SILVER CITY MINERALS LIMITED

Quarterly Report December 2015

ASX Code: SCI

Issued Shares: 116.3M
Unlisted Options: 10.5M
Cash Balance: $1.4 million
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Ian Plimer
Greg Jones
Ian Hume

TOP SHAREHOLDERS

(At 19 January 2016)
Sentient Group: 17.74%
Variscan Mines: 12.47%
Top 20: 55.00%

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HIGHLIGHTS

Broken Hill, NSW (silver-lead-zinc)

- The focus of the Company continues to be Broken Hill.
- Biogeochemical studies were undertaken over the main project areas at Stephens Trig and Razorback West in order to enhance and refine targets for drilling.
- New detailed environmental submissions now required by NSW Resources and Energy have been compiled and submitted with respect to planned drill programs at Stephens Trig and Razorback West.
- An agreement between SCI and Impact Minerals (ASX: IPT) gives SCI a 20% free-carried interest in base metals discoveries to Decision to Mine within EL 7390. A recent base metal drill intersection announced by IPT returned 5 metres at 10% zinc, 0.8% lead and 40.4g/t silver.

OUTLOOK

- Drilling to test open-pit potential of Stephens Trig is scheduled for late February-early March.
- Drilling to test EM and geological targets at Razorback West. Funding application to NSW Government for co-operative drilling. Under government timetable drilling could commence in July 2016 if the application successful.
- IPT proposed follow-up drilling of base metal intersection EL 7390.
- Electromagnetic surveys at Balaclava.

OPERATIONS

New South Wales Projects

Broken Hill (lead-zinc-silver)

Stephens Trig (SCI 75%, CBH 25%)

To date there have been 31 holes drilled at Stephens Trig. This project does not crop out but lies beneath a veneer of alluvium and soil. It is broadly defined by a lead-zinc rotary air blast (RAB) geochemical anomaly which extends for 1.5 kilometres along strike with a further southern extension of over 2 kilometres over the Trig South prospect (Figures 2, 7 and 8).

SCI has identified three mineralised lode horizons all of which host appreciable zinc-rich intersections; Main Lode, East Lode and East 2 Lode.

The East 2 lode in particular hosts a number of mineralised intersections. These include:

1. Hole 04SGC002; 43m to 57m (14m) at 0.5% lead and 1.9% zinc, including 54m to 57m (3m) at **1.4% lead and 5.8% zinc.**
2. Hole 11SGC012; 63m to 73m (10m) at 1.1% lead and 1.3% zinc, including 68m to 71m (3m) at 2.9% lead and 3.2% zinc.
3. Hole 91SG03; 110m to 122m (12m) at **2.3% lead and 6.8% zinc**, including 112m to 118m (6m) at **3.8% lead and 11.8% zinc.**
4. Hole 97SG12; 126m to 140m (16m) at 0.3% lead and 1.3% zinc, including 138m to 140m (2m) at **1.4% lead and 3.1% zinc.**
5. Hole 90SG01; 66m to 68m (2m) at **4.3% lead and 12.0% zinc.**

(Note: Holes outlined here were previously reported in the Company Prospectus 2011 or ASX Release 9 January 2012 to a nominal 1% zinc cut-off).

Work by SCI shows that the up-plunge positions of the E2 and Main lodes from surface to a depth of 100 metres have not been sufficiently tested by drilling (Figure 7). Preliminary economic modelling of up-plunge, hypothetical lodes has been sufficient to suggest that, if grades and thicknesses are consistent with other intersections, there is potential for open pit ore.

This project, located only 12 kilometres north of Broken Hill is potentially amenable to low cost open pit mining. Ore-grade material from this zone could be amenable to trucking to one of two beneficiation mills currently operating at Broken Hill.

The Company plans to drill-test the concept with five shallow RC holes between late February and early March. This project is a joint venture between SCI and CBH Resources Ltd which owns and operates the Rasp Mine at Broken Hill. CBH has a non-contributing interest until commencement of a Definitive Feasibility Study.

During the Quarter orientation biogeochemical surveys were undertaken to assess the effectiveness of this technique as a tool to look beneath alluvial and deep soil cover. Results are pending.

Razorback West (SCI 100%)

Documentation for an application for assisted funding under Round 2 of the New Frontiers Cooperative Drilling Program is underway. SCI has planned three RC/diamond drill holes to test electromagnetic conductors coincident with elevated zinc geochemistry, and the upper and most prospective part of the Broken Hill Group (the Hores Gneiss stratigraphic position; Figures 3 to 6). Under the government timetable for this funding, if the application is successful, drilling would be able to commence in July 2015.

During the Quarter orientation biogeochemical surveys were undertaken to assess the effectiveness of this technique as a tool to look beneath alluvial and deep soil cover. Results are pending.

