

Dear Shareholder,

In 2013, the Silver City team have continued to advance the exploration program at Broken Hill with strong mineralisation encountered at a range of key prospects. The results at Broken Hill have been encouraging, and the Company is preparing to commence an airborne EM survey at Allendale and in the area around Parnell. Further, extensions and infill geochemical sampling at the Speedwell prospect and continued assessment of Parnell are due to commence to follow up on elevated lead, zinc and silver intersected in recent drilling.

In addition to its focus on Broken Hill Projects, on 30 July SCI entered into a joint venture with a private consortium to explore tenements in North Queensland known as the Sellheim Gold Project. The agreement followed a sampling program that delivered encouraging results. This project presents the company with a unique opportunity, and with a strong cash position of \$4.7m and favourable farm-in terms, SCI is well placed to pursue the project in conjunction with its aggressive exploration program in Broken Hill.

Our projects at Broken Hill and a significant IP program at Sellheim in North Queensland will form the basis of ongoing exploration in the second half of 2013.

We look forward to updating shareholders on our exploration activities as the year progresses.

Chris Torrey
Managing Director

KEY HIGHLIGHTS

- Strong cash position in current market
- Exciting new gold project in North Queensland
- Exploration success under cover at Parnell
- Exploration programs to commence, including:
 - Airborne EM survey
 - Extensions and infill auger soil program at Speedwell
 - Assessment of potential at Parnell
 - IP survey at Sellheim Gold Project



BROKEN HILL GOSSAN



DRILLING AT BROKEN HILL



BARRIER RANGES

EXPLORATION SUCCESSES

SCI remained very active on the exploration front during 2013. The first quarter was spent preparing tenements for the extensive 2,574m drilling program targeting five project areas that was conducted in the second quarter.

Razorback West

- 25km² Induced Polarisation (IP) survey detected three distinct elevated chargeability zones with associated geochemical anomalies.
- The first anomaly was tested with two diamond drill holes totalling approximately 700m. Assay results are pending, however the drilling intersected lode zones containing blue quartz (typical of Broken Hill type deposits), pyrite and pyrrhotite (iron sulphide) with minor sphalerite (zinc sulphide).
- Future work will focus on remaining targets within the 5.5km long zone of geophysical and geochemical anomalies.

Parnell

- A four-hole drilling program in untested ground under alluvial cover intersected mineralisation in three holes.
- The best 13PR003 returned 6m at 2.02% lead, 0.5% zinc and 20 g/t silver from 42m.
- Encouraging results in a favourable geological setting warranting further work.

Speedwell

- A shallow auger sampling program over this new prospect has delineated several silver, lead and zinc anomalous zones up to 900m in strike.
- Speedwell lies 10km south of Allendale and has been tested in the past with several poorly defined RAB and IP anomalies identified but only one drill hole drilled as follow-up.
- Further surface sampling and drilling planned.

Allendale

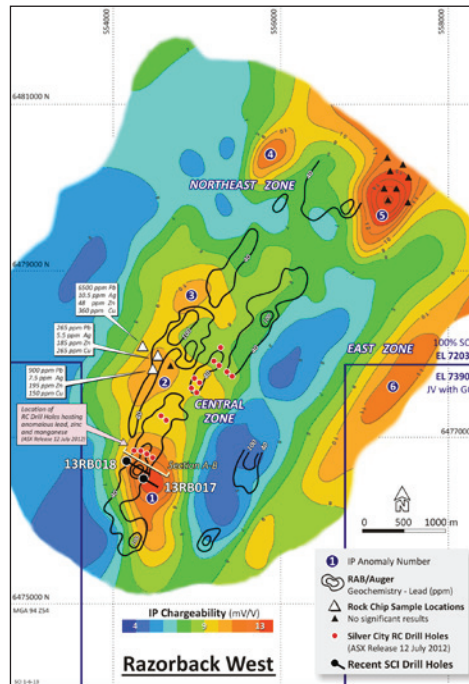
- This cornerstone project continues to return anomalous drill intercepts, albeit too narrow to continue exploration for an open cut target.
- 3D modelling of subsurface geology and mineralisation of this complex deposit is now being used to chase deeper targets.
- An airborne EM survey has commenced over the area to search for sulphides beneath the current zone of shallow drilling.

NEW FRONTIERS

While SCI continues to explore the potential of the Broken Hill district, other opportunities outside the region are always evaluated.

- In late July, Silver City farmed into a JV for the Sellheim Gold project in North Queensland.
- Project comprises six granted exploration and mining tenements, and one tenement application.
- Located within the historic alluvial goldfield of Sellheim, approximately 200km south of Townsville.
- The results from a sampling program show that the low hills surrounding the alluvial goldfield host a northeast-trending corridor approximately five km long and 200m to 500m wide where bedrock geochemistry has consistently returned highly elevated gold, copper, molybdenum and bismuth.
- A large induced polarisation geophysical survey has been initiated to target gold-bearing sulphide zones.

Competent Person The information in this report that relates to Exploration Results is based on information compiled by Chris 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 which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined by the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Torrey consents to the inclusion in this Report of the matters based on this information in the form and context in which it appears.



Mount Brown

- 6 RC drill holes were drilled at Mount Brown, which has the characteristics of BHT mineralisation but with enriched copper.
- The drilling confirmed the presence of a zone of low grade zinc-lead-silver mineralisation with an estimated true thickness of between 10m and 20m steeply dipping to the northeast for a strike of over 100m and to depths in excess of 100m.

INVESTOR CONFERENCES

Resources and Energy Investment Symposium Broken Hill

On the 20 May 2013, SCI exhibited at the annual Resources and Energy Investment Symposium. The conference was well attended by a range of companies operating in the area as well as investors with a keen interest in the prospectivity and mining history represented by Broken Hill. SCI's Managing Director, Chris Torrey, presented to delegates at the event with Director, Professor Ian Plimer, providing a keynote address.



SELLHEIM VEIN WITH VISIBLE GOLD

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