SILVER CITY MINERALS LIMITED

Quarterly Report September 2014

ASX Code: SCI

Issued Shares: 116.3M
Listed Options: 29.2M
Unlisted Options: 6.5M
Cash Balance: $3.3
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Ian Plimer
Greg Jones
Ian Hume

TOP SHAREHOLDERS

(At 14 October 2014)
Sentient Group: 17.74%
Variscan Mines: 12.47%
Fitel Nominees: 5.53%
Top 20: 56.10%

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HIGHLIGHTS

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

Sellheim (gold-copper)

- Exploration has focused in a north-trending mineralised corridor in excess of 2 kilometres long and 150 metres wide.
- Five reverse circulation (RC) drill holes were completed to test this zone with results pending (late October).
- Geological mapping and recent rock chip sampling outline intrusive rocks hosting gold and copper mineralisation.

Broken Hill (silver-lead-zinc)

- A comprehensive review and target selection study is ongoing and due for completion late November.
- Purpose is to focus on large targets which do not crop out.
- Low key geological and geochemical surveys continue to be undertaken to increase the knowledge base.

OUTLOOK

- Drill results for the recently completed program at **Sellheim** are anticipated towards the end of October.
- A large scale geological review and evaluation of vast quantities of historical data at **Broken Hill** is due for completion late in November 2014. This work is designed to focus the Company on large, high priority targets for future exploration activities. In addition to projects such Razorback West, Parnell, Acacia and Balaclava the Company anticipates new zinc-lead-silver targets of the Broken Hill type (BHT) will be outlined. Many of these will lie beneath a thin veneer of alluvium and soil and may have seen very little detailed exploration to date. Rotary Air Blast drilling (RAB) at Balaclava and Acacia scheduled for late October.
- Preliminary field work on the New Zealand **Taupo** projects is scheduled to commence early in 2015.

OPERATIONS

Queensland Projects

Sellheim

Exploration during the quarter involved detailed geological assessment of a structural corridor hosting a breccia complex and mineralised intrusions immediately west of hole 14SH004 which returned **11.1 metres at 0.66 g/t gold and 0.28% copper including 2.5 metres at 2.19 g/t gold and 0.6% copper** (ASX Releases 13 May and 19 June 2014).

The breccia complex represents a north-trending zone of weakness where fractures in a regional structural corridor (fault zone) have allowed mineralising fluids to move within the earth's crust. Tectonic and hydrothermal processes result in the host sedimentary rock being fractured, fragmented and hydrothermally altered. Both tourmaline-quartz and quartz-sericite-gossan alteration types occur within the complex with the quartz-sericite-gossan type predominating. Gossan refers to iron oxides resulting from the weathering of previously abundant sulphide minerals (Figures 2 and 3).

The rock chip samples from the breccia complex display depletion in principal elements except where detailed sampling of specific rock components was undertaken. Samples show that gold is hosted in breccia fragments (two samples; 0.25 and 3.96 g/t), cross-cutting quartz-gossan veins (two samples; 1.36 and 0.6 g/t) and in iron-oxide veins (two samples; 1.67 and 0.28 g/t; Figure 2). The general depletion is attributed to extensive weathering and supergene leaching of the once sulphide-rich breccia complex. East of the structure peripheral narrow quartz-gossan veins have returned very high grades (25.0, 12.65 and 9.6 g/t; ASX Release 2 Oct 2014).

Recent geological mapping has identified a similarly north-trending copper and gold-bearing intrusion immediately to the north of the breccia complex. Eighteen rock chip samples of intrusions and associated skarn alteration were collected from this zone (Table 1).

The drilling program earlier this year and the recent mapping and sampling clearly indicate that the mineralising system at Sellheim is enriched in gold and copper, and presents multiple exploration targets. These include high grade quartz veins hosted in sediments, stockwork veins and disseminated mineralisation in the apical portion of intrusions, skarn resulting from alteration of calcareous sediments close to the intrusions and mineralised hydrothermal breccias above or along strike from intrusions (Figure 3). The extensive distribution of induced polarisation anomalies, not all of which have been drill tested, show that skarn alteration and associated intrusions with sulphides probably underlie much of the Sellheim goldfield.

