

SILVER CITY MINERALS LIMITED

Quarterly Report

June 2014

ASX Code: SCI

Issued Shares: 116.3M
Listed Options: 29.2M
Unlisted Options: 13.2M
Cash Balance: \$3.8
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Ian Plimer
Greg Jones
Ian Hume

TOP SHAREHOLDERS

(At 17 July 2014)

Sentient Group: 17.74%
PlatSearch NL: 12.47%
Fitel Nominees: 5.75%
Top 20: 58.22%

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HIGHLIGHTS

Silver City Minerals Limited (ASX:SCI) is pleased to provide its quarterly activity report for the period ended June 30th, 2014.

Sellheim

- Encouraging drill intersection from initial program of **11.1 metres at 0.66g/t gold and 0.28% copper including 2.5 metres at 2.19g/t gold and 0.6% copper in magnetite-quartz skarn..**
- Drilling shows gold mineralisation is hosted in skarn-altered sediments and quartz sulphide veins within intrusive rocks consistent with a model for intrusion hosted gold deposits.
- Field programs are underway with the view to follow-up drilling in Q3.

Broken Hill

- Exploration at Broken Hill is scheduled to accelerate in the following Q3 with rotary air blast drilling programs (RAB), geological mapping and XRF soil surveys planned for targets outlined by research of historic data and in the recently conducted Versatile Time Domain Electromagnetic (VTEM) survey.
- A major review of the Razorback West project by geophysical and geological consultants has been undertaken confirming its position in highly favourable rocks sequences for Broken Hill-type mineralisation. Programs involving further drilling, airborne electromagnetics (EM) and downhole geophysics have been recommended.

Taupo

- Two tenements granted in the North Island of New Zealand are prospective for high grade epithermal gold and silver mineralisation. The Company is currently negotiating access with the landowner prior to commencing first pass mapping and sampling programs.

OUTLOOK

- Drilling at Sellheim scheduled to recommence later in the current quarter and will be focussed on a breccia/fault complex.
- RAB drilling and field sampling programs at Broken Hill aiming to outline targets for follow-up reverse circulation (RC) drilling at Parnell, Yalcowinna West, Speedwell Balaclava and Acacia.
- Mapping and sampling programs in New Zealand are scheduled to start early in 2015.

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OPERATIONS

Queensland Projects

Sellheim

SCI completed an initial drilling program at Sellheim in May 2014. It comprised seven holes combining diamond core and reverse circulation drilling for a total of 2,268.4 metres (ASX Releases 13 May and 19th June 2014).

Drilling was designed to test a number of induced polarisation (IP) geophysical anomalies underlying an eluvial goldfield in an area where numerous rock chip samples had returned anomalous gold, silver, copper, bismuth and molybdenum (Figure 2). Four of the seven holes penetrated IP anomalies, two tested calc-silicate rocks beneath old copper-gold workings and one was abandoned due to significant hole deviation. Narrow gold-bearing veins, thought to be the source of gold within the eluvial field, were not specifically targeted in this program. The source of these veins and the target of exploration are considered to be sulphide-bearing intrusions at depth.

Results

Drilling returned a number of intersections of gold, copper and silver mineralisation within holes 14SH001, 002 and 004 (Figures 3 and 4). Anomalous gold intervals in the order of 0.1 to 0.7 g/t over intervals of 0.5 to 18 metres occur and are predominantly hosted in skarn alteration and quartz-sulphide veins. The best intersection of **11.1 metres at 0.66 g/t gold and 0.28% copper** from 496.9 metres in hole 14SH004 is hosted in magnetite-quartz skarn close to a major fault and breccia complex. To date this complex has not been drill-tested at elevations above this intersection (Figure 4).

Holes 14SH001 to 006 have penetrated a sequence of south and south-east dipping sedimentary rocks including siltstone, sandstone and fossiliferous marl. These were intruded by numerous igneous diorites, monzonite porphyries and microgranites as dykes and sills. Fluids derived from these or the adjacent tonalite have produced skarn by metasomatic mineral replacement (alteration) of calcareous sediments especially the fossiliferous marl. These, and quartz-sulphide veins within intrusions host gold and copper mineralisation.

Hole 14SH007 tested a combined IP chargeability, resistivity and magnetic anomaly hosted entirely within igneous tonalite rocks. It encountered broad zones of disseminated magnetite which is thought to be the source of IP anomalism.

