SILVER CITY MINERALS LIMITED

Quarterly Report December 2018

ASX Code: SCI

Issued Shares: 293.7M
Unlisted Options: 29.2M
Cash Balance: $0.9M
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Greg Jones
Josh Puckridge

TOP SHAREHOLDERS

(At 19 January 2019)

Upsky Equity/G Wates	5.0%
L&M Group	4.5%
Inkex Super Fund	3.7%
B Liu	2.8%
B Ahmad	2.8%
L Kalazich	2.5%
Top 20:	**44.1%**

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HIGHLIGHTS

- Drilling at Copper Blow indicates widespread sulphide mineralisation and associated strong potassic alteration
- Sulphides occur within a magnetite-hematite enriched shear zone as well as surrounding hydrothermally altered host rocks
- Soil surveys indicate the project has a distinctive IOCG signature
- Induced polarisation surveys show that sulphides are abundant both within the magnetite-rich shear zone and altered country rocks
- The Company raised $0.57 million before costs on a share placement immediately before the end of the year. A total of 47.5 million new shares were issued

OUTLOOK

Copper Blow

- New program of target generation adjacent to the Copper Blow shear zone including RAB drilling, ground gravity surveys and induced polarisation surveys
- Follow-up RC drilling at Copper Blow including resource assessment
- RC drilling of Northern Targets

Other Projects

- Razorback West remains an important project for SCI and is considered prospective for high grade Pb-Zn-Ag
- Copper-cobalt projects previously identified by the Company in the Broken Hill district will undergo more detailed sampling.

OVERVIEW

During the quarter the Company continued to assess the Copper Blow project south of Broken Hill (Figure 1). Copper-gold mineralisation is associated with magnetite (ironstone) which can be detected under cover using an existing aeromagnetic survey. This shows a magnetically anomalous zone extending over 4.5 kilometres. Copper-gold mineralisation has been systematically tested over a strike length of 1 kilometre in the southwestern part of the anomaly (Figure 2).

The Company completed a fourth round of drilling to test the depth extent of copper-gold mineralisation at Copper Blow and an induced polarisation (IP) geophysical target to the southeast of Copper Blow.

Regional geophysical and geochemical surveys indicate the magnetic ironstone is only part of a much larger sulphide-mineralised complex. While strong anomalies occur in association with ironstones, other anomalies to the northeast and southeast of Copper Blow suggest widespread sulphide mineralisation at depth. This has been confirmed by an initial test of the southeast IP target by hole 18CB072.

The current geological thinking is that copper-gold and cobalt mineralisation is related to magmatic fluids derived from iron-magnesium igneous intrusions at depth.

OPERATIONS

Copper Blow (EL 8255, EL 8629, EL 8076; Joint venture with SCI 75%, CBH 25%)

Drilling

In September the Company drilled 879.7 metres in two diamond holes bringing the total for the project drilled by SCI to approximately 8500 metres (ASX Release 4 October 2018).

The first hole of this program (18CB071) was designed to test the deeper parts of Copper Blow North Zone (Figures 3 and 4). It was drilled to a depth of 502.1 metres and encountered the Copper Blow shear zone between 367 and 439 metres. The zone consists of a high strain shear with fine magnetite, sulphides, quartz and biotite.

This zone failed to return significant copper and gold grades due to the paucity of sulphide (ASX Release 9 Nov 2018). At Copper Blow, high concentrations of sulphides appear to be located on structurally controlled plunging shoots. Despite encountering a broad intersection of the host shear zone (approximately 70 metres) the hole has missed the targeted sulphide shoot.

Higher in the hole it encountered an alteration and vein zone which returned the following intersections:

- **2 metres at 1.50% copper and 0.03 g/t gold from 216 metres**
- **2 metres at 1.04% copper and 0.13 g/t gold from 228 metres**

The second hole (18CB072) was designed to test an induced polarisation (IP) chargeability anomaly coincident with anomalous soil geochemistry located approximately 800 metres to the southeast of Copper Blow. This zone is not magnetic and there had been no previous exploration drilling.

The hole drilled to 377.6 metres and intersected a sequence of biotite and chlorite altered, garnet-rich, highly metamorphosed sedimentary and iron and magnesium-rich volcanic and/or intrusive rock. The metamorphosed volcanic rocks often referred to as amphibolite, were probably originally a basalt or intrusive dolerite.

This hole contains a remarkable amount of very fine grained, disseminated and stringer sulphide which accounts for the IP anomaly. IP responds particularly well to this style of sulphide mineralisation (ASX Release 21 November 2018). The sulphide is dominated by iron sulphide minerals with only minor copper sulphide in places. The hole did not return significant assays, however anomalous zones of copper, molybdenum and zinc were encountered.