Balaclava (75% SCI, 25% CBH Resources)

A new interpretation which combines our recent drilling and historic drill data suggests the presence of the upper parts of the Broken Hill Group stratigraphy located 400 to 500 metres to the north of our recent targets. The upper parts of this geological sequence hosts many of the significant ore shoots at Broken Hill. Coincident with this area is an undrilled, late-time, fixed loop Sirotem (electromagnetic) anomaly suggestive of sulphide at 100 to 150 metres depth. Unfortunately the old geophysical data is poorly located using historic survey methods. In order to re-establish the exact location of this a new modern ground electromagnetic survey is required. Planning for this work is underway.

This project is a joint venture between SCI and CBH Resources Ltd where CBH contribute to exploration expenditure on a pro-rata basis.

Yellowstone (20% SCI, 80% IPT on base metals)

In October 2015 SCI signed an agreement with Impact Minerals Limited (ASX: IPT) and Siouville Pty Ltd with respect to EL 7390 near Broken Hill. In exchange for certain rights held, SCI will be free-carried for 20% to a decision to mine on base-metals discovered within the tenure. In addition it will receive $50,000 in exchange for mining information. The agreement is conditional on receipt of ministerial consent for transfer of the title. Either party can terminate the agreement if consent is not forthcoming by 28 February 2016.

Impact Minerals recently released results of a base metal-rich drill intersection within the tenement which returned 5 metres at 10% zinc, 0.8% lead and 40.4 g/t silver (IPT ASX release 8 December 2015). The IPT announcement suggests follow-up drilling is required.

New Zealand Projects

Taupo (gold-silver)

Goldmine Hill (100% SCI)

Between 1 January 2015 and 31 December 2015 SCI had an access arrangement with the landowner Maori Investments Limited (MI) for low impact exploration activities. In October 2015 SCI made a formal proposal to MI offering partnership in the project and a longer term access arrangement that would give certainty to both SCI and MI shareholders with respect to all exploration and potential mining activities. In January this year MI responded negatively, refused entry for exploration and requested no further correspondence on the subject.

Despite certain minerals being Crown Minerals, New Zealand legislation provides landowners with effective right of veto on access to the land for exploration. There is no legal recourse to arbitration or adjudication if an access arrangement is not agreed upon.

SCI has spent a considerable amount of time in communications, presentations and field visits in order to explain the nature of the exploration business to the board of Maori Investments. However the decision to refuse access effectively stops all exploration. As a consequence SCI has initiated formal withdrawal from the project. The Silver City board thinks this is a disappointing outcome not just for SCI, but for the local communities and the New Zealand mineral industry.

Local Te Arawa iwi (Maori tribal group) have been informed of all SCI activities. Their commentary on the exploration activity to date has been very supportive.

Annexure 1: Diagrams.

CORPORATE

Net operating expenditure for the Quarter was $260k. This included $180k on projects, $128k on administration, offset by $10k received in interest income and $38k received from JV and consulting income. Cash on hand at the end of the Quarter was approximately $1.4 million. The company continues to review and implement reductions in operating costs to maximise funds available for exploration and other opportunities.

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.

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.