The results outlined in Table 1 below indicate that igneous intrusions located within the Sellheim structural corridor host gold and copper mineralisation and are the potential source rocks for gold in the adjacent eluvial goldfield.

Early in October 2014 the Company commenced drilling five RC holes to test targets including mineralised intrusions within the structural corridor (Figure 2). A total of 1,266 metres were completed and analytical results are expected in late October.

Table 1 Rock Chip Samples of Mineralised Intrusions

Sample Number	Easting	Northing	Gold (g/t)	Copper (%)	Comments
SH13150	526926	7684939	**0.03**	**0.91**	microgranite dyke, abundant malachite stain
SH13331	526746	7684376	**0.43**	**0.37**	strongly altered tonalite, trace malachite and limonitic boxworks
SH13333	526735	7684224	**0.11**	**0.23**	strongly altered tonalite, trace malachite and limonite boxworks, magnetic
SH13336	526890	7684884	**1.45**	**0.46**	granodiorite, trace malachite
SH13343	526999	7684929	0.04	0.05	altered granodiorite, trace malachite, magnetic
SH13352	526753	7685041	<0.01	0.01	fresh granodiorite, magnetic, fine iron clots after sulphide
SH13354	526685	7684794	<0.01	0.02	Float sample, granodiorite cut by skarn veins
SH13355	526735	7684771	**0.74**	**1.13**	magnetite skarn veins in endo-skarn, tonalite host
SH13356	526713	7684761	<0.01	0.01	prograde endo-skarn, tonalite host
SH13357	526841	7684771	<0.01	0.06	sheared altered igneous rock
SH13358	526781	7684885	<0.01	**0.12**	2m wide retrograde skarn vein in tonalite or granodiorite
SH13360	526816	7684902	<0.01	0.02	unaltered granodiorite
SH13361	526812	7684880	<0.01	**0.19**	weakly altered granodiorite, rare malachite stain
SH13362	526917	7684878	0.03	0.04	tonalite or granodiorite?, rare malachite stain
SH13363	526895	7684874	**0.29**	**0.13**	tonalite, rare malachite stain, zones of quartz alteration
SH13364	526705	7684362	**0.73**	**0.89**	strongly altered 'granitic' rock, 1% iron clots, common malachite
SH13365	526746	7684369	**0.36**	**0.23**	repeat of SH13331, strongly altered tonalite, trace malachite and limonite boxworks
SH13366	526719	7684334	**1.24**	**1.05**	strongly altered 'granitic' rock, sheared, common malachite and iron clots

New South Wales Projects

Broken Hill

A comprehensive assessment of all geological aspects of the district is underway. The first part of this study has defined the geological parameters of the target Broken Hill-type (BHT) mineralisation (high grade zinc-lead-silver mineralisation in sulphide-rich deposits). The Broken Hill ore bodies collectively constituent one of the largest mineralised systems in the world and the deposit is the largest and richest silver-lead-zinc deposit in the world. It has been mined almost continuously for over 135 years and studied extensively by mine, exploration and academic geologists.

Much is known about the mineralising system, especially from the data-rich areas in and close to the deposit and mines. In contrast there is much less known about the detail of the surrounding district even though regional data such as geology, magnetics and gravity is readily available. The added difficulty in the surrounding SCI tenements is that at least 50% lies beneath a thin veneer of alluvial or soil cover.

Using the accumulated knowledge of the deposit and mine area SCI has built a picture of what it sees are the critical geological features for development of ore with the purpose of using this for exploration in the surrounding district.

The second part of the study will utilise these parameters to define large, probably non-outcropping targets for follow-up detailed exploration including drilling. This evaluation is anticipated to be finished by the end of November.

During the quarter geological mapping and re-logging of core and RC chip samples has been undertaken in conjunction with portable XRF soil surveys. Projects evaluated include Razorback West, Dora, Balaclava and VTEM anomalies; Acacia, Parnell and Newfold. A program of shallow RAB drilling has been approved by SCI and contributing partner CBH Resources at the Balaclava prospect south of Broken Hill and is anticipated to begin mid-November. RAB drilling is also scheduled for the Acacia VTEM anomaly and Parnell project areas (Figure 4).