Geological Understanding and Future Exploration

With the exception of hole 14SH007, drilling has intersected predominantly skarn altered sedimentary rocks within the IP anomalies. The variation in skarn mineralogy between the holes indicates that the mineralising system is best developed in the area of 14SH004 where the most significant gold and copper grades have been intersected.

Mineralising fluids are interpreted as emanating from the tonalite intrusion immediately west of Mount Richardson, or discrete intrusive stocks (Figure 4). The Mount Richardson ridgeline is a north-trending zone of silicification and phyllic alteration with gossanous quartz-sericite rocks and tourmaline breccias located at surface within a major fault zone. A tonalite intrusion lies to the west, and sediments lie to the east of this fault/breccia complex. At Sellheim this structural corridor also displays elevated magnetism suggestive of more extensive magnetite-bearing skarn at depth. It may have acted as a conduit for fluids moving away from the intrusions and is considered to be highly prospective for gold-copper mineralisation.

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A follow-up, comparatively shallow, drilling program focussed on the breccia complex and associated magnetic anomalies is under consideration for Q3 2014. The nature of the targets likely to be drilled in a follow-up program is illustrated in Figure 4.

New South Wales Projects

Broken Hill

Work on SCI's Broken Hill tenements was limited during the June Quarter as field teams focussed on completing exploration work at Sellheim project in Queensland. SCI remains firmly committed to exploring its Broken Hill tenements and a new exploration program has been approved by the Board to advance a number of projects where historic data and preliminary results have provided encouragement. Work will include RAB drilling, geological mapping and XRF soil surveys and will be undertaken on Parnell, Speedwell, Yalcowinna West, Balaclava and the Acacia VTEM anomaly (Figure 5).

One of the Company's priority projects is the 100%-owned Razorback West exploration licence that hosts a large coincident geophysical and geochemical anomaly approximately 5 kilometres by 1 kilometre in size. The anomaly is located in rocks of the favourable Broken Hill Group and its location suggests it could be the northern extension of the famous Broken Hill "line of lode", offset to the west by a major fault. This zone could potentially host a very large lead-zinc-silver deposit similar to orebodies at Broken Hill, warranting further exploration activities.

Work to date has been reviewed by geophysical consultants who recommend airborne electromagnetic (EM) surveys and a downhole magnetometric resistivity (DHMMR) survey of existing SCI drill holes. Geological consultants recommend more detailed evaluation of the stratigraphic and structural setting with the view to understanding which is the most favourable part of the rock sequence for Broken Hill-type mineralisation. This would involve more drilling as much of the area lies under cover. Both approaches are valid and are currently being assessed in more detail. Geological work is scheduled to commence immediately.

New Zealand

Taupo Projects

In an ASX release on 9th May 2014 the Company indicated that it had been granted two tenements in the North Island of New Zealand approximately 35 kilometres east of Rotorua in the Taupo volcanic zone (Figure 6). The tenure covers an area of 94 square kilometres and was applied for by SCI on the basis of historic exploration data and records that indicated gold mining had taken place in the area in the 1920s. Intermittent modern exploration programs have been conducted since the early 1980s but have failed to locate the location of the historic mining activities within the dense exotic pine forest. All programs have however located anomalous gold in stream sediments.

Exploration will be focussed on a circular (in plan) dacite volcanic plug approximately 2.5 kilometres in diameter (Figure 7). The Company considers this project to be an example of an extinct geothermal system with the potential to host high grade epithermal gold deposits at depth, similar to those encountered at the famous 11 million ounce Hauraki Goldfield to the north.

In the first instance SCI plans to fly a very high resolution Light Detection and Ranging (LiDAR) survey to give high quality ground control for its field teams for topographic and geological mapping purposes. This will be followed by low cost geological mapping, systematic rock, stream sediment and soil sampling, and mineralogical studies. Mineralogical changes due to temperature and pH are a commonly used vectoring method in epithermal gold exploration. If these programs are successful the Company plans a systematic aircore drilling program to sample beneath young ash cover in conjunction with airborne magnetic and radiometric surveys.

In New Zealand, like Australia, SCI requires landowner consent for access to explore. Unlike most States in Australia there is no recourse to arbitration if an access agreement cannot be settled. The Company is currently negotiating with the landowner to finalise access arrangements.