ANNEXURE 1
Diagrams

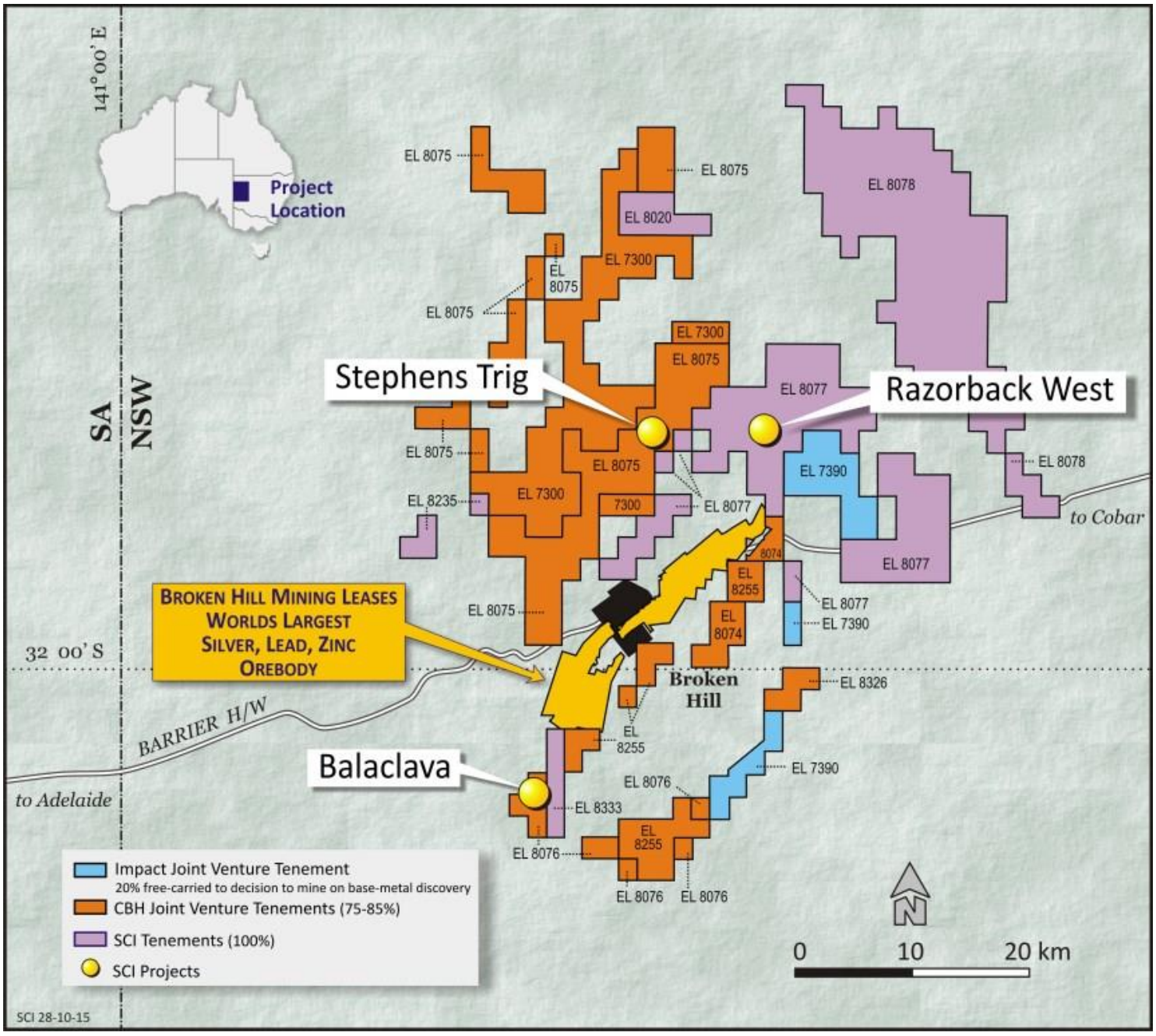

Figure 1. Silver City Minerals, Broken Hill tenements and location of current projects.