New Zealand Projects

Taupo

In an ASX release on 9th May 2014 the Company confirmed 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. 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 historic mining activities within the dense exotic pine forest. All programs have however located anomalous gold in stream sediments and recognised high level advanced argillic alteration features typical of fossil epithermal systems located 200km to the north in the gold-silver rich Hauraki Goldfield.

Access to the site requires an access agreement with the landowner. Discussions are progressing.

CORPORATE

Net operating expenditure for the Quarter was $497k. This included $315k on projects, $225k on administration, offset by $43k received in interest income. Cash on hand at the end of the Quarter was approximately $3.3 million.

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.

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 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 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.

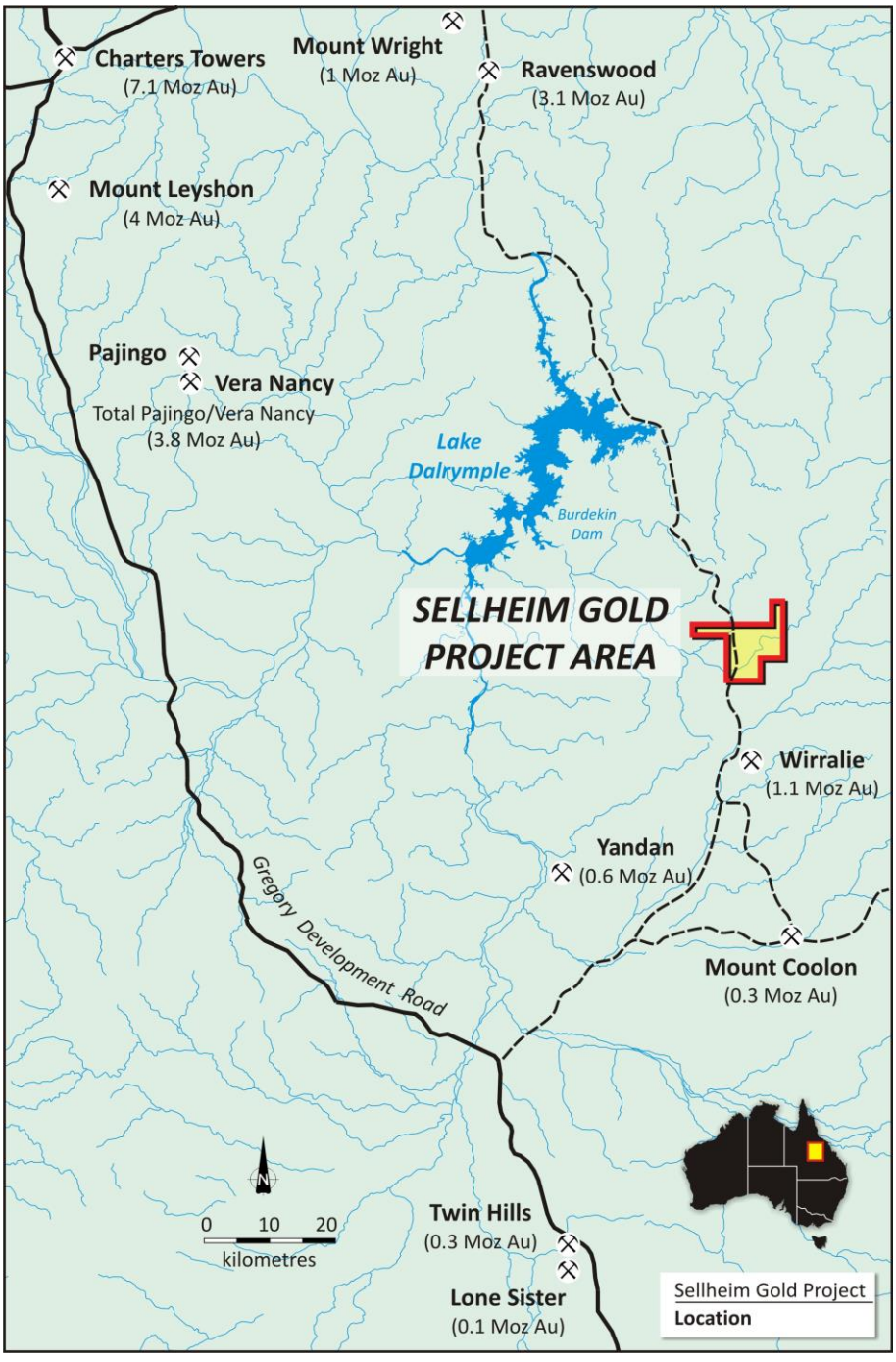

Figure 1. Location of the Sellheim Gold Project.