Geochemistry

During the Quarter a trial residual soil geochemical survey was completed. It was designed to test the geochemical response within and adjacent to the Copper Blow shear zone. Residual soils are those which are directly derived from rock by decomposition and weathering. These normally occur on or close to the rock interface and their chemistry reflects that of the underlying rock. Results are reported in ASX Release 30 October 2018.

Samples were analysed for 49 elements including gold.

Three zones of anomalism have been recognised to date (Figures 5 and 6)

1. *Copper Blow Geochemical Anomaly*
   This zone extends for 1.6 kilometres along strike. It is coincident with the magnetic ironstone at the southwest end of the belt. Comprehensive drilling has tested approximately 1 kilometre of this anomaly and resource assessment is ongoing. The soils are characterised by elevated copper (up to 2010 ppm), gold (up to 0.11 ppm), molybdenum (up to 35.2 ppm), nickel (up to 62.6 ppm) and cobalt (up to 114 ppm). Rare earth elements cerium and lanthanum are enriched as are yttrium and phosphorous.

   This is the only part of the mineralised complex where significant copper is found at surface, explaining the elevated copper. Historic trench samples greater than 1000 ppm copper outline a zone 1600 metres long and up to 160 metres wide (ASX Release 27 September 2017).

2. *Northern Targets*
   This zone extends for 1.1 kilometres where residual soils were encountered. It is interpreted to extend both north and south beneath alluvial cover following the trend of IP anomalism and may be connected to the Southern IP anomaly. This would suggest a total untested strike of 2.7 kilometres.

   In the central area, the outcropping rocks in the shear zone are characterised by specular hematite and magnetite. Gossanous breccias occur at surface and host an abundant of iron oxide and sulphate minerals with quartz; suggestive of sulphide at depth (Plate 1). The geochemical response in soils indicates anomalous molybdenum (up to 10 ppm), cobalt (up to 33 ppm) and nickel (up to 79 ppm). Rare earths cerium and lanthanum are similarly anomalous. Copper in this zone returned a best result of 76.3 ppm.

   A rock chip sample located in the northern part of this anomaly returned elevated cobalt and gold with no significant copper (sample 30566; **1485 ppm cobalt, 0.39 g/t gold** and 13 ppm copper; ASX Release 16 November 2017).

Plate 1 Northern Targets: Gossanous quartz breccias at surface likely to host sulphide mineralisation at depth.

3. *Southern IP targets*

   This target was first identified using IP. Residual soils over the IP anomaly are characterised by molybdenum (up to 6.6 ppm), nickel (up to 37 ppm) and copper (up to 87.3 ppm). Cerium and lanthanum are similarly elevated. Of interest is a consistent zinc anomaly with a peak value of 659 ppm. Zinc is not encountered at Copper Blow, nor are there significant values from the Northern Targets zone. Hole 18CB072 drilled into this anomaly encountered anomalous zinc with copper, bismuth and molybdenum.

Pathfinder Elements

Many mineral deposits display both mineralogical and geochemical zonation. The focus of Silver City is on copper-gold mineralisation. It is evident that this style of mineralisation is accompanied by a range of similarly anomalous elements. From the Company's detailed work on drill core and in soils these include elements molybdenum, nickel, cobalt, yttrium, phosphorous, rhenium, indium and rare earth elements cerium and lanthanum. In mineral deposits these can be more widely and systematically dispersed around a central copper-rich mineralised zone.

The presence of these elements indicates the same mineralising fluids which produced copper-gold at Copper Blow were also present at the Northern Targets and the Southern IP Target. There is significant potential for copper-gold rich bodies to occur at depth or along strike within these anomalies.

Synopsis

At Copper Blow the Company has discovered a large mineral system which has the geological characteristics of an iron oxide copper gold deposit (IOCG).

To date the Company has encountered significant copper-gold mineralisation in a magnetic ironstone located in a major crustal structure; the Copper Blow shear zone.

Geological models of IOCG deposits suggest there might also be intrusion-related mineralisation adjacent to the shear. Work already completed suggests widespread sulphide mineralisation and strong potassic hydrothermal alteration.

In the eastern part of the tenements there are several distinctive magnetic and gravity anomalies both north and south of the Copper Blow shear zone which have potential to host large copper-gold deposits.

What Next?

The Company proposes to continue to test the main Copper Blow project and anticipates a shallow drilling program to assess near-surface resources. It also plans to complete a preliminary drilling program at the northern end of the magnetic anomaly where IP, magnetic and geochemical anomalies coincide.

In addition, the Company proposes a program of RAB drilling, ground gravity and IP in the eastern part of the tenements with the view to targeting large intrusion-related zones of copper-gold mineralisation.

