

SILVER CITY MINERALS LIMITED

Quarterly Report

September 2013

ASX Code: SCI

Issued Shares: 98M

Listed Options: 29.2M

Unlisted Options: 12.2M

Cash Balance: \$4.1

ABN: 68 130 933 309

DIRECTORS

Bob Besley

Chris Torrey

Ian Plimer

Greg Jones

Ian Hume

TOP SHAREHOLDERS

(At 10 October 2013)

Sentient Group: 17.45%

PlatSearch NL: 14.58%

Fitel Nominees: 5.68%

Top 20: 64.34%

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HIGHLIGHTS

Silver City Minerals Limited (ASX:SCI) is pleased to release its quarterly activity report for the period ended September 30, 2013.

- A helicopter-borne electromagnetic (VTEM) survey was completed to the north of Broken Hill and at the Allendale project. This work was designed to detect buried massive sulphide deposits.
- Ground EM was completed at the Dora prospect to the south east of Broken Hill.
- An induced polarisation (IP) survey covering 25 square kilometres was completed. It was designed to map out zones of gold and copper-bearing sulphides at Sellheim, Queensland.
- Further evaluation of the diamond drill holes at Razorback West was completed with detailed core logging, down-hole EM surveys and petrographic analyses.

OUTLOOK

- At Razorback West continued assessment of the 5.5 kilometre long zone of geophysical and geochemical anomalies will take place. Various innovative geophysical options for future exploration are being assessed.
- Data processing from the VTEM survey is ongoing and results are pending.
- Continued assessment of potential at Parnell especially within the hinge zone of a major fold.
- Continued assessment of base-metal and IP anomalies at Speedwell.
- Results from an induced polarisation (IP) survey and concurrent geochemical sampling at Sellheim in Queensland are pending.

OPERATIONS

At Broken Hill in New South Wales, a helicopter-borne survey totalling 654 line kilometres was conducted north of the town of Broken Hill and at Allendale using the Geotech VTEM system. In addition a ground electromagnetic (EM) survey was conducted at Dora to the south east (Figure 1). Geological assessment continued at Razorback West, Parnell, Mount Brown and Speedwell.

In Queensland, at the Sellheim Project, an IP survey was completed in conjunction with a campaign of geological mapping and rock chip sampling.