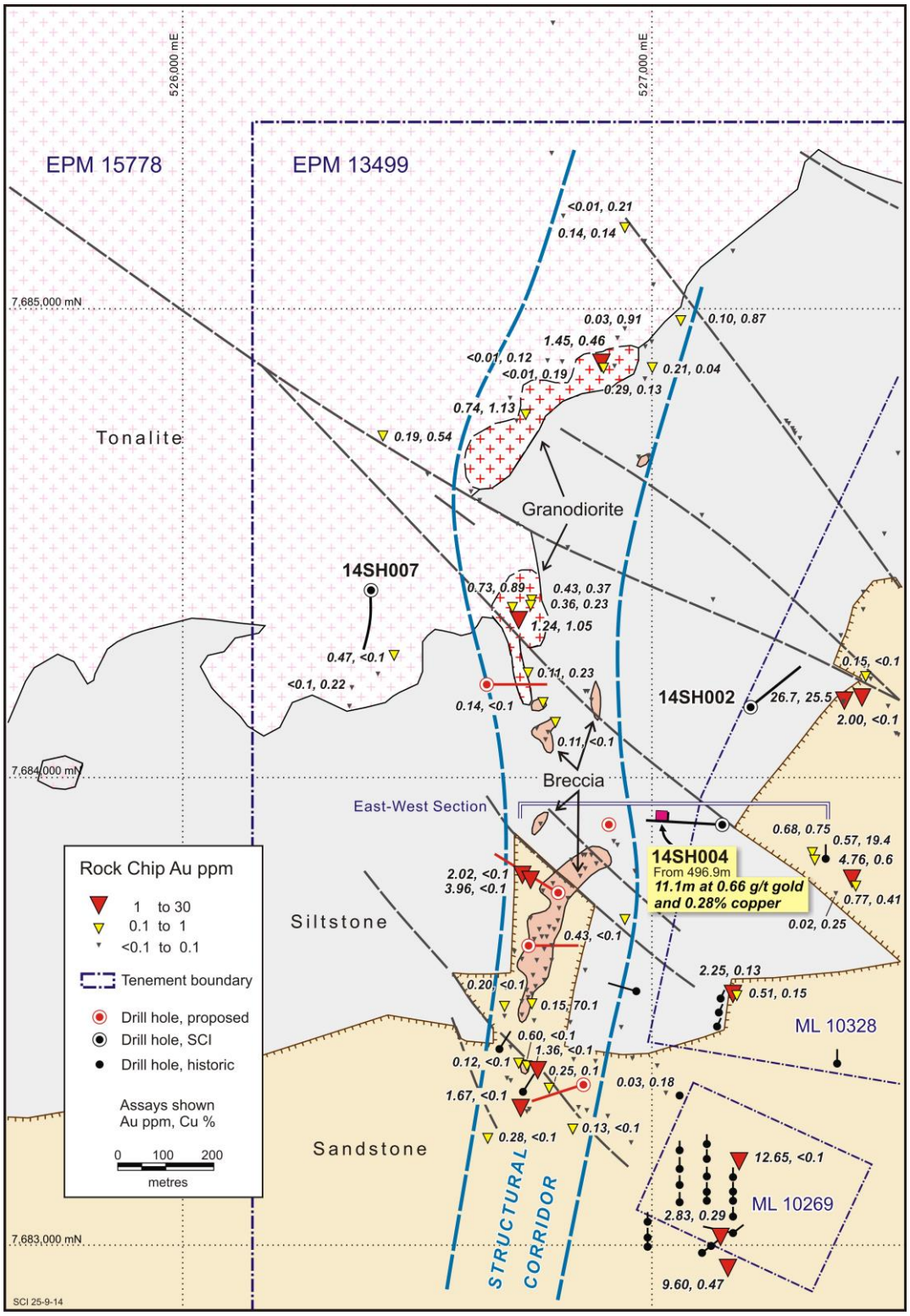

Figure 2. Local geology at Sellheim showing the regional structural corridor within which lie the generally north-trending breccia complex and the copper and gold-bearing intrusive rocks. All SCI rock chip samples are shown. Assay values are shown for samples containing greater than or equal to 0.1 g/t gold or 0.1% copper. Five "proposed holes" on this plan have recently been completed.