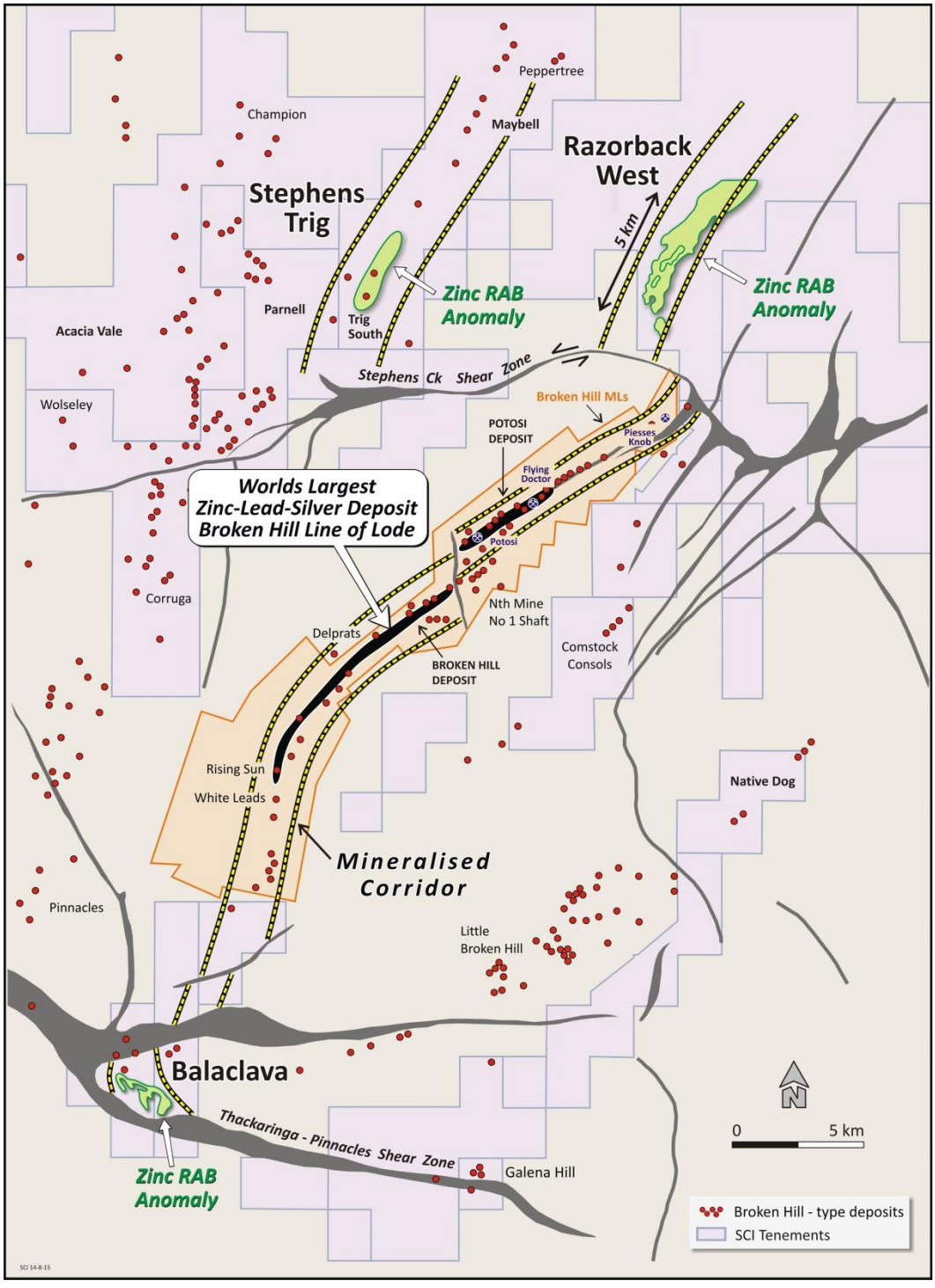

Figure 2. Broken Hill, showing the location and surface projection of the supergiant Broken Hill Deposit. Diagram shows the relationship of the deposit to SCI tenements and specifically to the location of Razorback West to the north and Balaclava to the south. Interpretations suggest both Razorback West and Balaclava are fault-offset and/or fault-rotated extensions of the mineralised corridor which hosts Broken Hill.