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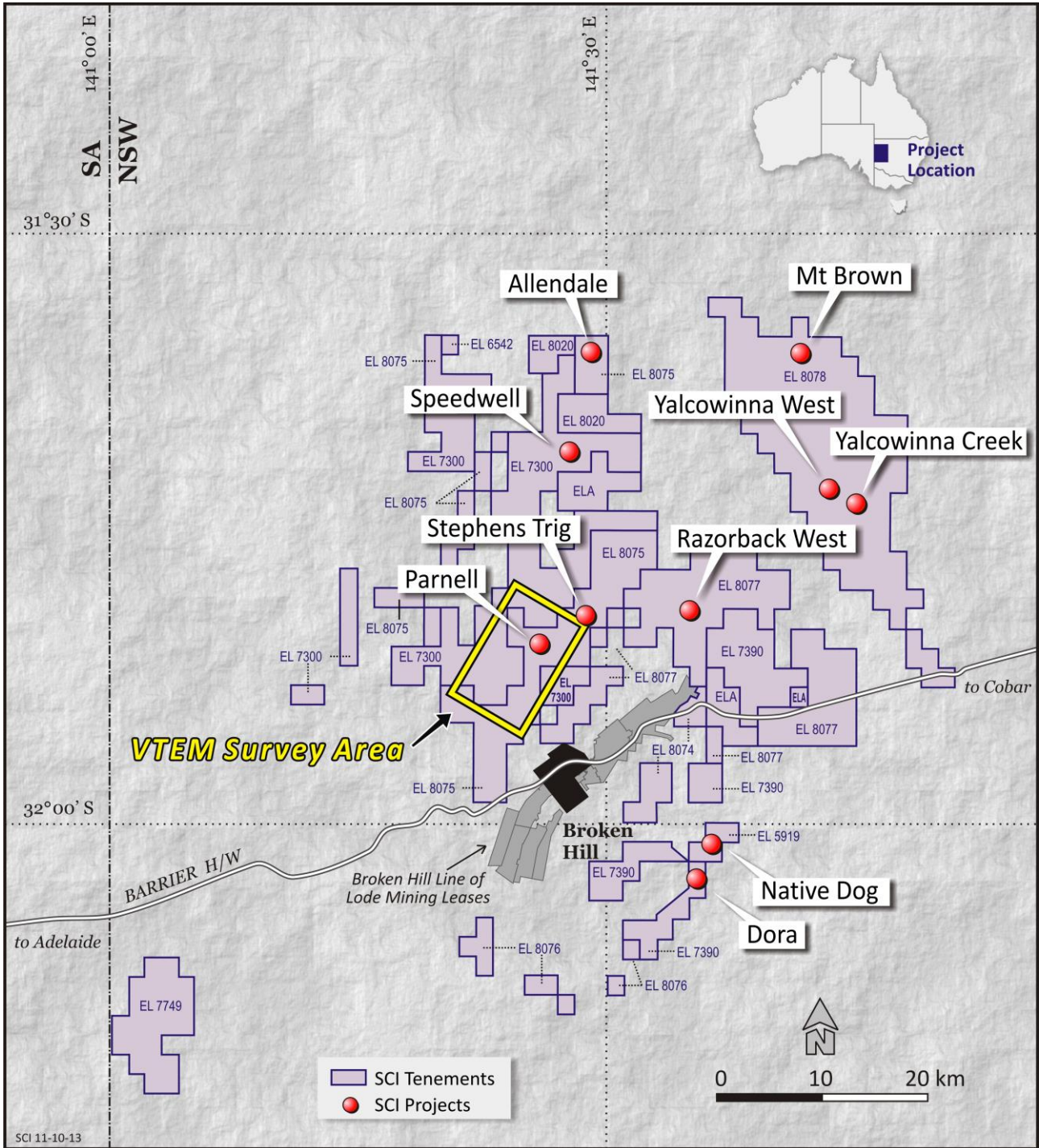


Figure 1. Silver City tenements and projects.

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BROKEN HILL PROJECTS

Razorback (EL 8078)

Razorback West

In January 2013 the Company released results of a deep penetration induced polarisation (IP) geophysical survey (ASX Release 15 January, 2013). A number of coincident geochemical and geophysical targets were identified. SCI has tested Anomaly 1 with two holes for a total of approximately 700 metres (Figures 2 and 3). Rocks in the area have been identified as belonging to the Broken Hill and Thackaringa Groups; metamorphosed volcano-sedimentary sequences both known to host Broken Hill type (BHT) mineralisation.

The drill holes intersected a west dipping sequence of metamorphosed sandstone, siltstone and minor mafic volcanic rock (amphibolite). These host intervals up to 15 metres wide containing concentrations of blue quartz with disseminations and veins of sulphide minerals. Analytical results, whilst anomalous in zinc, returned no significant intersections. Down-hole EM surveys were unsuccessful at showing the presence of massive sulphide within a 100m radius of the holes. Petrographic work suggests extensive late fractures have been filled with fine sulphide minerals including pyrite, pyrrhotite, marcasite, galena, sphalerite and chalcopyrite. These minerals potentially explain the source of IP anomalism.

Work to date suggests that the rock package is a favourable host to a potential Broken Hill type deposit. Using these initial deep holes as a geological control, SCI plans to assess the possible use of a variety of innovative geophysical targeting techniques to advance the project.

Willyama (EL 8075)

Allendale

This project has received considerable attention with 37 drill holes completed by SCI over a strike length of 450 metres. The work focussed on potential for open pit resources with drill-testing down to approximately 100 metres below surface. The Company has shown that there are up to five north-trending, east-dipping lode-rock horizons which locally host lead, zinc and silver in sulphides. These range in true thickness from 1 to 10 metres and have grades in the order of 5 to 10% combined lead and zinc and approximately 30 g/t silver.

Mineralisation within the lode zones tends to be discontinuous, being re-mobilised and truncated by late shearing within a broad fault zone. As a consequence it has been difficult to delineate sufficient tonnages for open pit mining.