Razorback West (EL 8077 100% SCI)

The Company has identified several new targets based on coincident lead geochemistry, IP chargeability and gravity. These targets coincide with a prospective part of the rock sequence interpreted to be the Hores Gneiss. At Broken Hill, located 15 kilometres to the south, this rock hosts, or occurs close to Broken Hill ore zones. To date the lead anomalies at Razorback West have been untested by drilling (Figure 7).

A widely used conceptual interpretation of the nature of the Broken Hill and Potosi ore bodies at Broken Hill can be depicted in a longitudinal section. It shows the doubly plunging nature of high-grade mineralisation and importantly the location of the Stephens Creek shear zone and Razorback West. The model suggests that high grade Pb-Zn-Ag ore should come close to surface within the Razorback West tenement (Figure 8).

Copper-Cobalt Exploration

In the last quarterly report, the Company outlined several new prospects with highly elevated copper and cobalt. No work has been undertaken during this quarter, but it is anticipated more detailed follow-up sampling will take place in the coming months.

CORPORATE

On 21 December 2018 the Company announced a placement of 47,500,000 of new shares to sophisticated investors for a total value of $0.57 million before costs ("**Placement**"). The Placement was for an issue of 47.5 million ordinary shares at an issue price of 1.2 cents per share. Placement participants will also receive a 1 for 2 free attaching

option exercisable at 3 cents with a 3-year expiry. The Options will be subject to shareholder approval at a general meeting to be convened as soon as practicable. The Placement shares were issued on 2 January 2019.

Net operating expenditure for the Quarter was $349k. This included $269k expenditure on projects held by the Company, $156k on administration, offset by $2k received in interest income, $26k received from JV income and $11k received from consulting and rental income. Cash on hand at the end of the Quarter was approximately $0.9 million.

As announced to the ASX 10 January 2019 the Managing Director Mr Torrey has resigned from his position effective 31 March 2019. As announced on 23 January a board restructure has been initiated. Mr Besley has resigned as Chairman and has taken the role of non-executive director until 28 February 2019.

