



ASX ANNOUNCEMENT

30 July 2013

Silver City Farms into the Sellheim Gold Project, North Queensland

- New gold exploration joint venture to test for Intrusion-related Gold Deposits (IRGD) targets in North Queensland.
- Project covers previous historic alluvial goldfield which has seen little systematic bedrock exploration.
- Bedrock samples collected by SCI demonstrate elevated grades of gold, copper, silver, molybdenum and bismuth with up to 26.7g/t gold, 25.5% copper and 940g/t silver hosted in gossanous veins and skarn rocks.
- A large induced polarisation (IP) program is planned to test areas of gold mineralisation which are largely covered by a veneer of soils and alluvium.

Silver City Minerals Limited (SCI) is pleased to announce that it has finalised a farm-in and joint venture agreement with a private consortium with respect to a group of six granted exploration and mining tenements and one tenement application in North Queensland comprising the Sellheim Gold Project. The total area of exploration tenure covered by the agreement is approximately 200 square kilometres located 140 kilometres southeast of Charters Towers, Queensland, Australia. The district is well known for its historic and modern gold production with the old Wirralie gold mine located 18 kilometres to the south of the Sellheim project area (Figure 1).

SCI remains focussed on, and continues to explore the potential of the Broken Hill district in New South Wales. The Sellheim project is considered by the Company to be a unique opportunity and an excellent addition to the portfolio of exploration tenure. With \$4.7 million in cash the Company is well placed financially to pursue both projects.

The geographic focus of the agreement is the historic alluvial goldfield of Sellheim, one of Queensland's oldest. Sellheim was discovered in the 1860s and is historically renowned for its gold nuggets. The agreement gives SCI the right to explore for hard-rock deposits with the alluvial gold rights remaining with the private consortium. SCI believes the project holds significant potential for large gold deposits associated with intrusive rocks. The agreement is subject to the transfer of the exploration licences (EPM's) from the original owner to the private consortium. The mining licences are already wholly owned by the consortium.

General terms of the Agreement are as follows:

- SCI can earn 51% by spending \$1 million on exploration over the first two years, making payments of \$100,000 per year at the end of each year and the issue of 1 million SCI fully paid shares at the end of the two year period.
- SCI can earn up to 80% by spending an additional \$2 million over a further 2 years, making payments of \$100,000 per year at the end of each year and the issue of 2 million SCI fully paid shares at the end of the second two year period.
- SCI will be committed to spend a minimum of \$200,000 on exploration before it can withdraw from the project.
- There is a royalty of 1.5% net smelter return royalty (NSR) on the mining leases and 0.75% on the exploration licences to a third party.

The Managing Director of Silver City Minerals Chris Torrey commented: *“While the Company remains focussed on exploration activity and discovery potential in the Broken Hill district of New South Wales, it is also attuned to high quality exploration opportunities in proven mineral districts. Sellheim is one of these opportunities and gives Silver City exposure to potential discovery in a well-endowed gold province.”*

“To date exploration drilling has been very shallow with few holes extending to more than 50 metres and with little focus on the corridor of interest. We think there is significant merit in conducting a systematic exploration program to target large gold resources associated with intrusive rocks. A modest first pass program of geology, geochemistry and geophysics for about \$200,000 is scheduled to commence in August and will give us a good feel for potential drill targets.”

SCI has reviewed the Queensland Geological Survey databases and compiled over 3000 historic rock chip samples collected from within the tenure by various explorers since the 1960s. The results show that the low hills surrounding the Sellheim alluvial goldfield host a northeast-trending corridor approximately five kilometres long and 200 to 500 metres wide where bedrock geochemistry has consistently returned highly elevated gold, copper, molybdenum and bismuth.

Rock chip samples in this area have largely been collected from brecciated, gossanous or gossan vein-bearing sediments and altered limestone (skarn) close to the contact with, or intruded at depth by tonalite and fine grained quartz-feldspar porphyry. The geochemical signature, often with very high grade gold values like those seen at Sellheim (see Figure 2) is characteristic of a class of mineral deposits known as Intrusion-related Gold Deposits or IRGD (Figure 3).

Eastern Australian examples of this style of deposit were mined for gold from the mid-1980s, and include Kidston; a breccia/porphyry deposit, Red Dome; a skarn/porphyry deposit and Timbarra which is hosted in the apical portions of a granite cupola.

