750 metres.

Phase 1 of a second round of drilling commenced early January 2018 and has intersected copper-rich magnetite veins in the first two holes.



Plate 1 Massive magnetite-sulphide vein in hole 18CB053 (ASX Release 22 January 2018)

No assays were available for the second round of drilling at the time of writing.

OUTLOOK

- Results from four diamond drill holes completed during January 2018 will be received in the coming weeks. These include the first two where massive magnetite-sulphide veins have been encountered
- Results of metallurgical tests on copper and cobalt-bearing sulphide intersections
- Results of rock chip sampling at the Smiths Well cobalt-copper prospect in the Yalcowinna EL

Phase 2 drilling is scheduled to commence in the March quarter. Deeper diamond drilling is anticipated at Copper Blow and RC drilling of geophysical targets along strike will be initiated.

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OVERVIEW

The December quarter has seen a continued focus on Copper Blow where the Company has intersected significant copper-gold-cobalt mineralisation in the first round of drilling. The mineralisation is intimately associated with magnetite which can be easily detected under cover using an existing aeromagnetic survey. This shows a magnetically anomalous zone extending over 4.5 kilometres. To date copper-gold mineralisation has only been tested over a strike length of 1 kilometre in the south-western part of the anomaly (Figure 1).

The Company has completed a series of ground geophysical surveys along the prospective magnetic horizon to define targets in more detail. This work shows that the copper-rich mineralisation at Copper Blow is associated with strong coincident magnetic and residual gravity anomalies and localised electromagnetic anomalies. Seven coincident geophysical anomalies remain to be tested by drilling.

A new round of drilling which commenced early in January 2018 has intersected copper-rich magnetite veins. Two holes of a four-hole program had been completed at the time of writing.

WHAT'S NEXT?

The Company re-commenced drilling at Copper Blow early in January 2018. This program was still underway at the time of writing and analytical results were not available. Drill core in two holes indicates that significant copper sulphides have been encountered in magnetite veins. Pyrite-enriched zones have also been encountered and potentially host cobalt mineralisation (ASX Release 22 January 2018).

Silver City plans to continue to follow-up these with the view to outlining initial resources. A program of reverse circulation drilling is planned to test new geophysical targets to the northeast of Copper Blow (Figure 1). Anomaly CB4 is a particularly strong, coincident, untested magnetic and gravity anomaly where copper mineralisation occurs in old workings and rocks samples at surface.

OPERATIONS

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

Silver City Drilling

In the September quarter the Company completed 2,764 metres of drilling in 11 holes to test for copper-gold mineralisation over a strike length of 750m 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** (ASX Release 4 May 2017). 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** (ASX Release 4 May 2017).

Significant copper-rich Intersections in the initial round of Silver City drilling include:

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- 4 metres at 6.1% copper, 4.23 g/t Au, 13 g/t Ag and 220 ppm cobalt in hole 17CB041 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
- 2 metres at 2.4% copper, 0.8 g/t gold, 5 g/t silver and 95 ppm cobalt in hole 17CB041 from 162 metres
- 8.22 metres at 1.9% copper and 0.53 g/t gold in hole 17CB043 from 131.78 metres, including 4 metres at 2.5% copper and 0.83 g/t gold from 131.78
- 7 metres at 3.7% copper, 1.07 g/t gold and 134 ppm cobalt in hole 17CB045 from 126 metres, including 3 metres at 7.4% copper, 2.38 g/t gold and 254 ppm cobalt from 127 metres
- 78 metres at 0.4% copper and 0.1 g/t gold in hole 17CB048 from 44 metres, including 7metres at 1.0% copper and 0.32 g/t gold from 90 metres and 10 metres at 0.9% copper and 0.27 g/t gold from 111 metres
- 45 metres at 0.4% copper and 0.14 g/t gold from 68 metres in hole 17CB050 including 7 metres at 0.9% copper and 0.25 g/t gold from 68 metres

Significant Cobalt-rich (low copper) Intersections in Silver City drilling include:

- 5.2 metres at 0.14% cobalt in hole 17CB042 from 400 metres
- 2 metres at 0.08% cobalt in hole 17CB049 from 48 metres
- 0.75 metres at 0.29% cobalt in hole 17CB043 from 333.6 metres

(ASX Releases 26 October 2017)

In January 2018 the Company commenced a second round of drilling with an initial program of three diamond drill holes. At the time of writing two holes have been completed and had intersected clusters of magnetite-sulphide veins which contain abundant chalcopyrite, pyrrhotite and pyrite (Plate 1; ASX Release 22 January 2018). Based on visual results from these holes and new geological interpretation of previous drilling the Company decided to deepen an existing hole (17CB046; Figures 2 and 3). Work is ongoing, and the Company will update the market when more information becomes available.

Geophysics

During the quarter detailed ground gravity and magnetic surveys were completed, covering the entire 4.5 kilometre strike length of the airborne magnetic anomaly (Figure 1). These show that the apparently continuous, linear airborne magnetic anomaly is, in plan view, segmented into series of elongate, pod-like zones of magnetic-high anomalies separated by sections of lower magnetic susceptibility.

The mineralisation encountered to date in the South and North Zones at Copper Blow both lie within discrete magnetic-high zones. These zones are also gravity highs. The geophysical work completed to date indicates there are nine coincident magnetic-gravity anomalies each which has potential to host copper-gold-cobalt mineralisation. Anomaly CB4 for example, is a high priority target which has very strong magnetic susceptibility, hosts many old mine workings over a strike of 450 metres and has elevated copper in rock chips at surface (ASX Release 21 December 2017).

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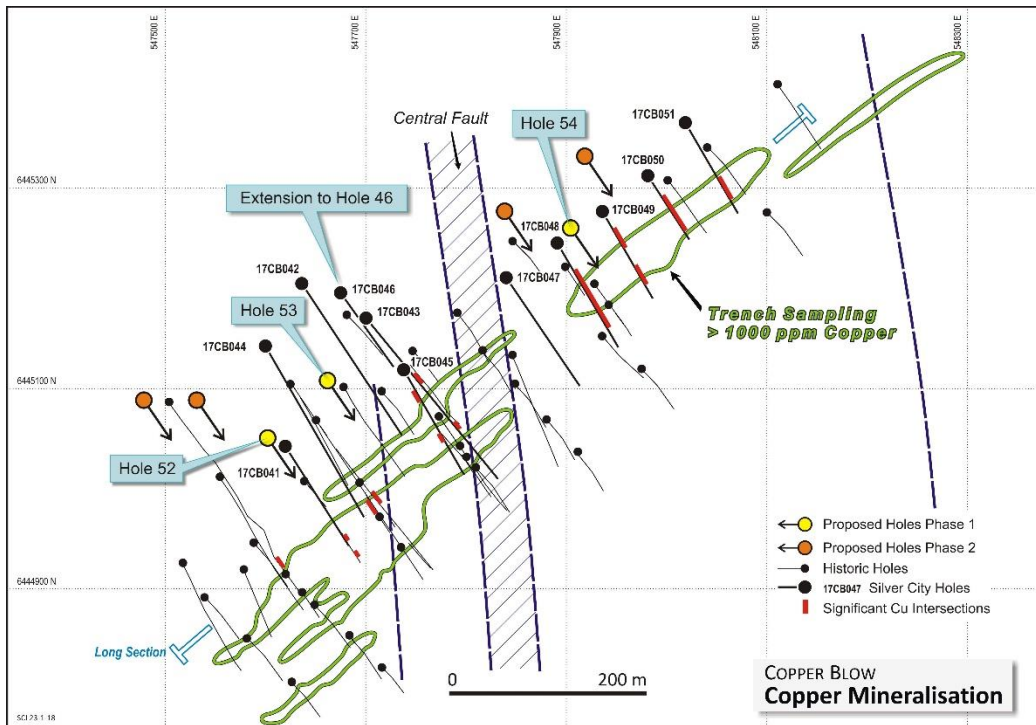


Figure 2. Copper Blow drill hole locations with significant mineralisation represented as red bars on drill traces. Central Fault separates high grade and deeper mineralisation in the south from broad zones of lower grade in the north. Holes CB52 and 53 have been completed and are being geologically processed and sampled. Hole CB054 is in progress and an extension to CB046 is planned.