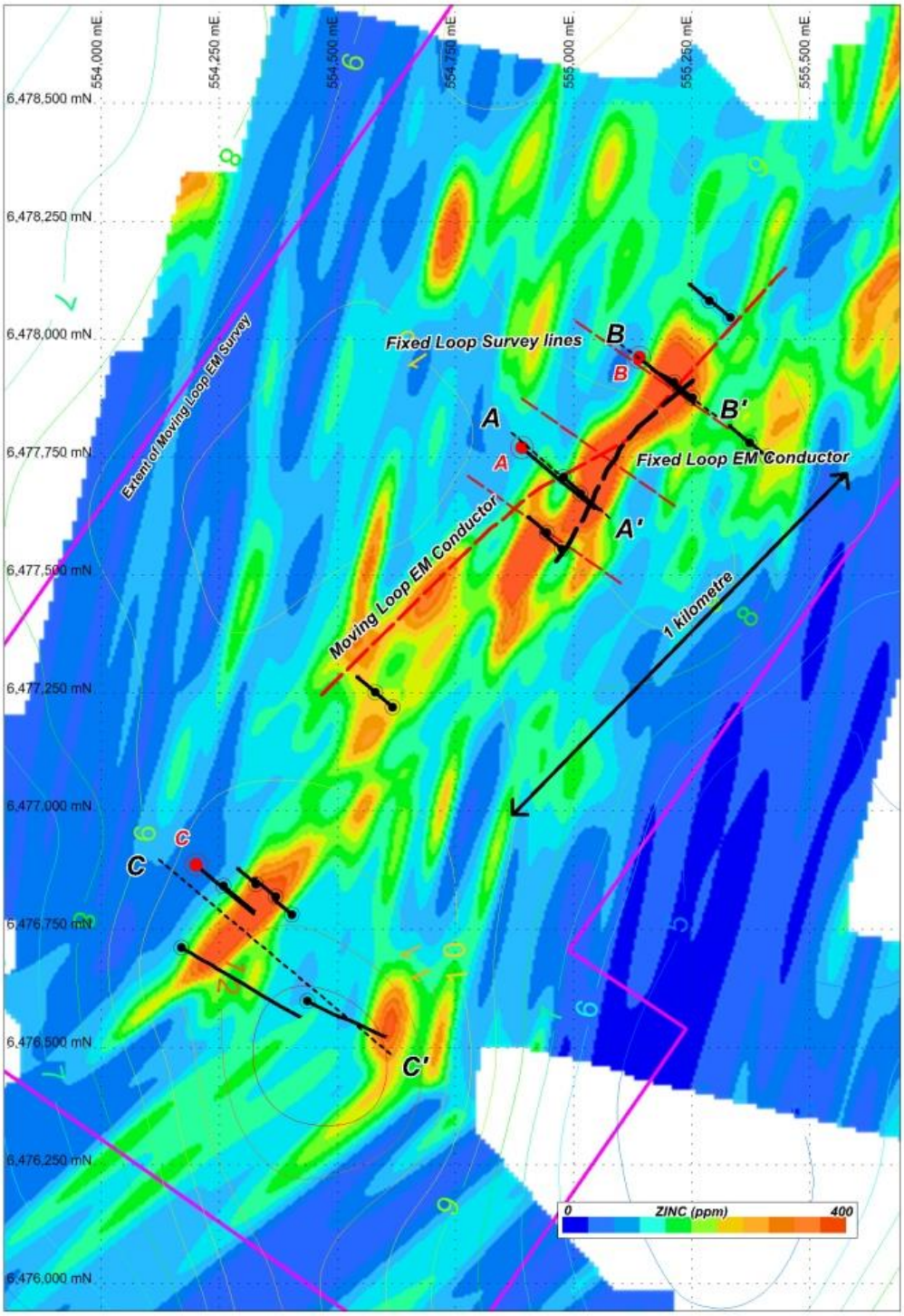

Figure 3. Razorback West. Bedrock zinc image (ppm), IP chargeability contours (mV/V), Silver City drill holes (black dots), proposed holes (red dots), fixed loop survey lines (three dashed red lines), location of cross-sections (see Figures 4, 5 and 6), location of MLEM (red) and FLEM (black) conductors. Image shows remarkable coincidence between zinc anomalies and subtle EM conductors over a strike of 1 km. Note drill holes shown here as black dots were completed before the EM surveys took place. The EM conductors are weak as might be expected from poorly conductive sphalerite in zinc-rich sulphide zones.