Annexure 1 Figures

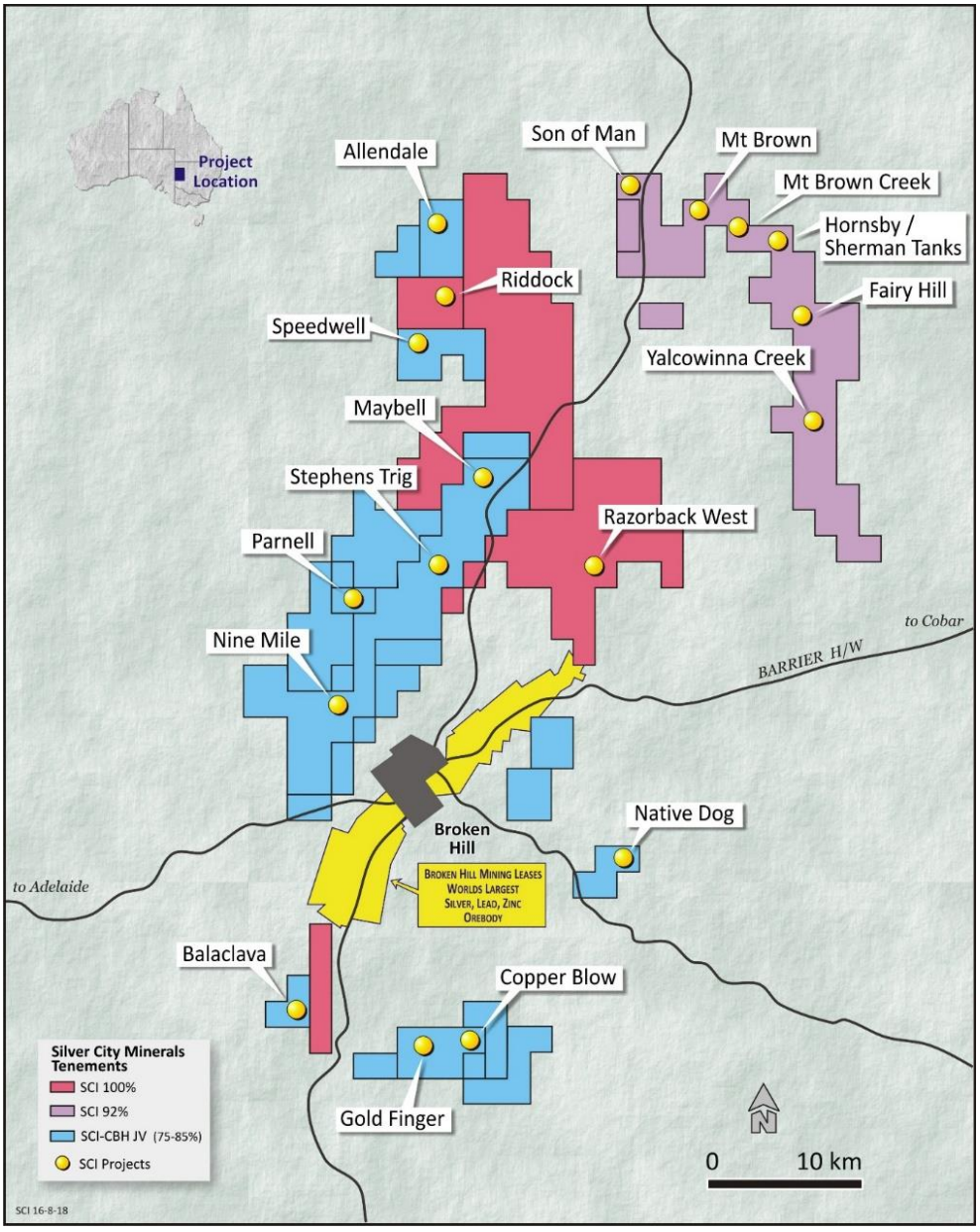

Figure 1 Silver City tenements at Broken Hill

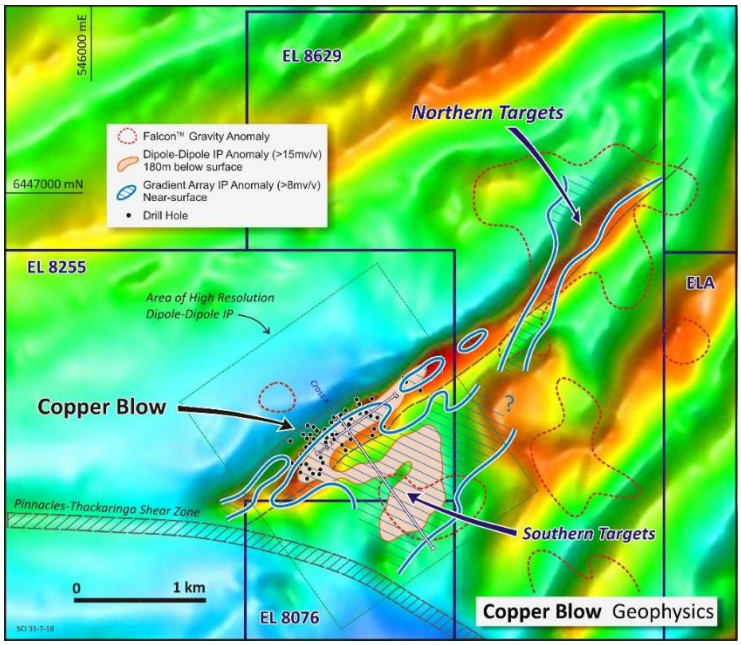

Figure 2 Simplified geophysical map showing background image of reduced-to-pole magnetics, gradient array contour at 8mv/v, the extent of the dipole-dipole IP survey, a horizontal slice of the IP model at 180 metres below surface (15mv/v contour) and Falcon ™ gravity anomlies. Diagram shows that the location of interpreted sulphide-bearing rock defined by the 8mv/v contour is significantly larger than the linear magnetic anomaly which host known copper-gold mineralisation at Copper Blow. The Southern target has been tested by hole 18CB072 and results are pending. No significant work has been undertaken at the Northern Target zone.