SCI has now focussed on potential for deeper mineralisation that could be mined using underground methods. To this end the Company has completed a helicopter-borne VTEM survey over the project area with the view to identifying sulphides at depth or along strike from known mineralisation. Results from this survey are pending.

Aragon (EL 7300)

Speedwell

This is a new project for SCI located about 10 kilometres south of Allendale. Initial investigations by previous explorers in the 1980s outlined a number of poorly defined RAB and IP anomalies over an area of small, low-lying outcrops of quartz-gahnite (zinc spinel, $ZnAl_2O_4$) rock. Only one historic hole was drilled at Speedwell and tested beneath a small set of mine workings at a depth of about 300 metres. It was an ineffective test of the lode horizon as it drilled sub-parallel to the lode and contained little mineralisation.

Shallow auger soil sampling totalling 431 samples over an area of 1.5 square kilometres has been completed. Up to four parallel geochemical anomalies were delineated. These correlate well with recently mapped quartz-gahnite rocks. Highest

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values were returned for zinc (a maximum value of 9030ppm with 16 samples returning greater than 1000ppm). Lead values returned a maximum value of 2040ppm, with 9 samples greater than 150ppm. Seven samples returned silver values in excess of 0.15 g/t with a maximum of 0.23 g/t (June Quarterly Report). There is a correlation between lead, zinc and silver (Figure 4). The largest geochemical target has a strike length of 900 metres.

SCI has been conducting a detailed review of historical data, including inspection of historic drill core. The Company intends to undertake more detailed geological mapping and geochemical sampling to delineate targets for systematic drill testing.

Yellowstone (EL 7390)

Dora

The historic **Dora** mine is located at the nose of a fold structure where rocks comprise mafic granulite, amphibolite and quartz-gahnite lode rocks (Figure 1). The fold axis has an east-northeast trend. SCI completed a ground EM survey over the hinge zone of this fold and has located a conductor coincident with both the fold nose and the old mine. This position is ideal for the formation of high grade and thick ore zones based on the Broken Hill analogue. Detailed geological mapping is scheduled prior to drilling.

CBH Joint Venture

During the Quarter SCI notified CBH Resources Limited (CBH) that it has earned 75% in two tenements (ELs 5919 and 8075). SCI was required to spend \$3 million on these licences and EL 7300 between 27 August 2010 and 30 September 2013. SCI previously held 76.5% interest in EL 7300 and 30% in ELs 5919 and 8075. Cumulatively the joint venture covers an area of 525 square kilometres and represents almost 50% of the Company's exploration tenure at Broken Hill. All three tenements are host to the favourable Broken Hill rock sequences and numerous old mines, prospects and lode horizons of the Broken Hill type. Important projects such as Allendale, Parnell and Speedwell lie within this tenure (ASX Release 4 September 2013).

The joint venture agreement allows CBH to maintain its joint venture interest and be free-carried on further exploration up until the commencement of Definitive Feasibility Study at which time it will be required to contribute according to its interest. CBH also has the off-take rights to lead and zinc concentrates derived from the joint venture tenements at international benchmark terms.

QUEENSLAND PROJECTS

Sellheim

During the Quarter the Company released the details of a farm-in and joint venture agreement with a private consortium to explore the hard rock part of the old Sellheim Goldfield, located some 140 kilometres southeast of Charters Towers (ASX Release 30 July 2013). An IP survey covering an area of approximately 25 square kilometres was completed over a portion of the tenure in conjunction with geological mapping and rock chip sampling. Results from these surveys are pending (Figure 5). SCI can earn an 80% interest in the Sellheim tenements by expending \$3 million on exploration over four years.

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CORPORATE

Net operating expenditure for the Quarter was \$132k. This included \$415k on projects, \$177k on administration, \$20k payment for tenement security deposits offset by \$49k in interest income and R&D tax offset income of \$431. Cash on hand at the end of the Quarter was approximately \$4.1 million.

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

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Christopher Torrey
Managing Director

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 style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 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.