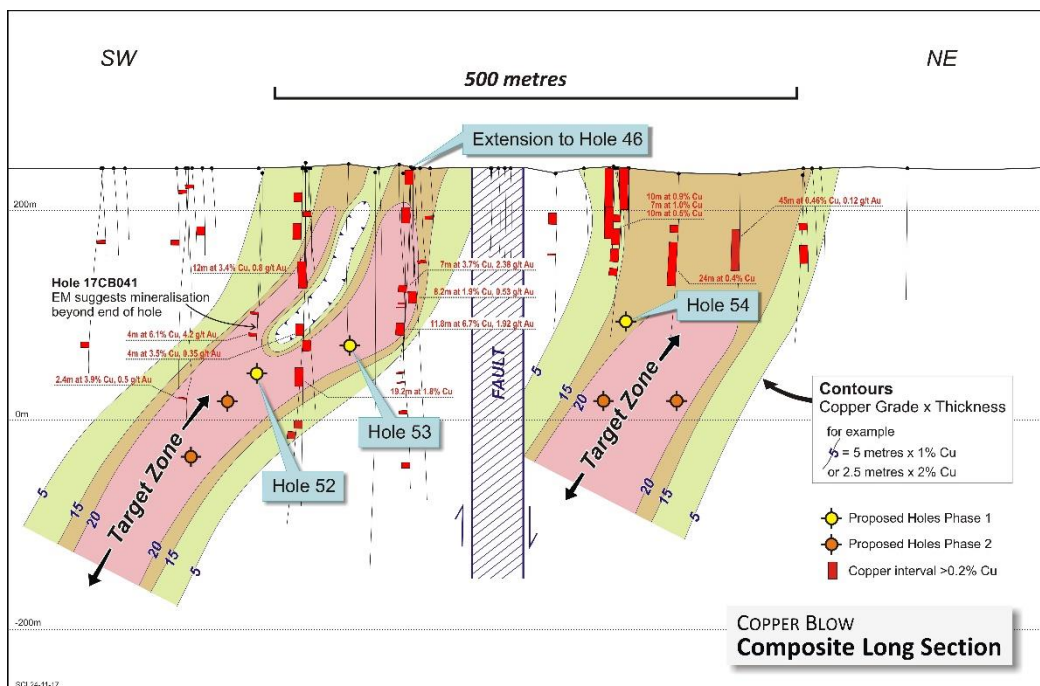


Figure 3. Long Section (from Figure 2). Composite diagram of >0.2% copper and grade x downhole thickness contours. Data suggests southerly or south-westerly plunge to mineralisation both north and south of the Central Fault.

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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 suggest that other styles are also present. The Company has outlined an historic copper-gold project at Copper Blow and many copper-cobalt projects within the Yalcowinna tenement and intends to pursue these with targeted exploration in the coming months.

CORPORATE

Net operating expenditure for the Quarter was \$477k. This included \$586k expenditure on projects held by the Company, \$209k on administration offset by \$4k received in interest income, \$174k received from JV income, \$20k tenement refund and \$120k received from an R&D tax offset. Cash on hand at the end of the Quarter was approximately \$0.7 million.

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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.

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.

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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.