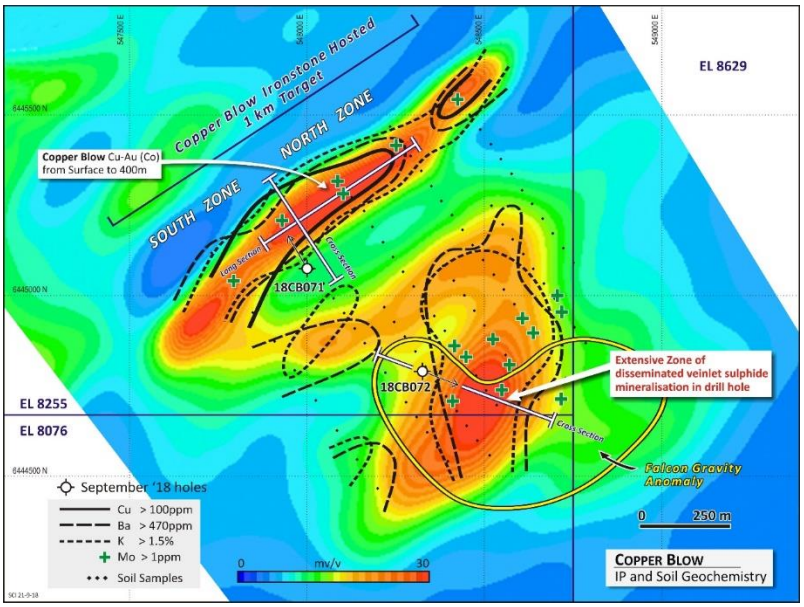

Figure 3 Plan view of the dipole-dipole model depicting a horizontal slice of IP chargeability at 180 metres below surface. The Copper Blow magnetic ironstone shows elevated chargeabilities as does the new anomaly to the southeast. Both display anomalous geochemistry in soils. Recent holes 18CB071 and 72 are shown.

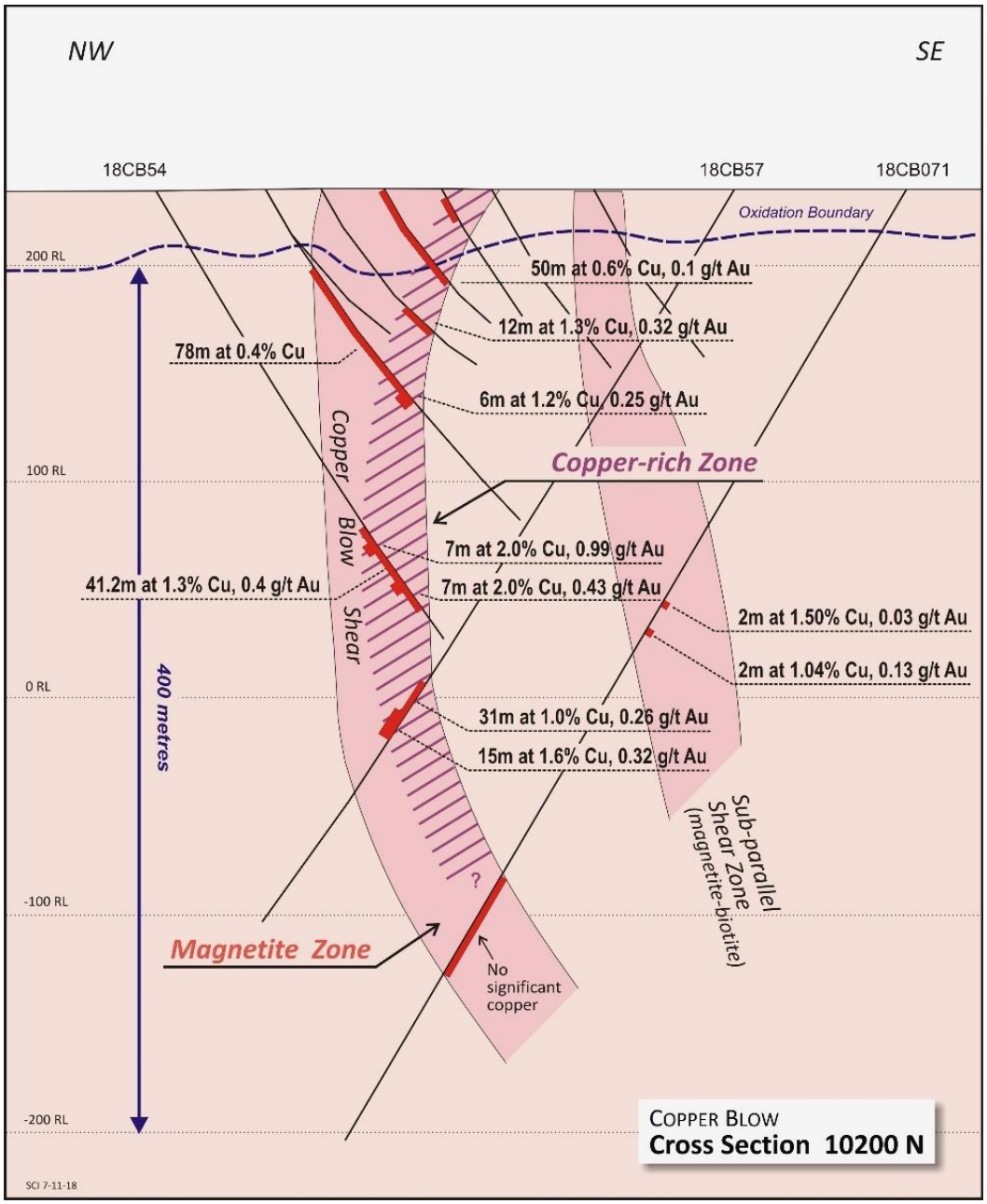

Figure 4 Cross Section 10200N at Copper Blow North Zone showing drill hole 18CB071