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Unlike some locations in New Zealand and Australia this exploration tenure is logistically simple, located in rolling countryside less than 10 kilometres from the town of Kawerau, with high quality and abundant road access (forest logging roads) in a commercial forest.

CORPORATE

Net operating expenditure for the Quarter was \$937k. This included \$768k on projects, \$130k on administration, tenement payments of \$81k offset by \$29k received in interest income and \$13k in joint venture payments received. Cash on hand at the end of the Quarter was approximately \$3.8 million. As previously advised, on 7 April 2014 the Company completed its Share Purchase Plan with the issue of 12,359,105 ordinary shares at an issue price of 7.1 cents per share which raised \$877,500.

While SCI remains well funded to progress exploration programs at Broken Hill, Sellheim and New Zealand the Company will continue to assess expenditure to ensure that existing cash reserves are well managed.

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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, and a pipeline of prospects moving toward the drill assessment stage. The Company continues to seek out quality projects for exploration. It has entered into a Farm-in and Joint Venture Agreement with a private consortium to explore the Sellheim gold project south of Charters Towers and has acquired two tenements to explore for high grade gold and silver in an epithermal system near Rotorua, New Zealand.

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

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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". Christopher consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

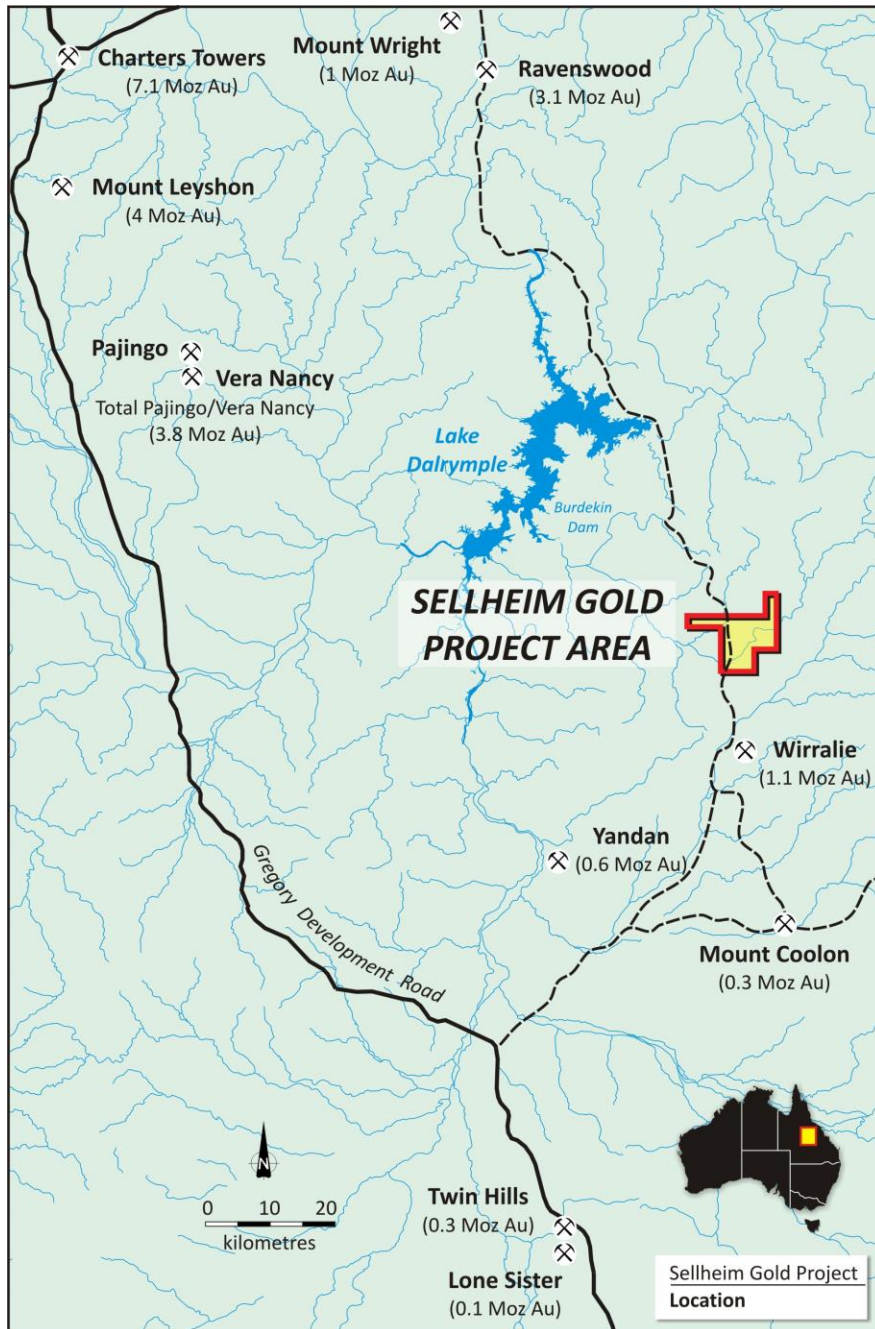


Figure 1. Location of the Sellheim Gold Project

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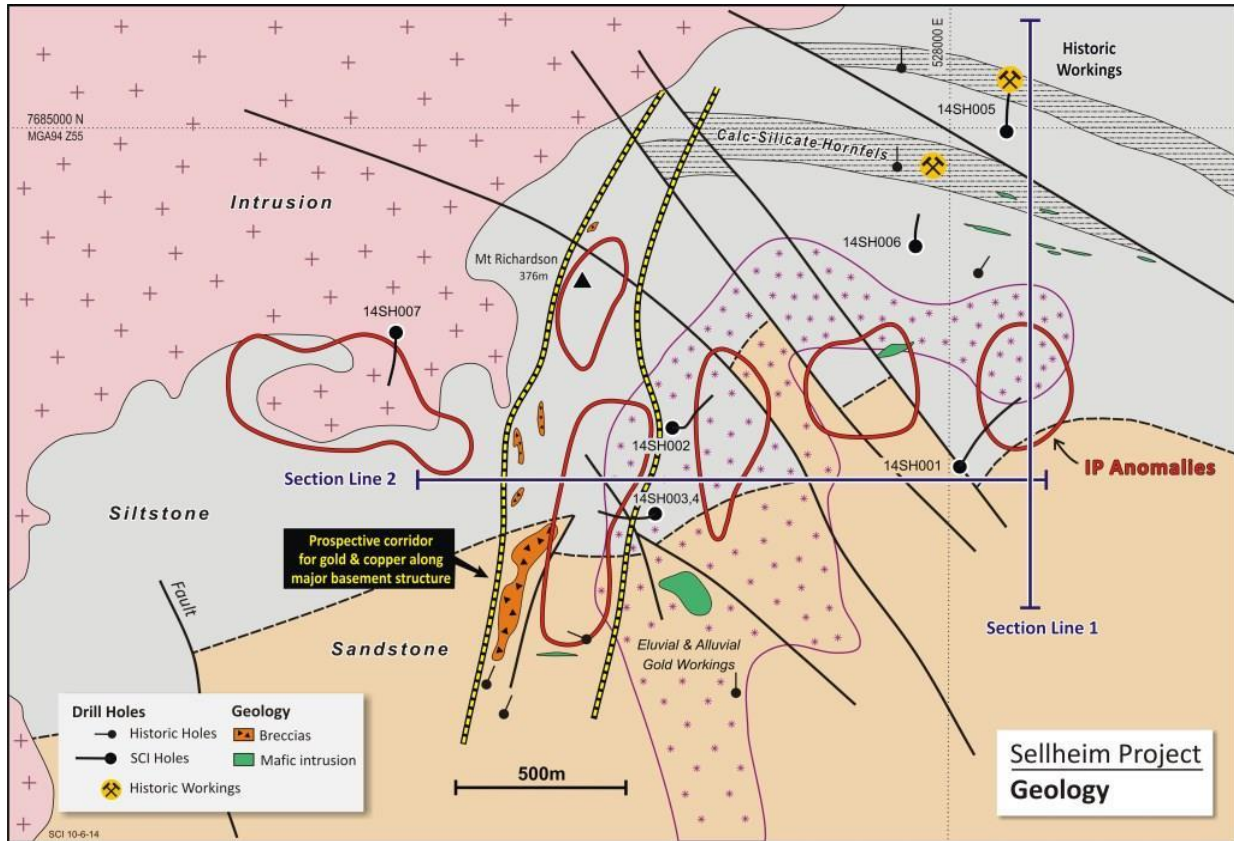


Figure 2. Local geology showing relationship of IP anomalies (modelled at 200 metres below surface) to the eluvial/alluvial goldfield and drill holes. Major structural corridor considered to be favourable for gold-copper mineralisation is shown.