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 entered into a Farm-in and Joint Venture Agreement with a private consortium to explore for large intrusion-related gold deposits.

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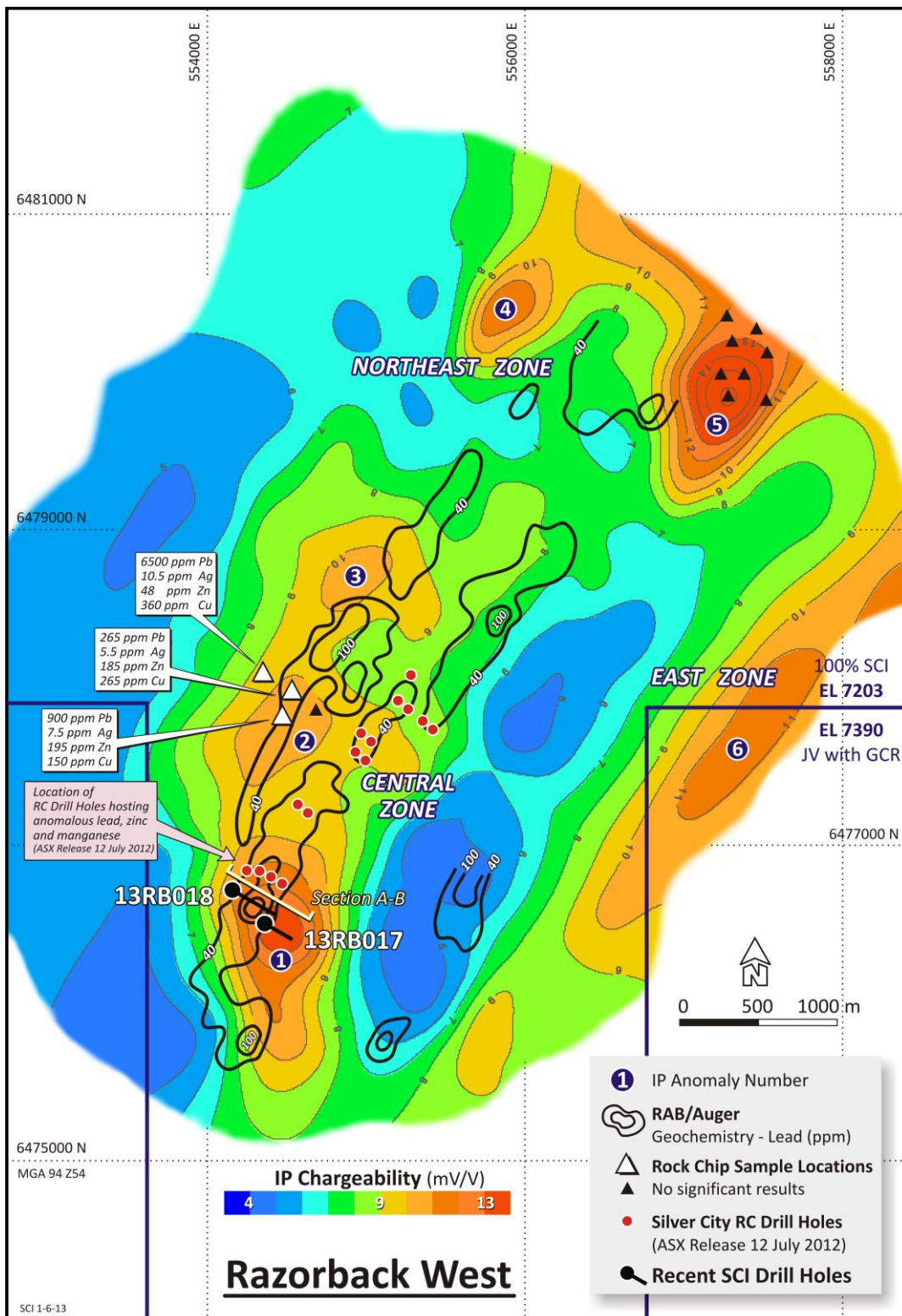


Figure 2. Razorback West project showing IP chargeability anomalies (coloured image) in relation to recent SCI drill holes and RAB geochemistry contours. Holes 13RB017 and 018 are diamond drill holes with RC pre-collars. Anomalous lead geochemistry shows a broad correlation to elevated IP within the Central Zone.