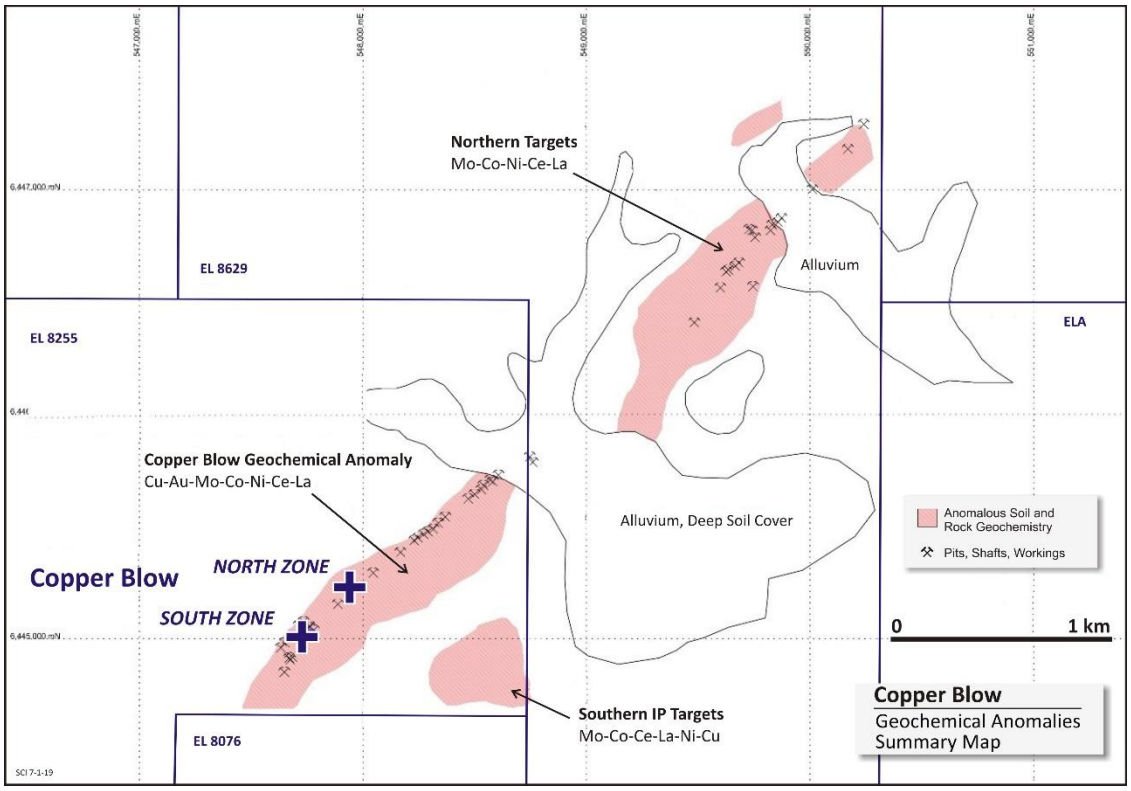

Figure 5 Diagram summarises anomalous elements and their distribution. To date drilling has been concentrated on the North and South Zones at Copper Blow