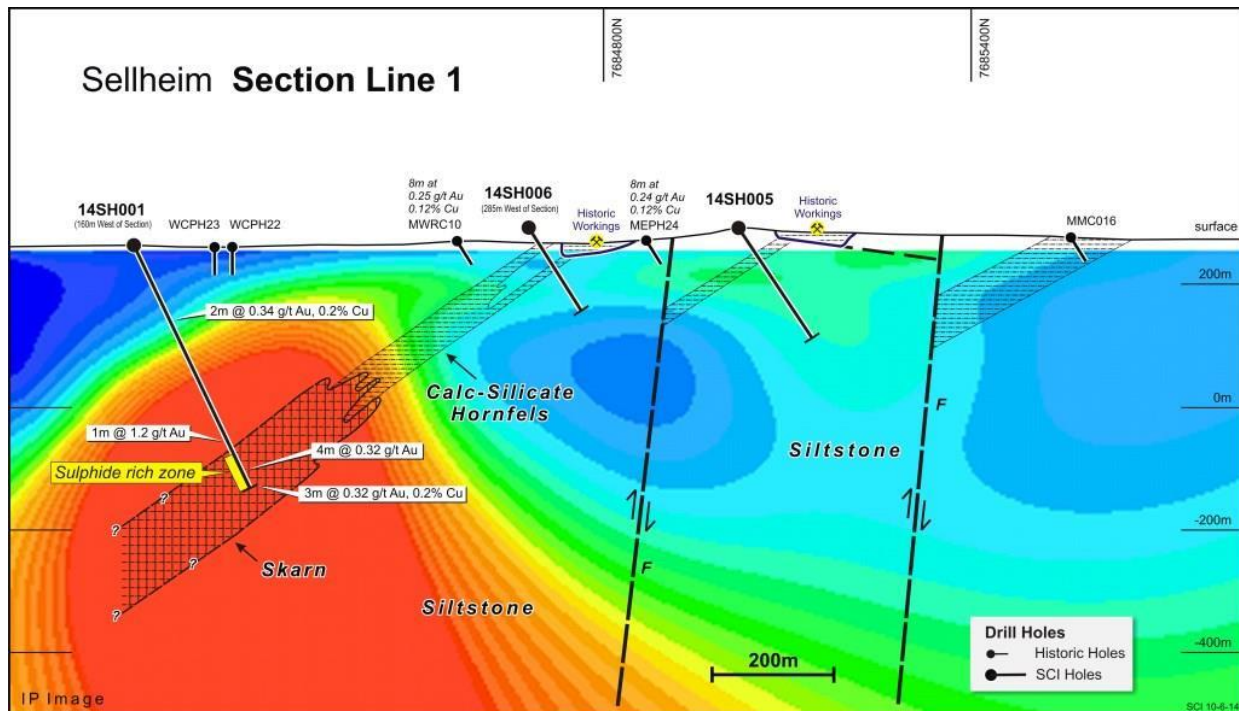


Figure 3. Interpretive cross-section showing holes 14SH001, 005 and 006 projected onto a section through the IP (chargeability) inversion model. Historic drill holes MEPH24 and MMRC10 are also shown in relation to old copper-gold workings. Note that skarn and concentration of sulphides occur in the centre of the IP anomaly.