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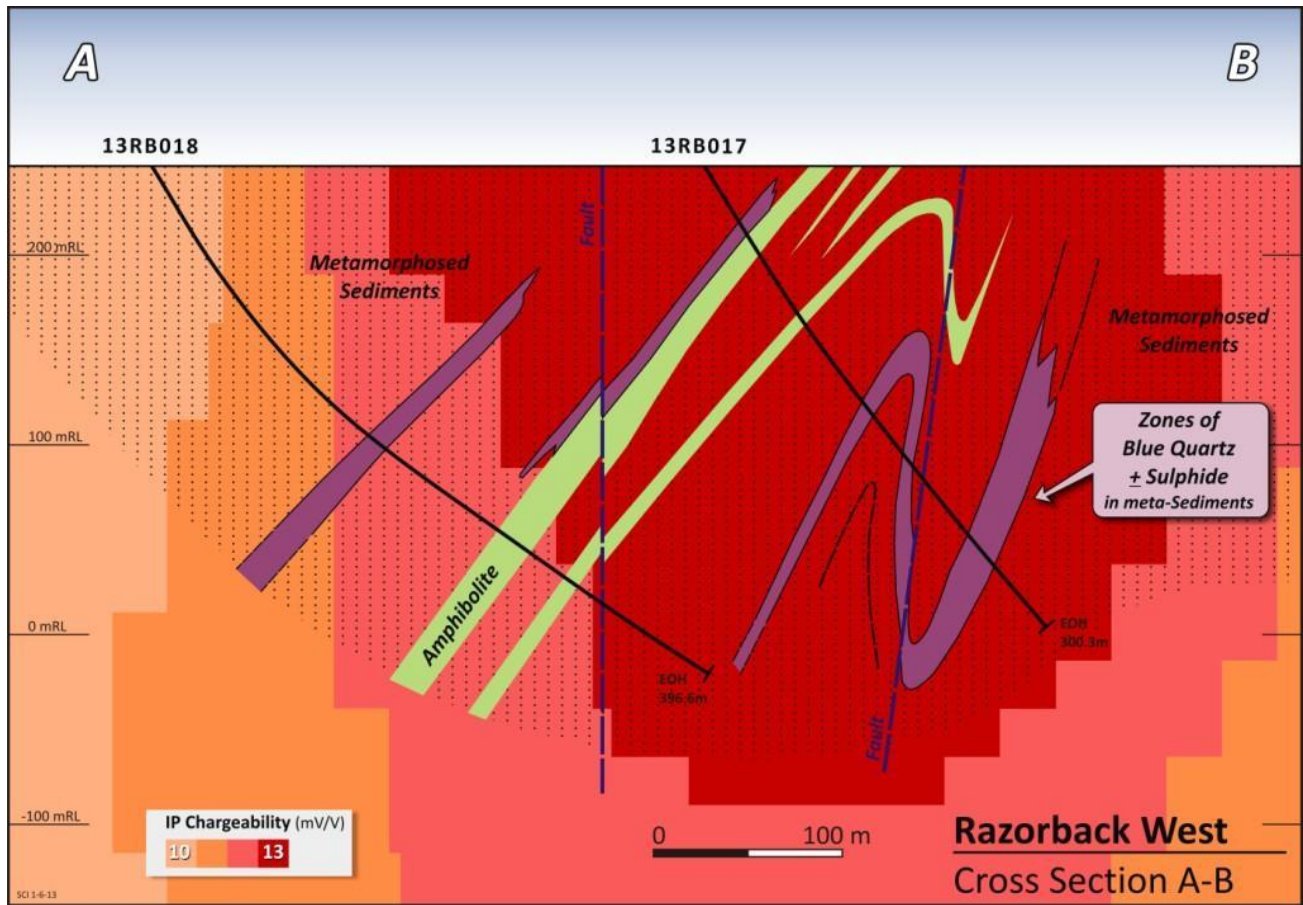


Figure 3. Razorback West cross-section showing recent holes in relation to induced polarisation model. Drill assay results are pending.