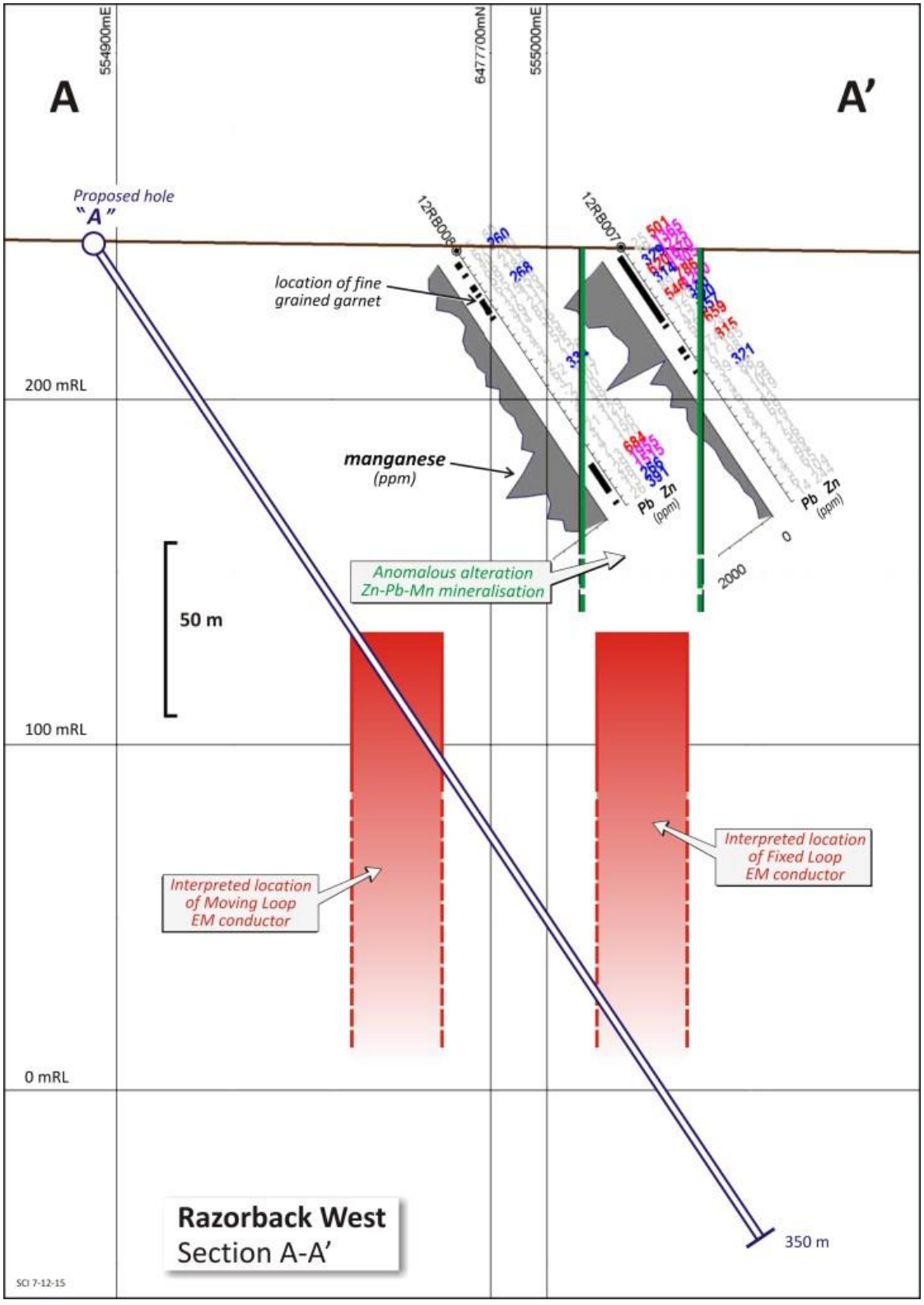

Figure 4. Razorback West. Cross-section A-A'. Diagram shows anomalous zinc and lead (red=500-1000ppm, magenta>1000ppm). Fixed loop EM anomaly is estimated to be at least 120 metres below surface. Proposed drill hole "A" is designed to cover both the moving loop (west of fixed loop anomaly; see Figure 3), and fixed loop EM anomaly. In this area the dip of bedding is largely unknown from shallow RC holes (12RB007 and 008). The proposed hole is designed to cover both steep and westerly dips.