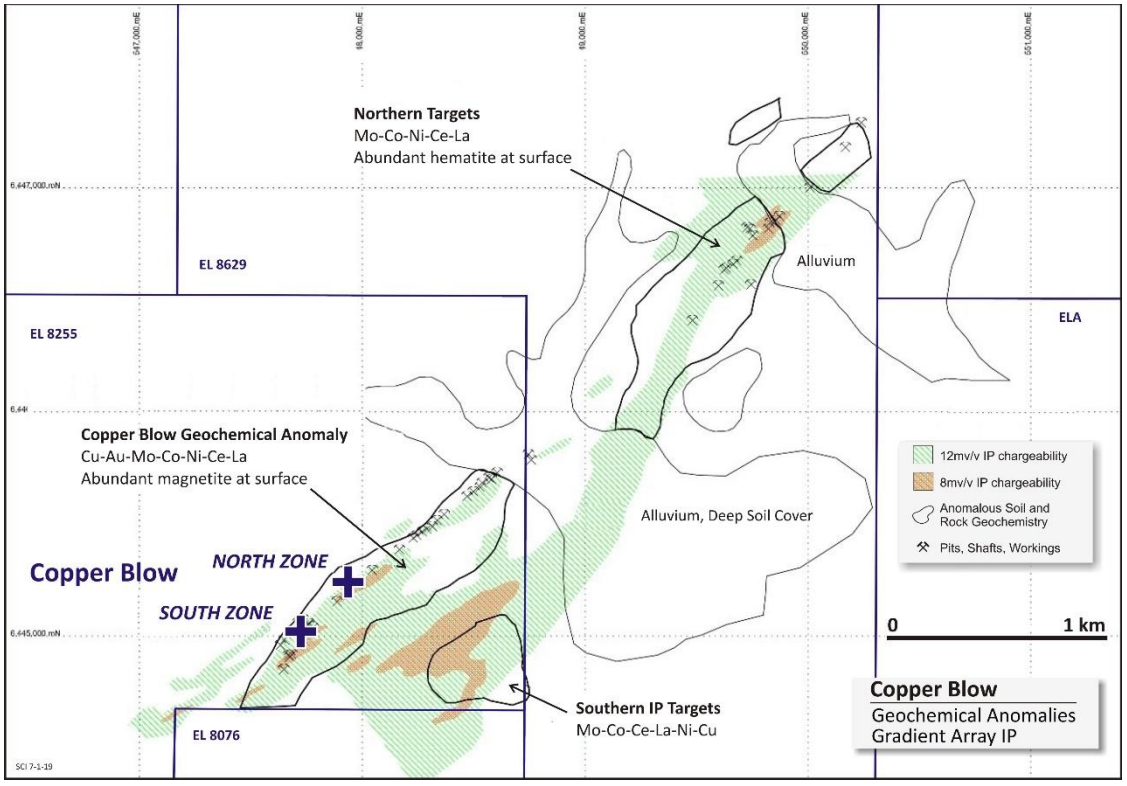

Figure 6 Diagram superimposes geochemical anomalies on gradient array induced polarisation