Silver City Rock Chip Sampling

SCI collected 15 rock chip samples from the site as part of a due diligence study. Results are tabulated below (Table 1) and included in Figure 2 with other historic rock chip data. Results confirmed data from the Queensland Geological Survey database and others compiled by SCI from more recent exploration activities. SCI was encouraged by the fact that over half of the samples it collected contained over 0.5g/t gold and five samples contained over 2g/t gold. Highly elevated gold (up to 26.7g/t), copper (up to 25.5%) and silver (up to 940g/t) were returned from gossanous veins hosted in sediments and vein-bearing skarn rocks.

Table 1 Rock Chips collected by SCI.

Sample Number	MGA94 East	MGA94 North	Gold (ppm)	Silver (ppm)	Copper (%)	Bismuth (ppm)	Molybdenum (ppm)	Sample Type
29310	527597	7684286	0.01	1.14	0.003	12.6	2.20	Grab from outcrop
29311	527407	7684159	0.04	0.39	0.07	1.9	0.70	Float from pit
29312	527407	7684163	26.7	225	25.5	117.5	5.7	Float from pit
29313	527407	7684173	0.147	2.4	0.09	170.5	56.5	Grab from outcrop in old pits
29314	527346	7683823	0.51	128	19.4	213	4.3	Grab from outcrop in old pits
29315	527426	7683784	4.76	3.43	0.6	592	245.0	Grab from outcrop in old pits
29316	527171	7683538	2.25	20.3	1.1	4190	111.5	Grab from outcrop
29317	527145	7683018	2.83	1.78	0.3	117	152.5	Grab from outcrop
29318	528010	7684042	0.42	6.21	0.7	237	102.5	Grab from outcrop
29319	528053	7683996	0.65	4.59	0.2	99.5	74.0	Grab from outcrop
29320	527945	7684974	0.53	17.65	4.2	182.5	4.2	Grab from dumps of old mine
29321	528196	7684822	0.11	0.59	0.3	6.7	8.6	Grab from dumps of old mine
29322	528113	7685156	2.70	940	14.4	6.1	3.4	Grab from dumps of old mine
29323	528208	7685098	0.03	2.31	0.1	3.0	4.1	Grab from dumps of old mine
29324	526086	7682617	0.07	1.3	0.2	23.5	2.4	Grab from outcrop

Silver City Exploration Program

SCI plans to complete detailed geological mapping, surface geochemical sampling and an IP geophysical survey over the area of anomalous geochemistry (approximately 12.5 square kilometres). The geophysical survey in particular will be designed to look deeper than any historic drill programs have tested so far, with the view to identifying gold-bearing, sulphide-enriched and silicified zones for drill testing.

Historic Drilling Sellheim

SCI has located old reports which show that 56 holes were drilled to assess various targets within the tenement package between 1987 and 2007 (Figure 2). Much of the drilling has been focussed in a small area within ML 10269 and to the west within EPM 15778. No systematic drilling has been designed to assess ML 10328 or EPM 13499 where significant rock chip values occur. Of the 56 holes 15 have returned anomalous gold and locally copper results (Table 2). The average hole depth is 47 metres. It is the view of SCI geologists that the nature of the drilling and depth of the holes is insufficient to have tested the zone of anomalism.

Table 2 Anomalous results from historic drilling (based on 0.1g/t gold cutoff)

Hole Number	MGA94 East	MGA94 North	Dip (degrees)	Azimuth (degrees)	From (metres)	Interval (metres)	Gold (g/t)	Copper (%)	Total Depth of Hole (metres)
MWRC10	528103	7684561	-55	28	2	8	0.25	0.12	42
and					36	2	0.45	0.13	42
DH01	525644	7682883	-60	24	48	7	0.26	na	60
DH08	525822	7682910	-60	230	2	15	1.90	<0.01	54
DH09	525779	7682821	-60	212	25	5	1.15	<0.01	30
MMCO14	527393	7683388	-50	360	28	2	0.34	0.38	50
and					35	1	0.59	0.11	50
MMCO15	527683	7684298	-50	360	1	1	9.03	<0.01	44
and					12	4	1.37	<0.01	44
MMCO18	527702	7685346	-60	359	12	3	0.32	0.04	56
MPH13	527170	7683115	-63	360	18	4	0.17	na	32
MPH14	527171	7683099	-63	360	22	2	0.43	na	24
MPH21	527066	7683321	-63	360	4	6	0.12	0.17	30
MPH24	527880	7684892	-63	8	2	8	0.24	0.12	39
WCPH23	528403	7684167	-90	0	18	4	0.12	na	34
MQRC01	527168	7683034	-60	270	10	8	1.35	na	100
MQRC05	527882	7684919	-60	353	38	8	0.80	na	90
MQRC06	527883	7684905	-60	353	50	2	2.16	na	70

na = no analysis.