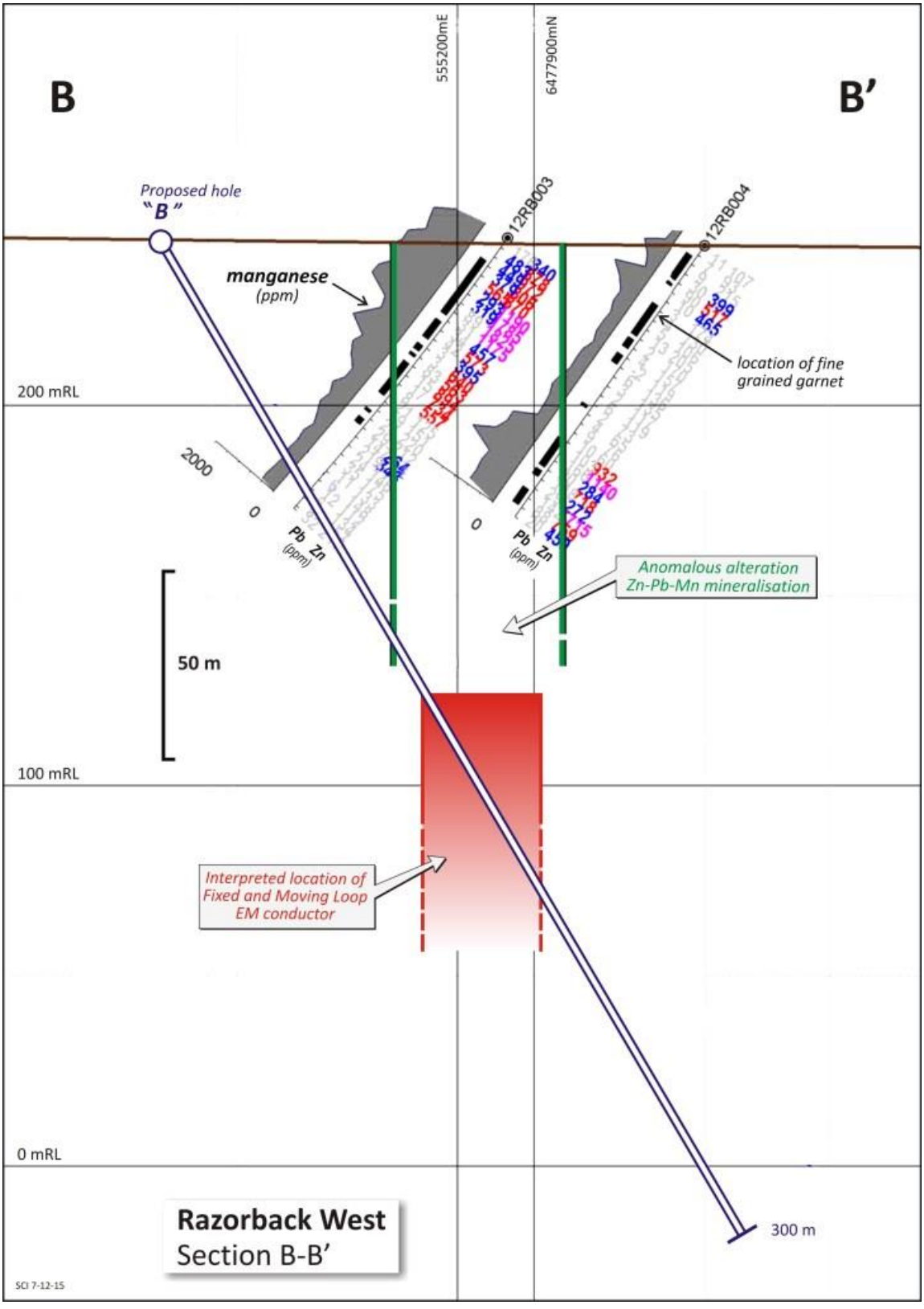

Figure 5. Razorback West. Cross-section B-B'. (Same components as for Figure 4). The proposed hole "B" is designed to test the moving loop and fixed loop EM anomalies which are largely coincident in the section. The hole specifically tests 50 to 70 metres beneath existing drill holes. The exact location and depth of Hole "B" might vary depending on results in Hole "A". For example if a north-westerly dip is evident in Hole "A" then hole collar will be moved to the north west.

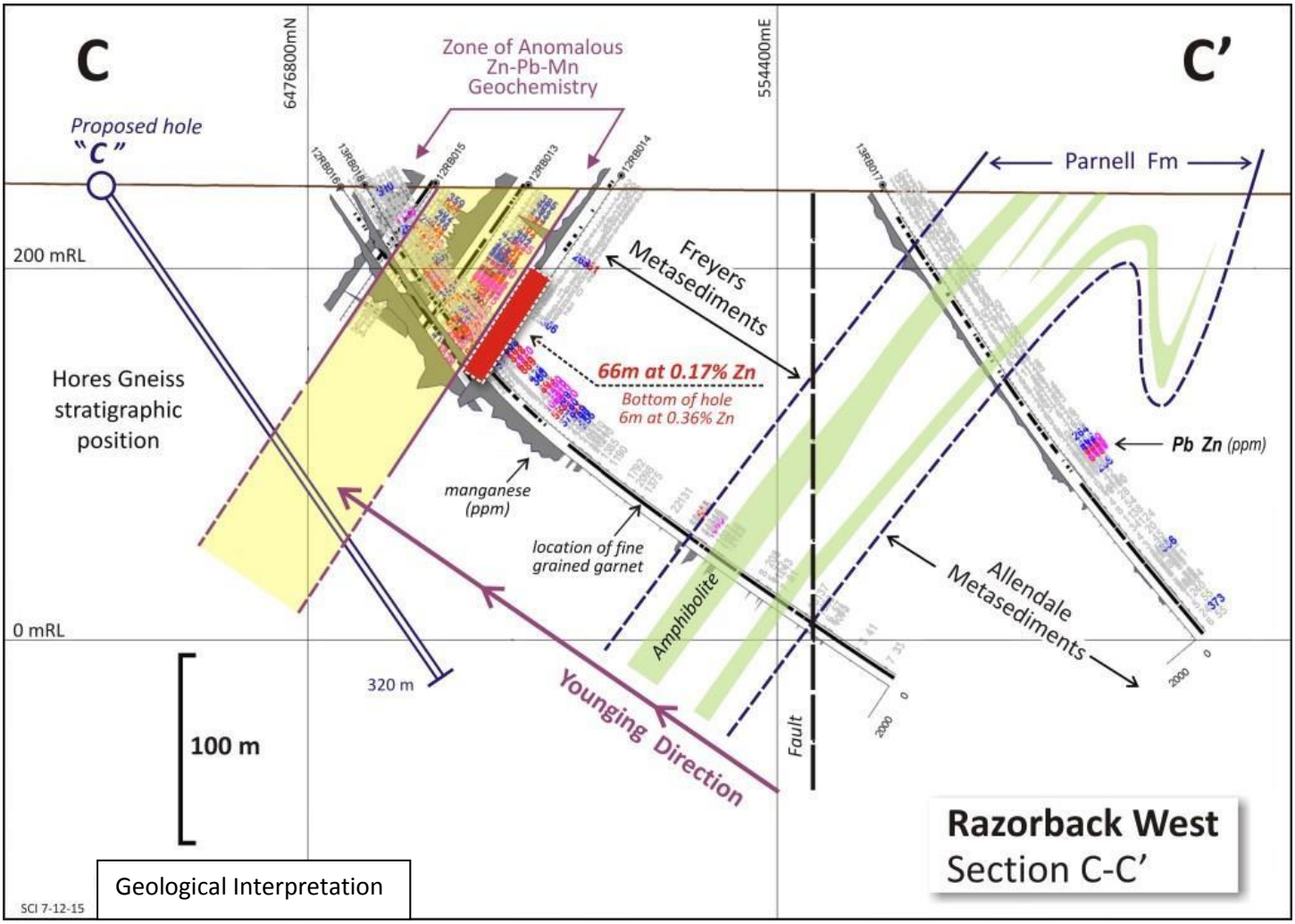

Figure 6. Razorback West. Cross-section C-C'. Diagram shows a group of shallow RC holes with anomalous zinc-lead-manganese and two deeper diamond-RC holes where the stratigraphy has been determined by detailed logging (note scale is different to Figures 4 and 5). The proposed hole "C" is designed not only to test beneath the anomalous geochemistry in shallow RC holes, but importantly to test the upper part of the Broken Hill Group in the position where the prospective Hores Gneiss might sit.