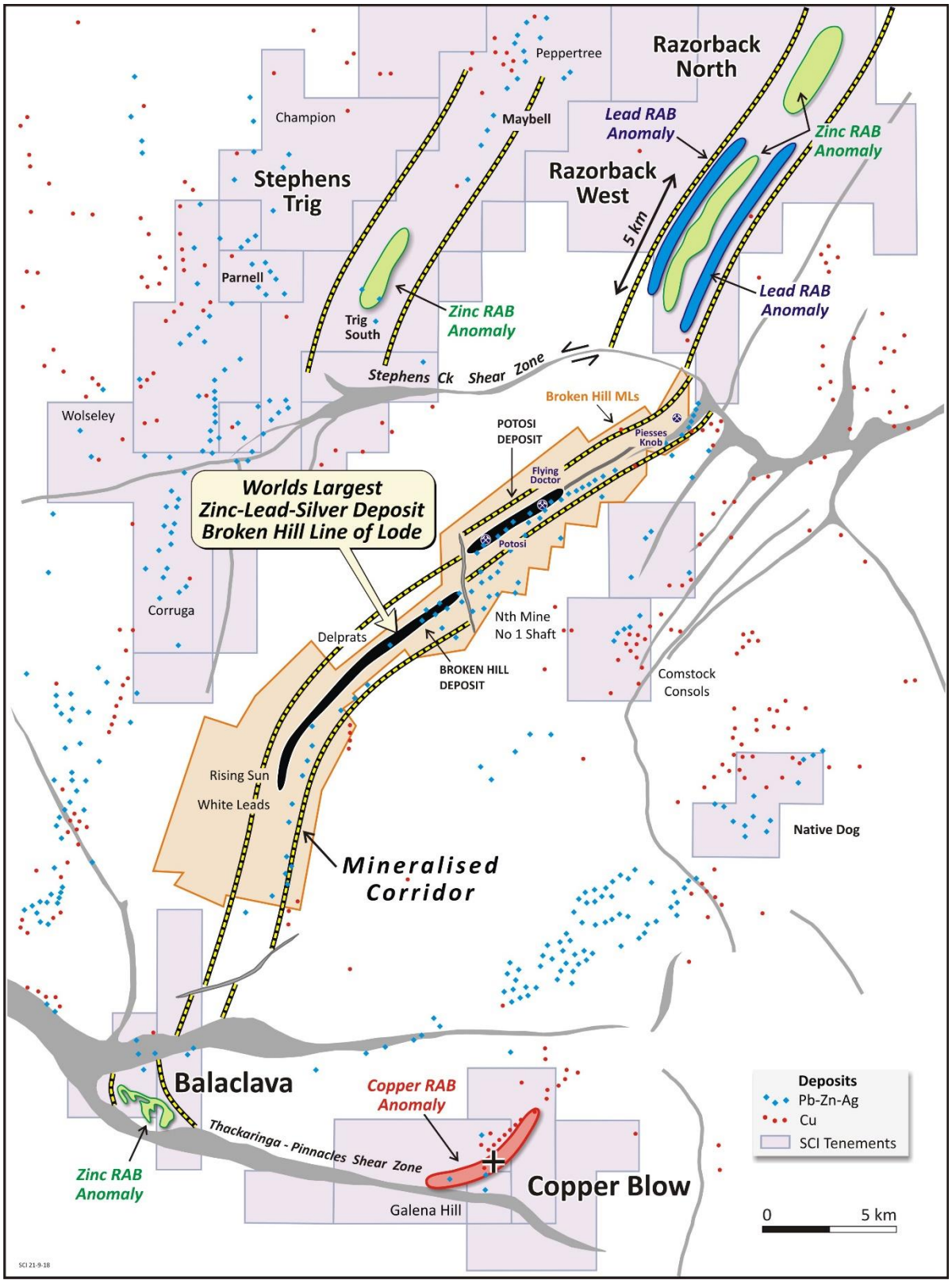

Figure 7 Razorback West project in relation to the Broken Hill and Potosi deposits

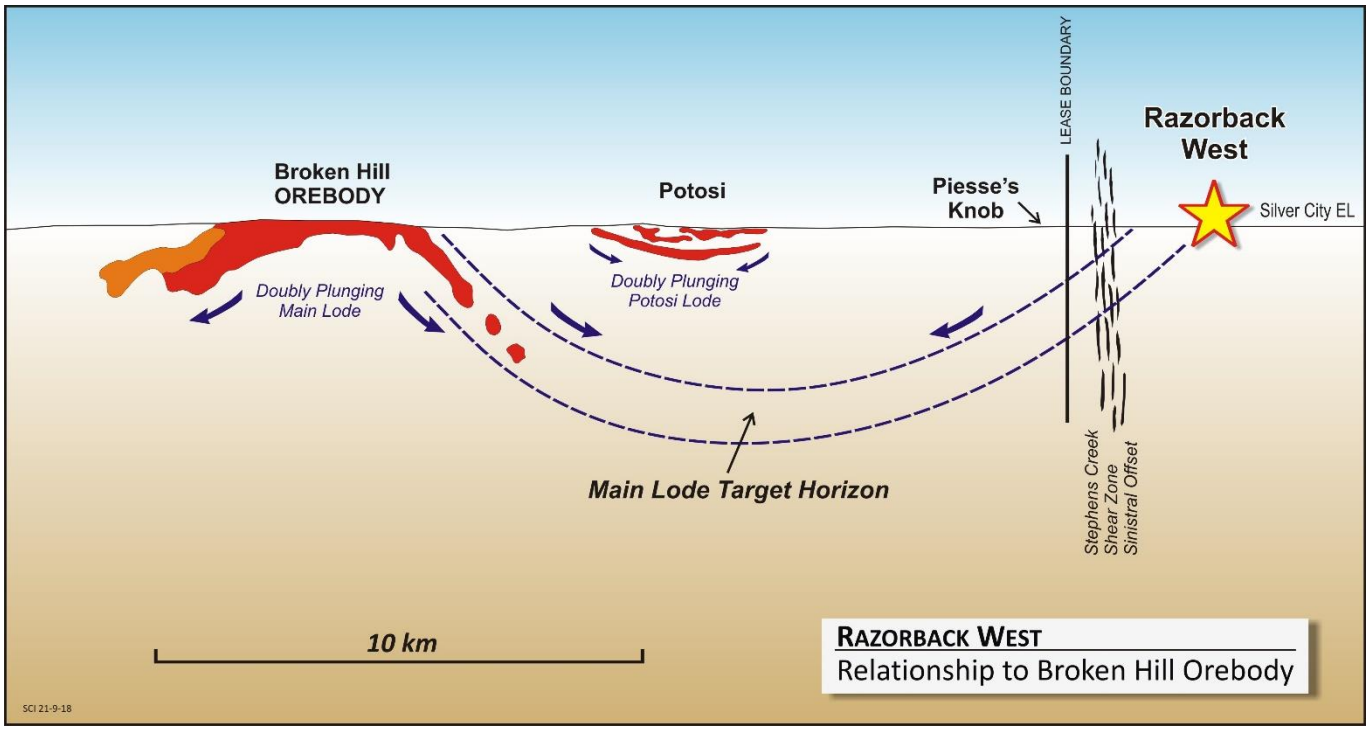

Figure 8 Longitudinal section oriented generally northeast-southwest shows the location of the Main Lode Target Horizon. Razorback West id located where this Horizon would come to surface.

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.

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.

This report contains information extracted from reports cited herein. These are available to view on the website www.silvercityminerals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.