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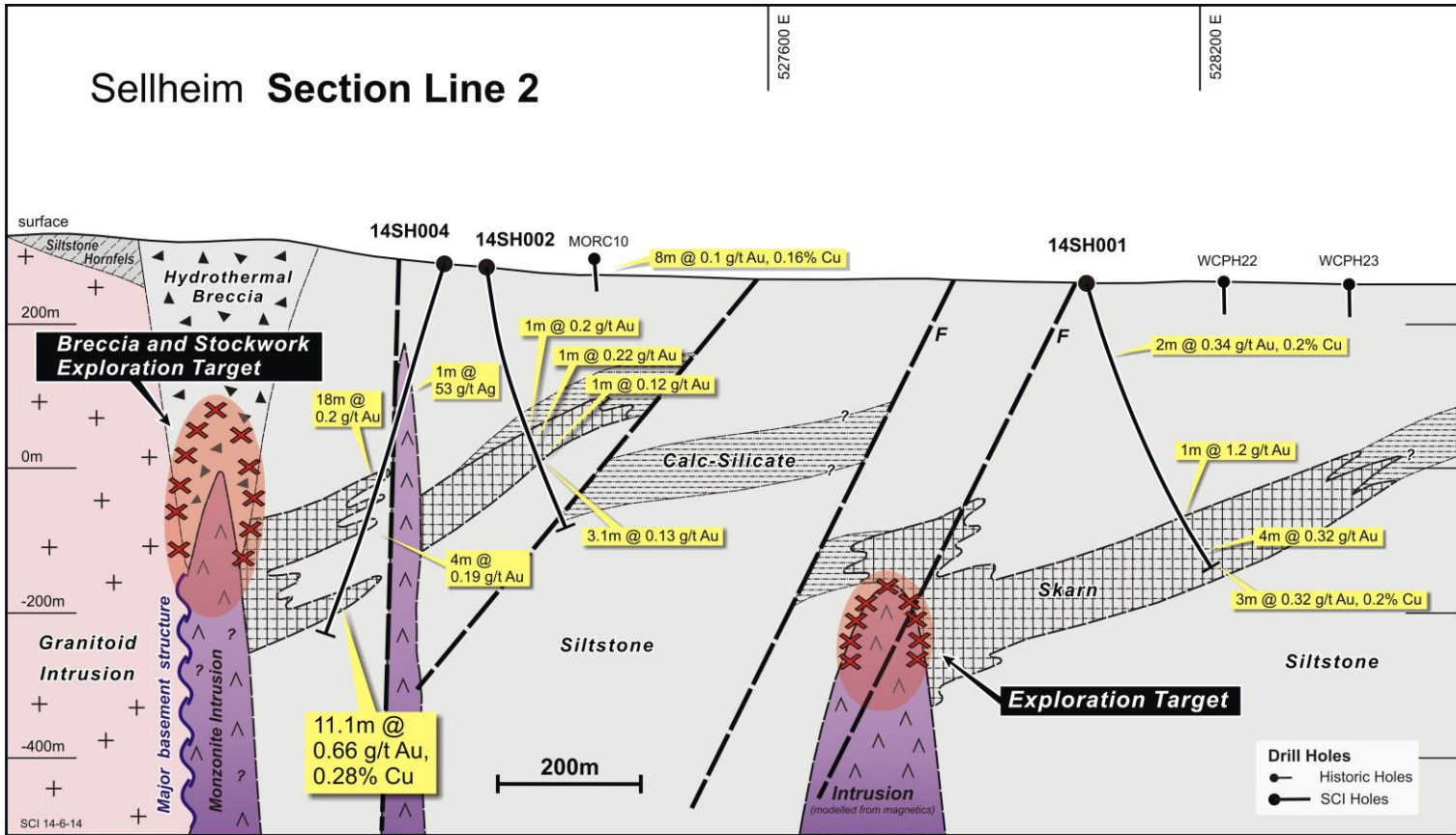


Figure 4. Interpretive cross-section showing holes 14SH001, 002 and 004. Best gold and copper mineralisation occurs close to the contact between intrusions in the west and sediments to the east. This contact zone is marked by the presence of a breccia complex which hosts quartz-tourmaline and quartz-sericite-gossan breccias.