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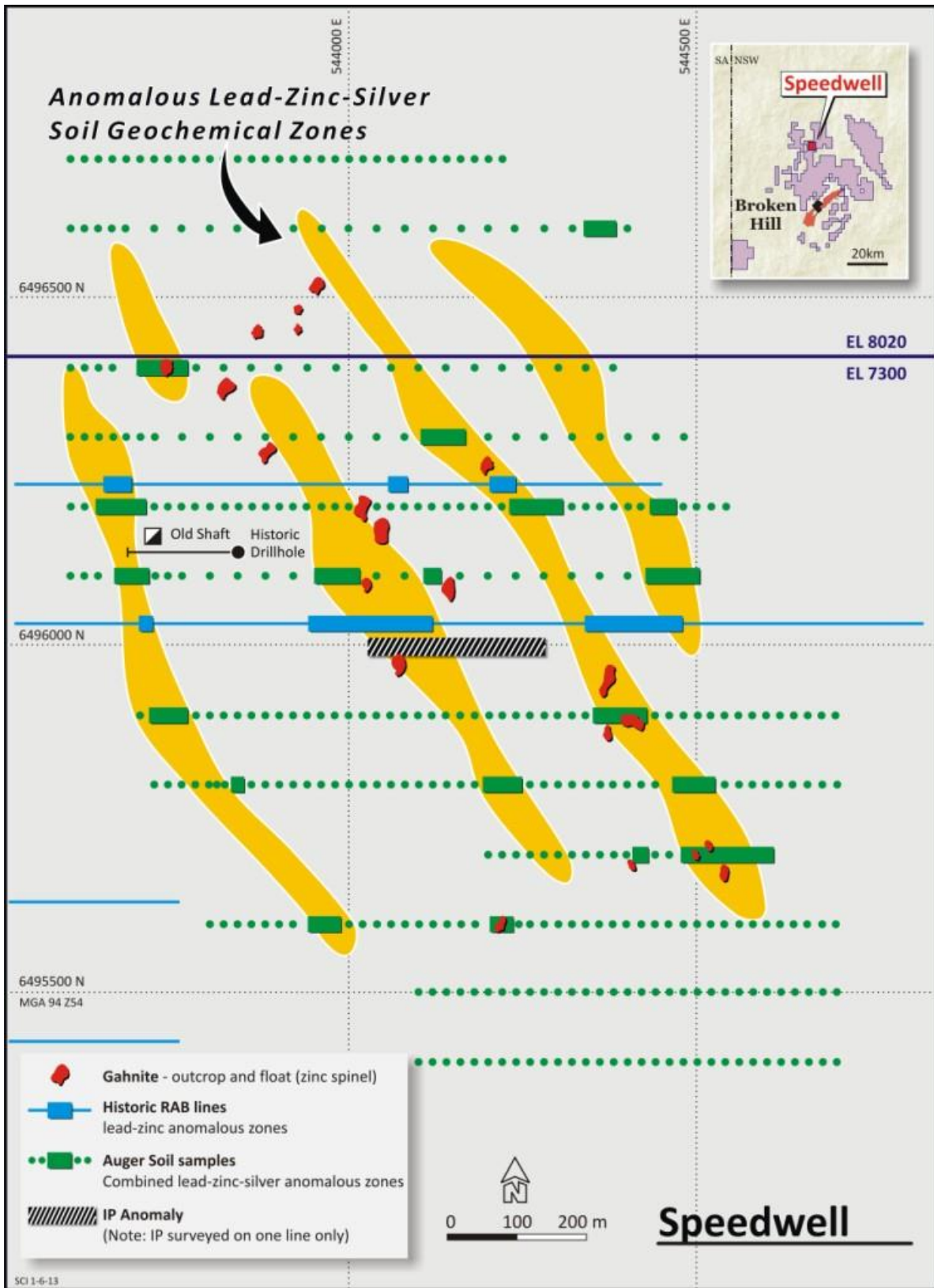


Figure 4 Speedwell project showing historic RAB geochemistry, drill hole location and IP line. Green dots are SCI soil samples which serve to outline five northwest-trending anomalous geochemical zones.