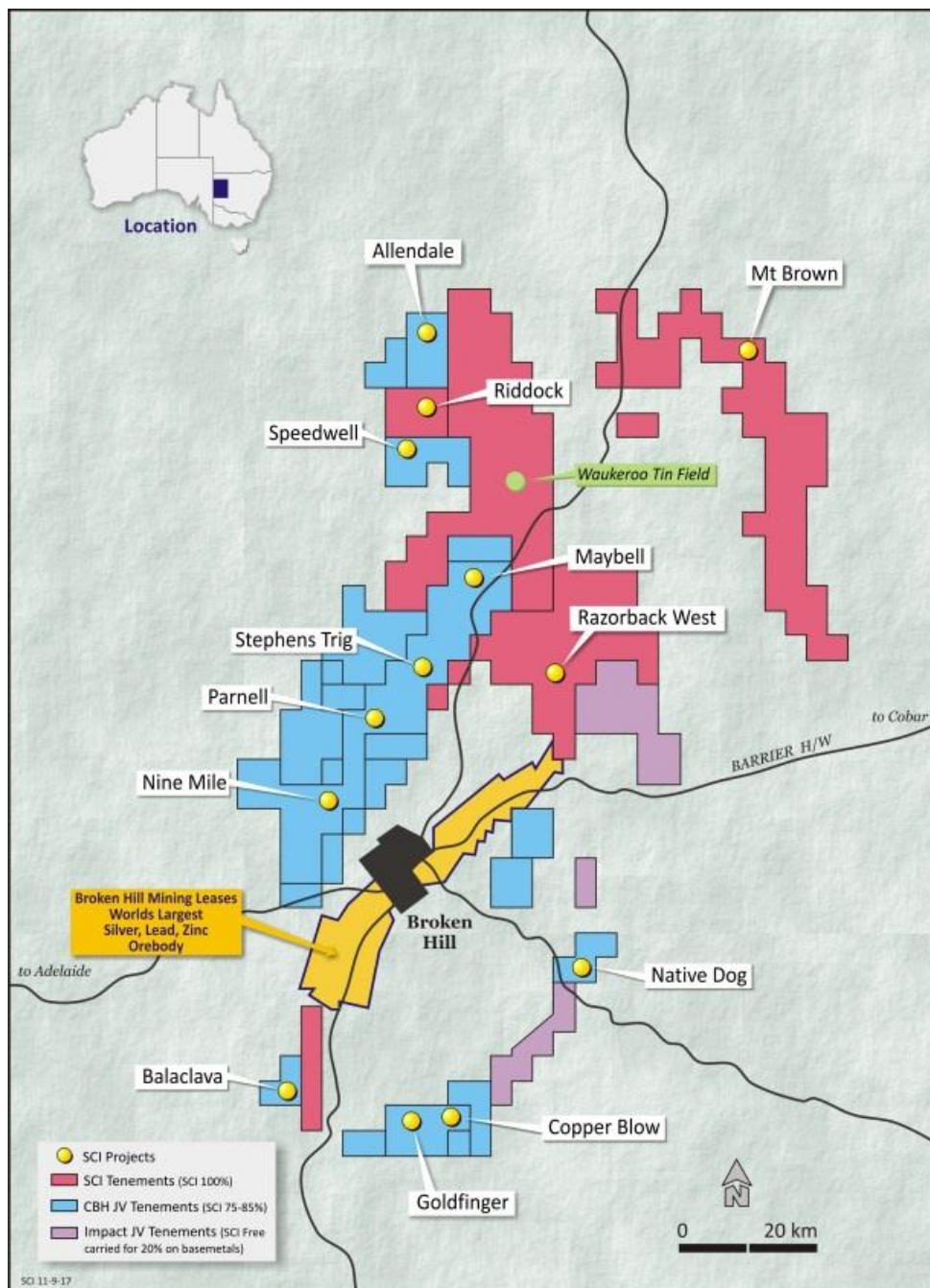


Figure 4. Silver City Minerals, Broken Hill tenements and location of projects

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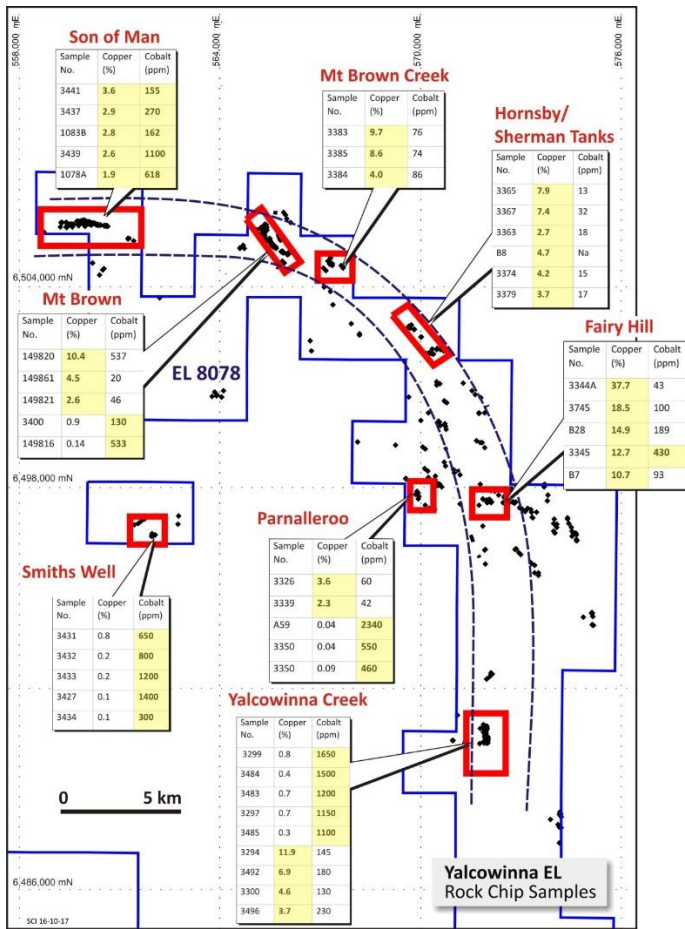