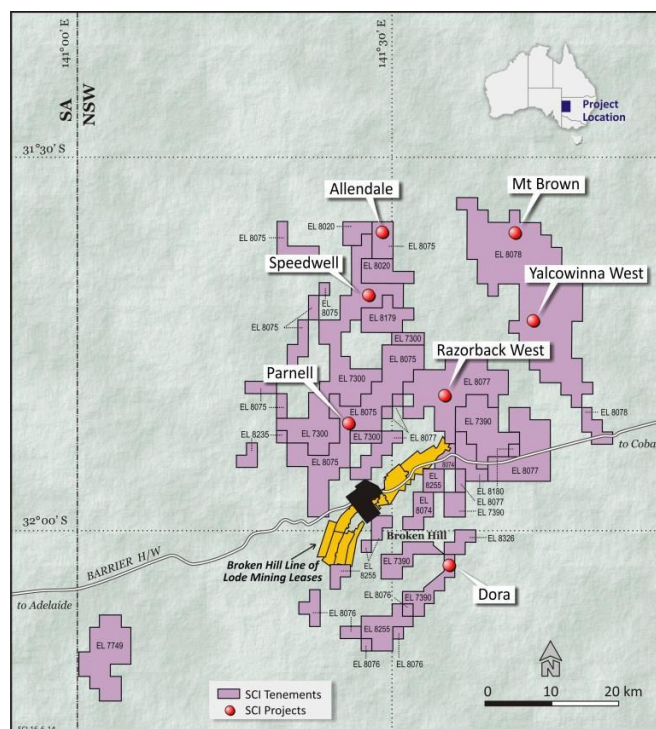


Figure 5. Broken Hill tenements and projects

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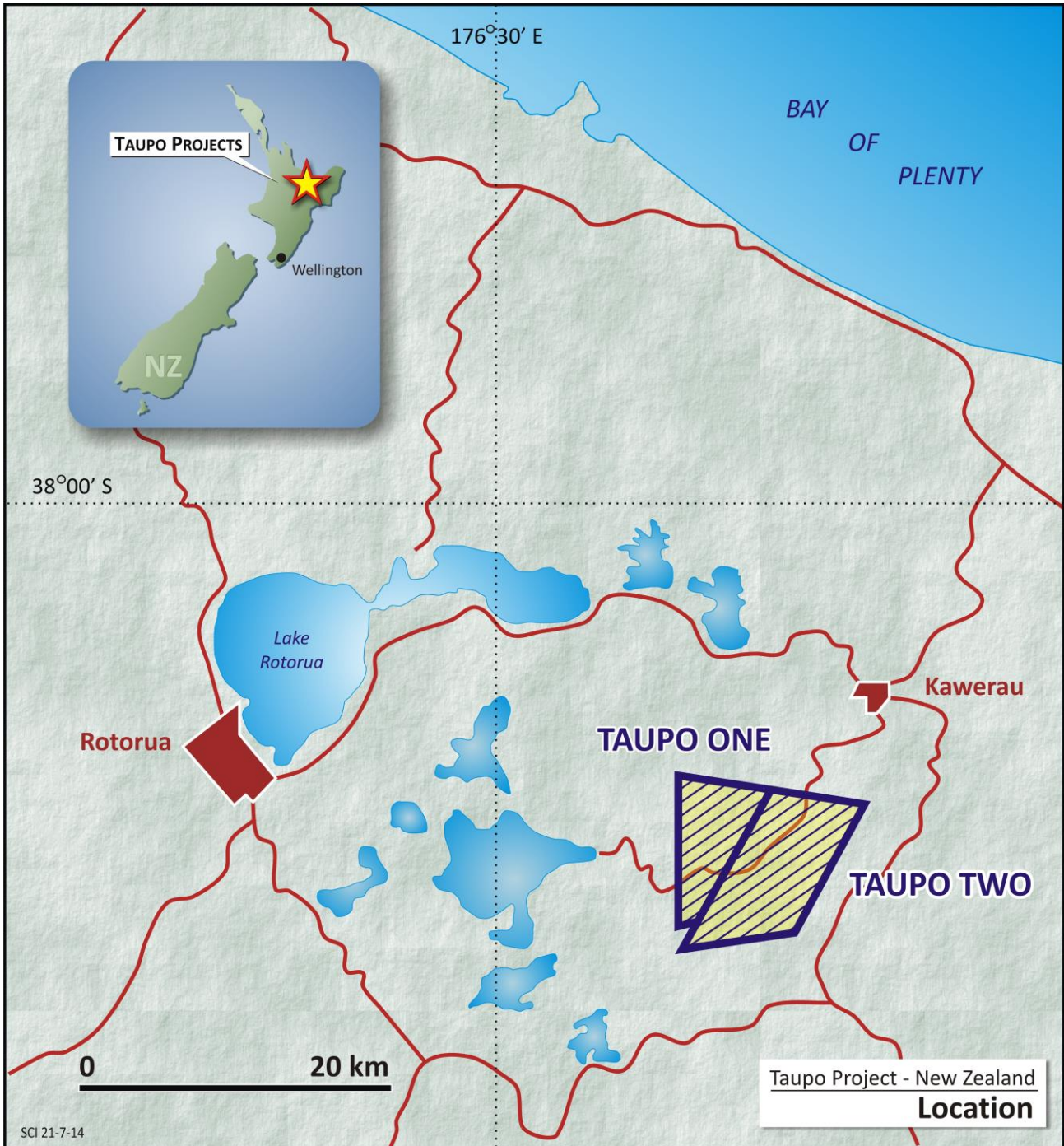


Figure 6 New Zealand project location.