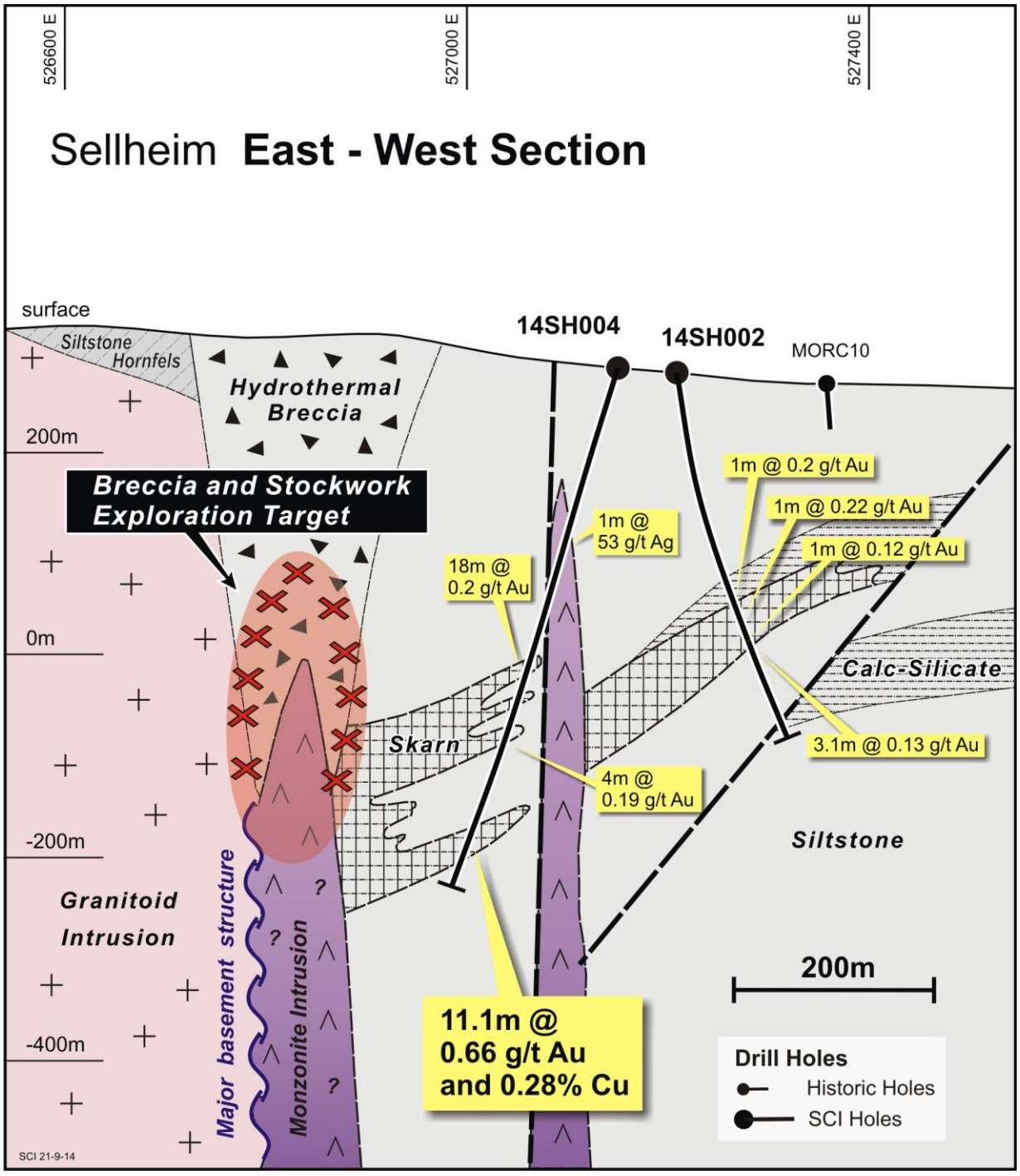

Figure 3. Schematic cross-section (approximate location shown in Figure 2) which shows a geological interpretation based on available outcrop, drill core and rock samples. The target for the recent drill program is the apical part of a mineralised intrusion hidden beneath the breccia.