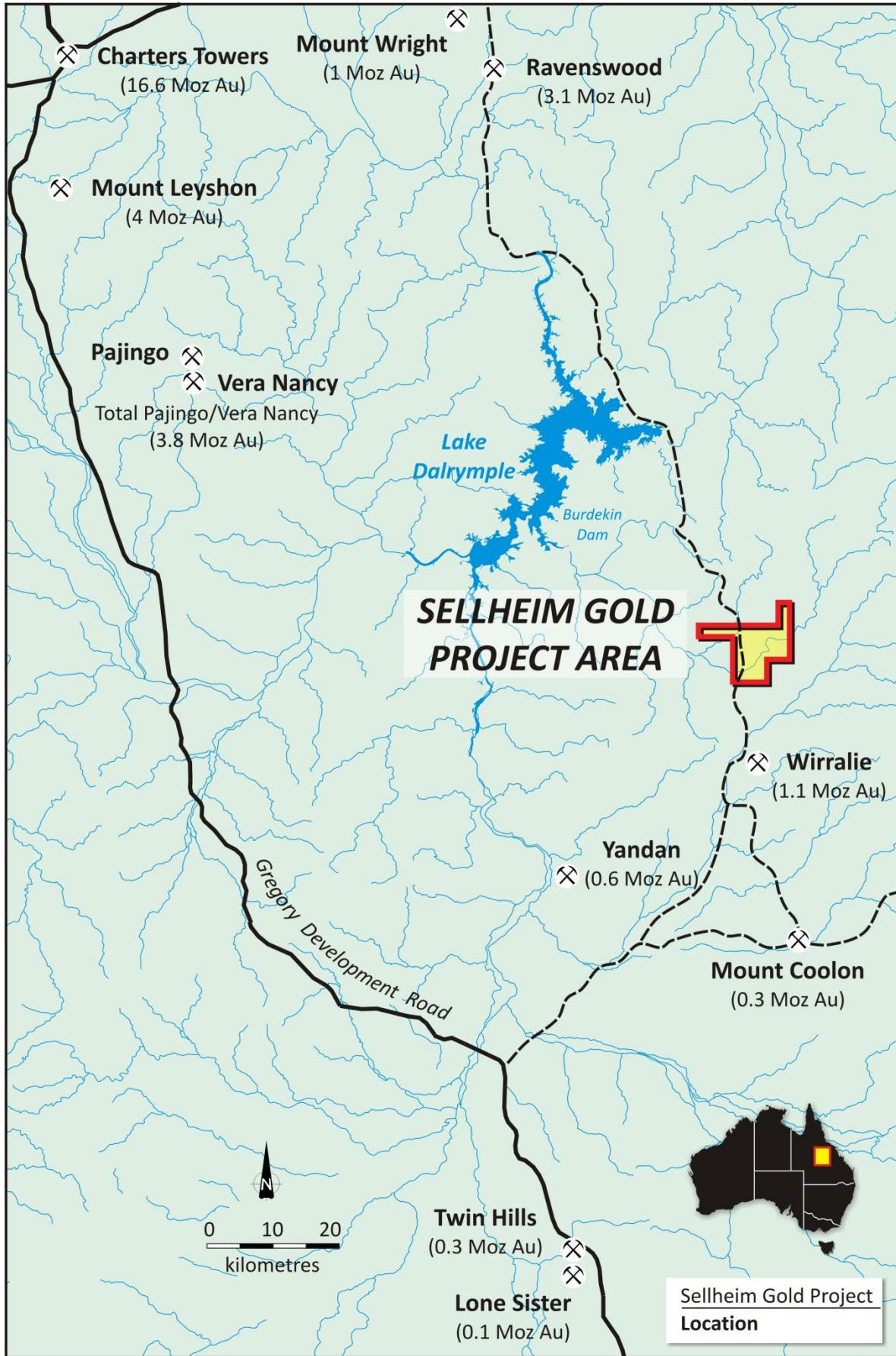


Figure 1. Sellheim Gold Project Locality Plan

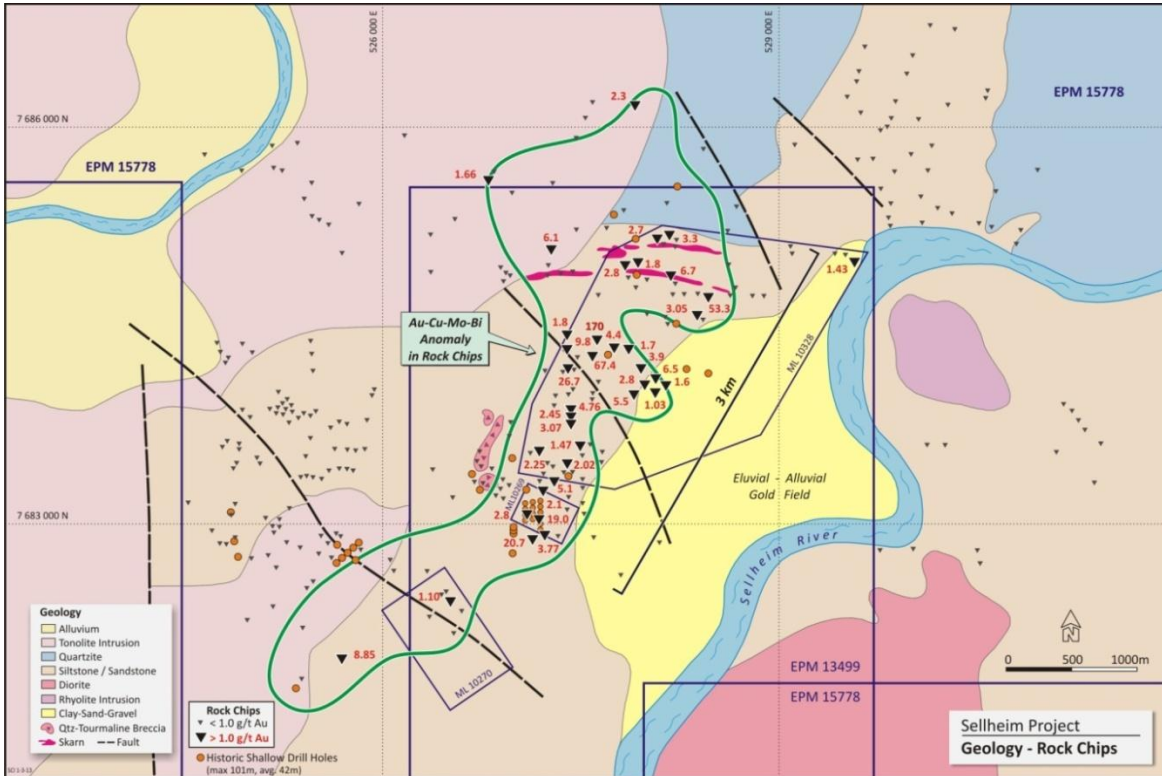


Figure 2. Geology plan of the central part of the Sellheim Gold Project showing anomalous corridor where gold, molybdenum, copper and bismuth are elevated in rock chip samples. Gold values are shown for rocks with greater than 1g/t gold. Historic shallow drill holes are also shown.