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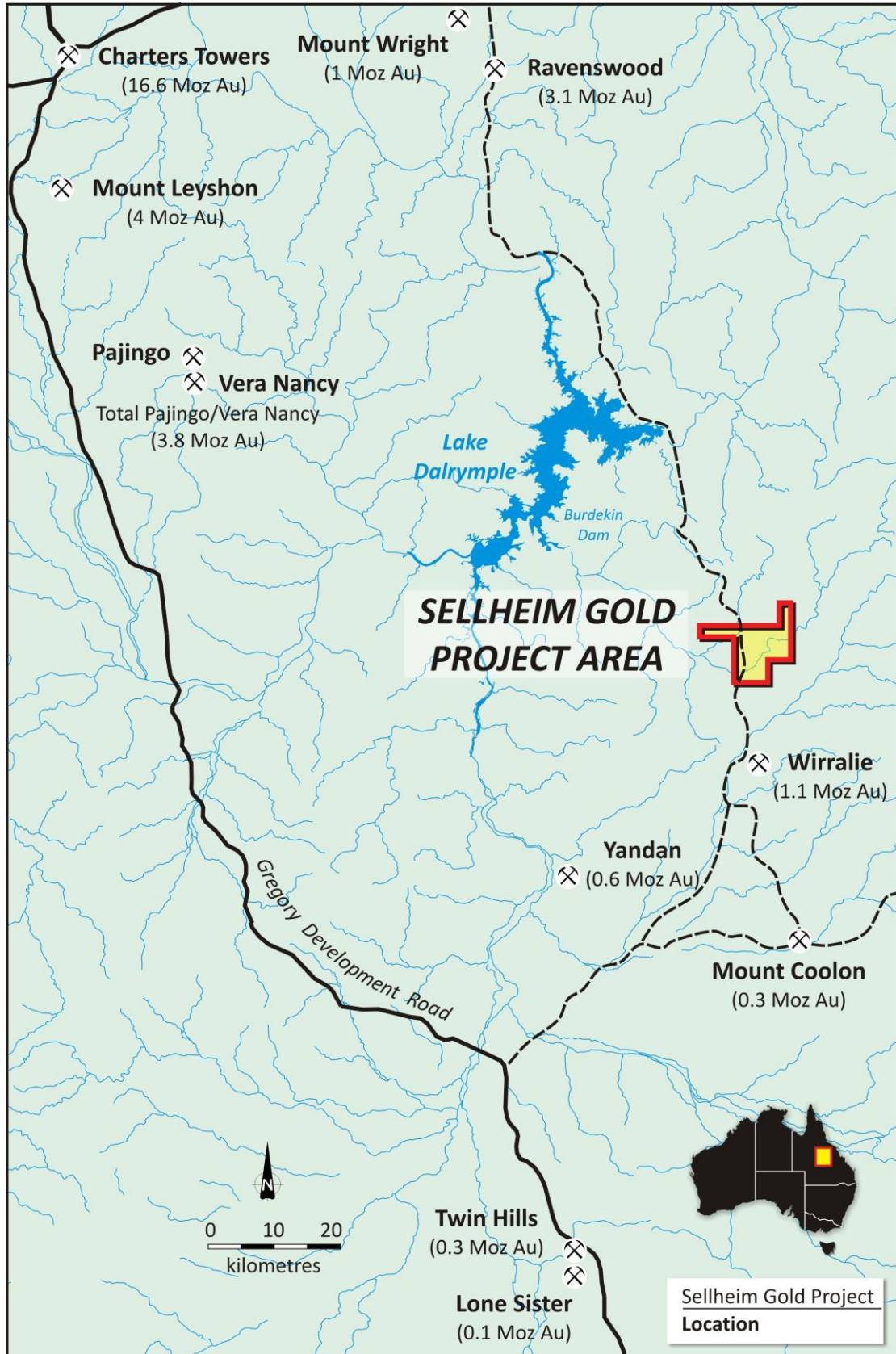


Figure 5. Location of the Sellheim Gold Project in North Queensland