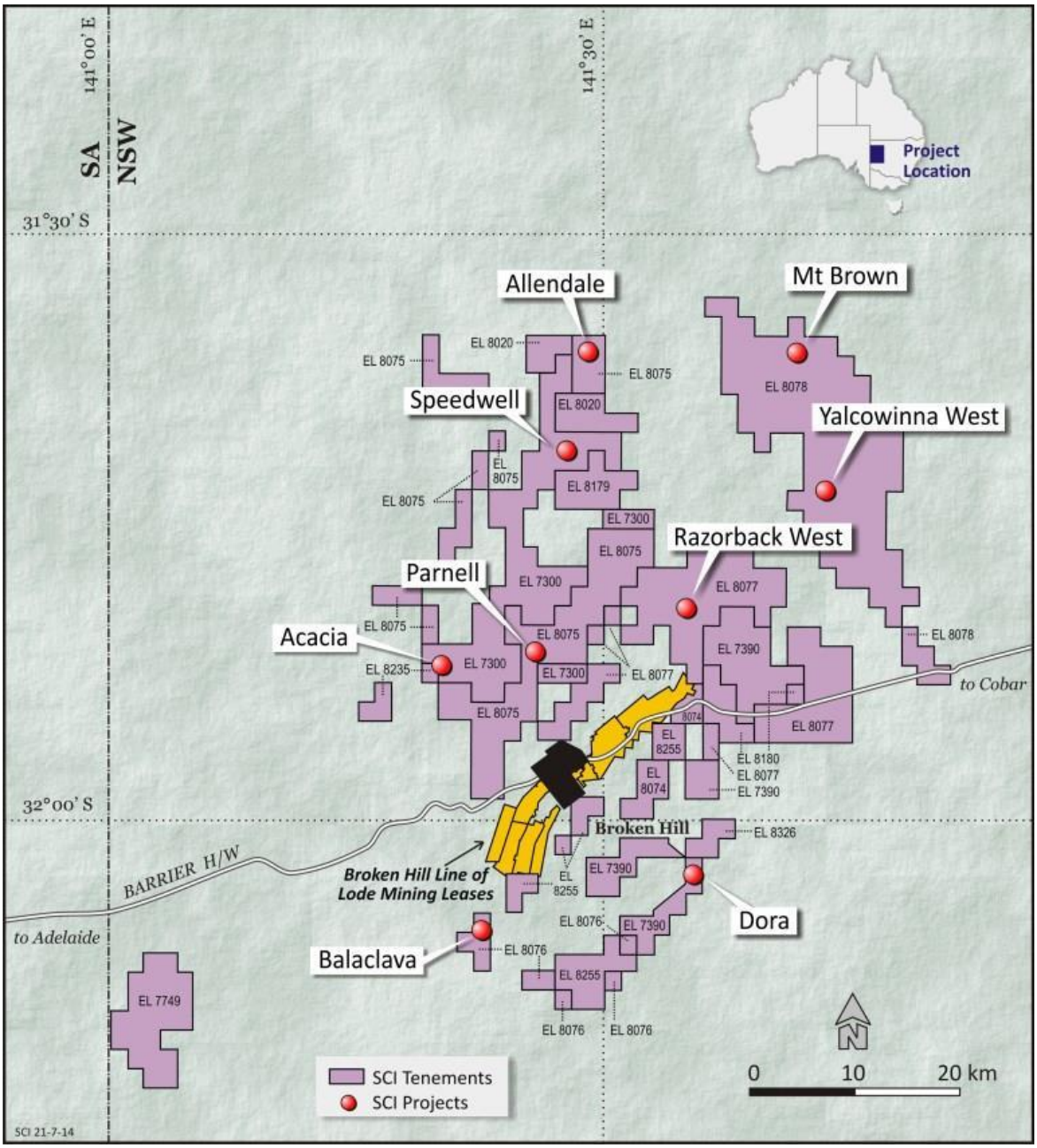

Figure 4. Broken Hill tenements and projects.