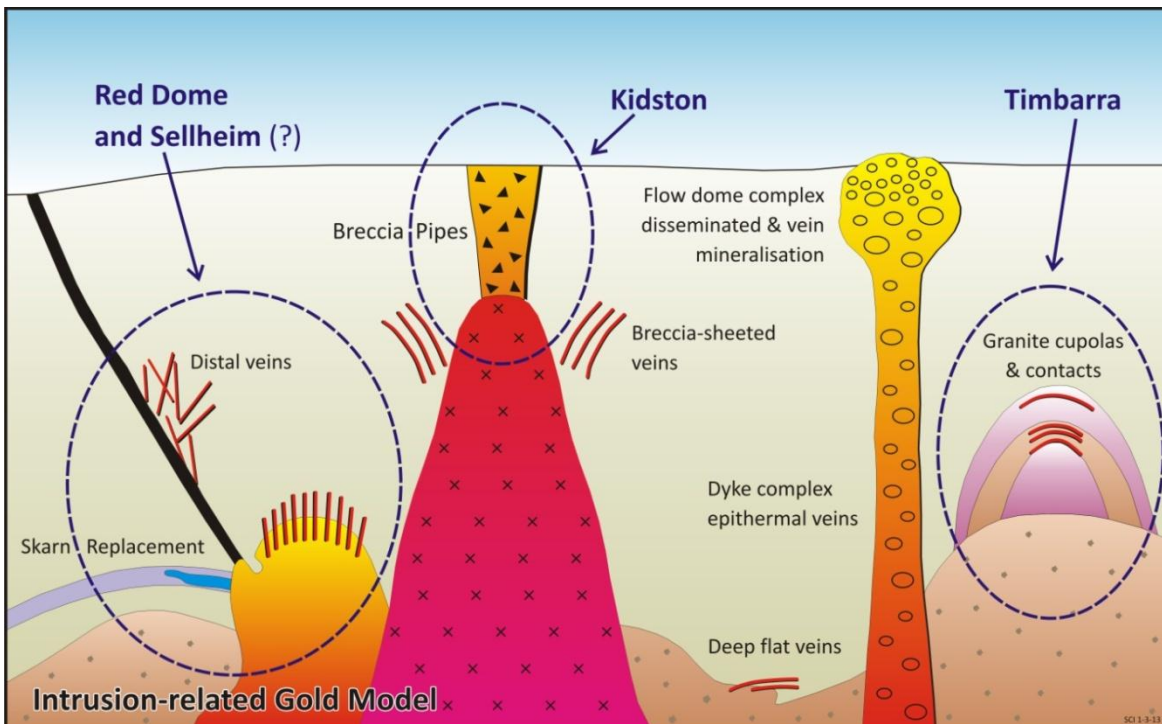


Figure 3. Model for IRGD modified from Thompson and Newberry (2000) *Gold deposits related to reduced granitic intrusions. Society of Economic Geology Reviews* 13, 377-400. Shows geological setting of Red Dome, Kidston, Timbarra and potentially Sellheim.

Compliance Note on Historic Data

1. *All but eleven holes recorded from the area are “airtrac” or “percussion” holes. These utilise open-hole sampling methods subject to contamination during the drilling process and are considered by current industry standards to be an inferior method of drill assessment compared to reverse circulation (RC) percussion or diamond drilling, especially when water is encountered in the hole. Holes were shallow, averaging 47 metres in depth.*
2. *Collar survey data was often poorly recorded. Localities on the accompanying figures were digitized off maps and are approximate only. Accuracy is considered to be plus or minus 50 metres. Azimuth was often not recorded and data depicted in Table 1 is measured off plans. Elevation data was not recorded.*
3. *Drilling reports record assay techniques being fire assay for gold and atomic absorption spectrometry (AAS) or inductively coupled plasma (ICP) for all other elements. Samples were collected over one metre intervals, split using a riffle splitter or were spear sampled and assayed in five, six or two metre composites. No mention is made of duplicate samples or standards.*
4. *No mention is made of quality or recovery of samples.*
5. *Adequate, industry-standard geological logs were completed.*
6. *SCI considers that the historic drill data is of poor quality compared to industry standards today and serves solely to indicate the presence of geochemical anomalism and record in-hole geology. It is unlikely that historic drill data could be used in future resource estimates.*
7. *Rock chip data has been extracted from a Queensland Geological Survey database of historic work entitled “Queensland Exploration Geochemistry Data, 2010”, and has not been validated by SCI from original sources. The type or size of sample is not always recorded; some recorded as “trench” others “grab” and others are left with no designation. Sample location accuracy is listed as 50 metres. No mention is made of analytical methods. Silver City Minerals considers however that post 1980 data would comprise a component of industry-standard (at the time) fire-assay with AAS finish for gold, with aqua-regia digest and AAS for other elements.*
8. *Silver City Minerals also considers that whilst the rock chip data as presented in the database is poorly recorded by industry standards today, the number of samples (greater than 3000) and their distribution, is sufficient to give a broad understanding of the geochemical signature of known mineral prospects and host geology. Further to this, due diligence sampling by SCI has confirmed that elevated gold, bismuth, molybdenum, silver and copper occur in areas previously indicated to have elevated geochemistry for the same elements.*

SILVER CITY MINERALS LIMITED



Christopher Torrey
Managing Director

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 and full time employee and a shareholder 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 2004 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.

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 and development and has ventured to North Queensland where it has recently entered into a Farm-in and Joint Venture Agreement with a private consortium to explore for large intrusion-related gold deposits.

CONTACT DETAILS

Management and Directors

Bob Besley	Chairman
Chris Torrey	Managing Director
Greg Jones	Non-Executive Director
Ian Plimer	Non-Executive Director
Ian Hume	Non-Executive Director
Yanina Barila	Alternate Director
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