Figure 5. Yalcowinna EL with copper and copper-cobalt prospects: Rock chip samples

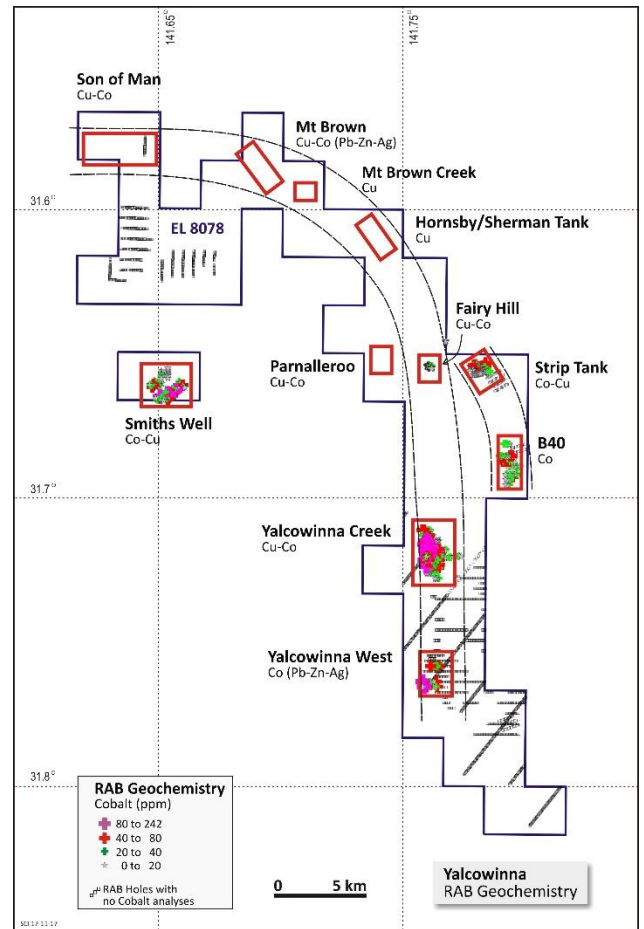


Figure 6. Yalcowinna EL with copper and copper-cobalt prospects: RAB Drilling