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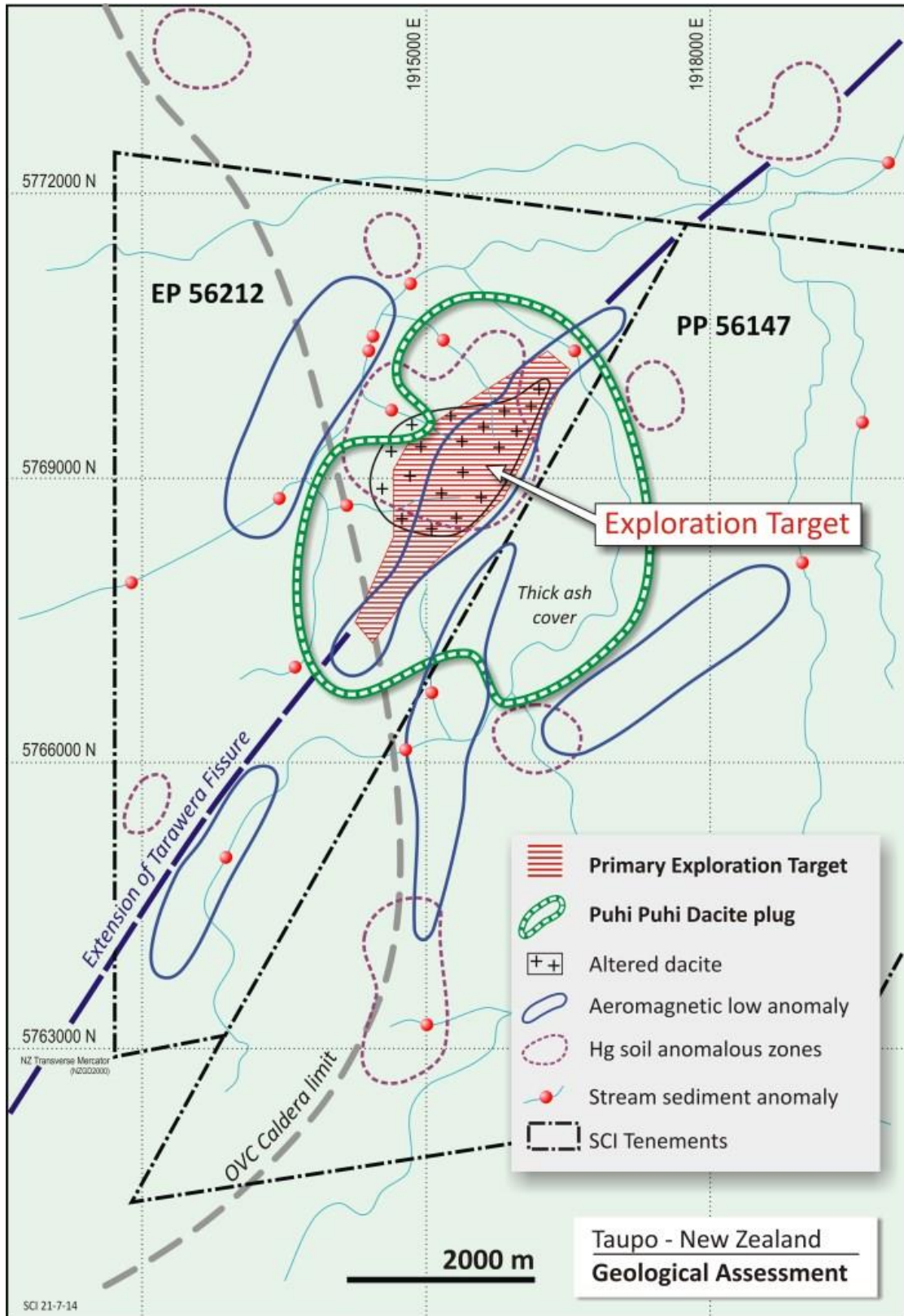


Figure 7 Geological components of initial SCI assessment show an area of gold-anomalous stream sediment samples, anomalous mercury in soils, the intersection of the Okataina Volcanic Centre (OVC) caldera margin with the northeastern extension of the Tarawera Fissure and strong alteration focussed on the Puhī Puhī Dacite plug. Initial work will focus on the dacite plug which is approximately 2.5 kilometres in diameter.