ANNEXURE 2

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Rock chip samples collected as both random chips and selected samples depending on location. Nominal sample size is 2kg. • Rock chips are highly variable with some samples considered to be representative of the outcrop sampled whereas others were specifically sampled based on geological components in order to ascertain which rock types or components host gold and copper mineralisation. To this end both outcrop and float samples were assessed. • Mineralisation in this Public Report has been determined by specific sampling methods in order to gain an understanding on host rocks to mineralisation. Grades should not be considered representative of the rock package as a whole.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• No new drilling or drill results are included in this report.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• No new drilling or drill results are included in this report.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• No new drilling or drill results are included in this report..
Sub-sampling techniques and sample	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the*	• No drilling reported. • Sampling and subsampling techniques for rocks are considered appropriate for the reconnaissance surveys outlined.

Criteria	JORC Code explanation	Commentary
preparation	*sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• No specific quality control measures were undertaken. The analytical laboratory has a quality control assessment in place for analytical work. • No measures were taken to ensure representativeness of rock samples. • Sample sizes are considered appropriate.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Rock samples were prepared using PUL-31; pulverise a split up to 250 gram to 85% passing 75 microns. Gold analyses by method AA26; 50 gram charge fire assay with AA finish. All other elements ME-ICP41 (www.alsglobal.com).
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• No new drilling or drill results are included in this report.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Geochemical sample locations (GDA94 MGA Zone 55) were determined by handheld GPS with an accuracy of +/- 3 metres which is considered an appropriate level of accuracy for regional, early stage target assessments. • Topographic control used is Shuttle Radar Topography Mission (SRTM) data. Individual points are verified by hand held GPS. This is considered sufficient for an early geochemical assessment.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Rock samples reported here are not appropriate for use in Mineral Resource nor Ore Reserve estimates. • Sample compositing has not been undertaken.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling*	• No orientation-bias sampling has been identified.

Criteria	JORC Code explanation	Commentary
	bias, this should be assessed and reported if material.	
Sample security	• *The measures taken to ensure sample security.*	• Bagged samples were transported directly to the laboratory by company personnel.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No audits or reviews have been undertaken.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• Rock chip sampling has been undertaken on active mining leases (ML 10238 and ML 10269) and within EPM 13499 under a farm-in and joint venture agreement with the owners (ASX Release 30 July 2013). A 1.5% NSR to a third party is attached to the MLs and a 0.5% NSR to the EPM. These are not subject the Native Title. An access agreement with the current landowner is in place. • No impediments to operate are known.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Exploration work has been undertaken previously and is considered to be of poor quality with surface geochemical sampling insufficient to test geological features outlined by the Company. Previously reported (ASX Release 30 July 2013)
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Intrusion-related gold deposit

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		• No new drilling or drill results are included in this report.

Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values*	• No weighted averages are reported • No upper cut has been incorporated. • No nominal cutoff grade is reported • No metal equivalent has been reported.

Criteria	JORC Code explanation	Commentary
	should be clearly stated.	
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• No new drilling or drill results are included in this report.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• See body of report.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• Figure 2, shows copper and gold results for all samples containing copper or gold with greater than or equal to 0.1% copper or 0.1g/t gold. All samples for the map area are shown.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• In addition to the work described in this report SCI undertook a soil sampling survey over the area of interest described in this report. 365 soil samples were assayed for a multi-element suite and results were used in the geological interpretation presented in this report. They are not reported here in detail as results have already been incorporated the existing interpretation and the material focus of this report is the drilling which is about to commence. • The geophysical survey presented here was acquired by a previous explorer using a helicopter on 50 metres spaced traverses.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Work is at an early stage. Drilling, surface geochemical sampling geological assessment will continue. • See Annexure 1 for areas of proposed future drilling.