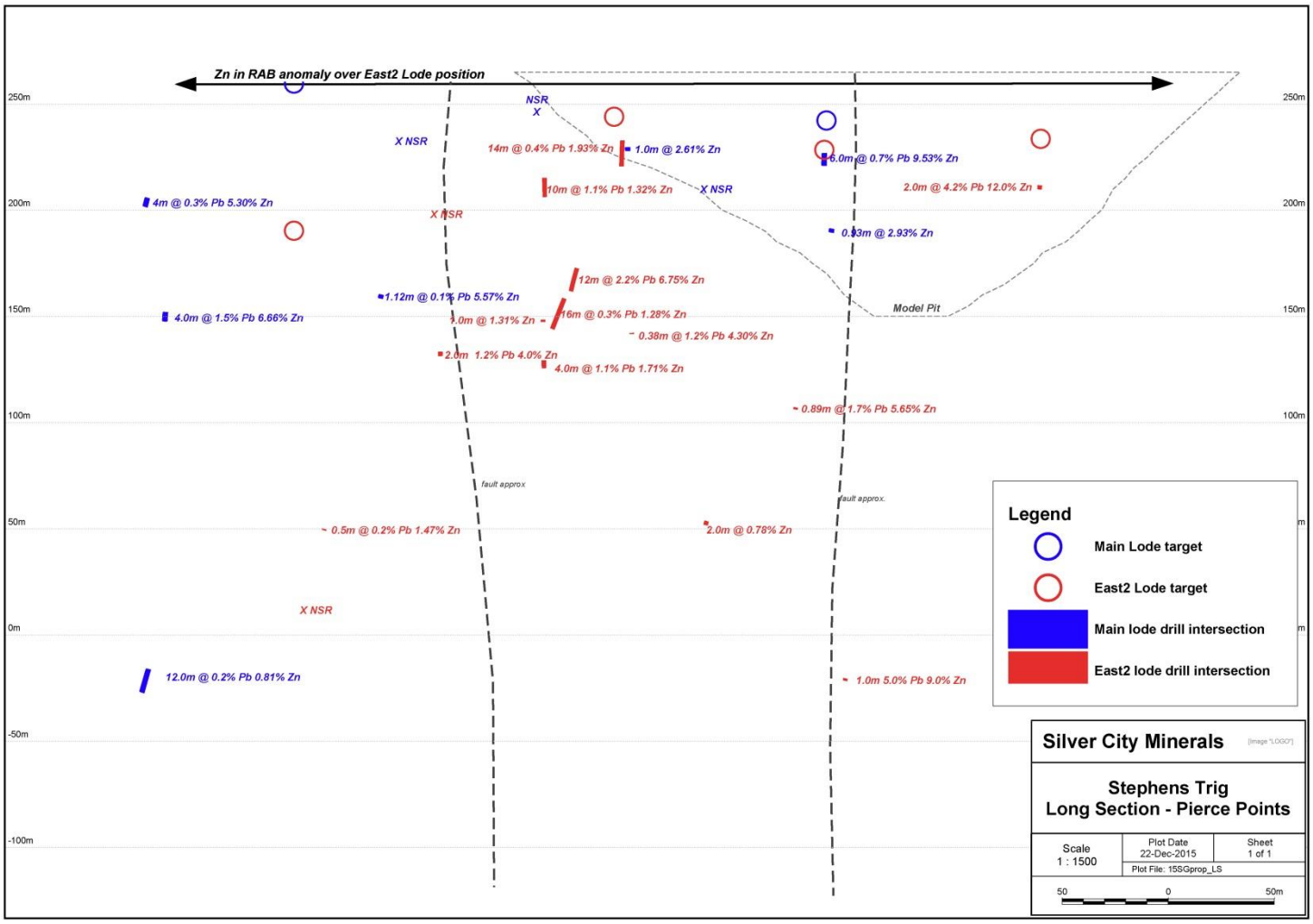

Figure 7. Stephens Trig. Longitudinal Section showing existing drill piercement points with thickness and grades for lead and zinc in the E2 and Main lodes. The direction of plunge is indicated as is the hypothetical model open pit outline. Open circles show the proposed piercement points for the planned shallow holes.