

SILVER CITY MINERALS LIMITED

Quarterly Report

June 2018

ASX Code: SCI

Issued Shares: 245.8M
Unlisted Options: 28.0M
Cash Balance: \$1.2M
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Greg Jones
Josh Puckridge

TOP SHAREHOLDERS

(At 23 July 2018)

L&M Group Limited	5.4%
Dead Knick Pty Ltd	4.9%
Upsky Equity Pty Ltd	3.4%
Inkex Super Fund	2.8%
Calm Holdings Pty Ltd	2.5%
HSBC Custody Nominees:	2.3%
Beck Corporation Pty Ltd	2.2%
Top 20:	41.2%

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HIGHLIGHTS

Drilling at Copper Blow continues to return significant copper-gold intersections of:

- **61 metres at 0.7% copper and 0.4 g/t gold from 184 metres in hole 18CB056**
- **31 metres at 1.0% copper and 0.26 g/t gold from 270 metres including 15 metres at 1.6% copper and 0.32 g/t gold from 285 metres in hole 18CB057**
- Copper-gold mineralisation drilled to date is hosted in structures with extensive down-dip extent within an altered magnetite-bearing shear zone over 4 kilometres long
- Geophysical and geochemical surveys indicate sulphide mineralisation extends well beyond the magnetic ironstones
- Strong induce polarisation responses in non-magnetic rocks suggest large mineralised system extends beyond magnetite ironstones
- Large intrusion-related and/or hematite-style copper-gold mineralisation potential

OUTLOOK

Copper Blow

- Deeper drilling in North Zone magnetic ironstone
- Drilling to test new IP and geochemical anomalies in non-magnetic rocks
- Continued IP surveys along the 4.5 kilometre belt

Regional Copper-Gold-Cobalt Sampling

- Results from regional rock chip sampling program

Yalcowinna Creek

- IP program over gossans and copper anomalies at Yalcowinna Creek
- Results from surface geochemical sampling

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OVERVIEW

During the quarter the Company continued to focus on the Copper Blow project south of Broken Hill. Copper-gold-cobalt mineralisation is intimately associated with magnetite (ironstone) which can be easily detected under cover using an existing aeromagnetic survey. This shows a magnetically anomalous zone extending over 4.5 kilometres. To date copper-gold mineralisation has only been systematically tested over a strike length of 1 kilometre in the south-western part of the anomaly (Figure 1).

The Company has completed a third round of drilling and a more detailed induced polarisation geophysical survey. Drill results continue to be highly encouraging with broad intersections of copper and gold recorded.

What is becoming apparent is that the magnetite (ironstone)-hosted copper-gold and cobalt mineralisation is only part of a much larger sulphide-rich hydrothermal system.

Recent geophysical and geochemical surveys indicate the magnetic ironstone is the north-western part of a much larger sulphide-mineralised complex. While strong anomalies occur in association with ironstones, other, larger anomalies occur to the east and southeast and are not associated with magnetic rocks.

Significant IP chargeability and associated geochemical anomalies in the southern and eastern part of this complex have not been drill tested. Little is known about the host rocks to these new anomalies because outcrop is sparse and geophysical modelling suggests sulphide occurs at depth of greater than 80 metres.

The Company plans to continue to test the magnetite (ironstone) targets and will also commence a more detailed drill evaluation of new targets in the larger mineralised complex.

The current geological thinking is that copper-gold and cobalt mineralisation is related to magmatic fluids derived from large iron-magnesium igneous intrusions at depth. The non-magnetic parts of the new anomalies may indicate the presence of hematite, an iron oxide mineral which is commonly found in other iron oxide copper-gold deposits world-wide.

OPERATIONS

Copper Blow (EL 8255, EL 8629, EL 8076; Joint venture with SCI 75%, CBH 25%)

Drilling

In the June quarter the Company drilled 2765 metres bringing the total for the third round of drilling to 3807.8 metres (Figure 2). The holes were designed to test for copper-gold mineralisation over a strike length of 750m in the North zone and to test magnetic anomalies CB-3 and CB-4 (Figure 1).

The most important results of the 2018 drilling program are as follows:

- Hole 18CB054 intersected **41.2 metres at 1.3% copper and 0.4 g/t gold including two intersections each 7 metres thick at 2% copper** (ASX Release 22 February 2018).
- Hole 18CB055 intersected **61 metres at 0.7% copper and 0.14 g/t Au** (ASX Release 28 May 2018).

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- Hole 18CB057 intersected **31 metres at 1.0% copper and 0.14 g/t gold including 15 metres at 1.6% copper and 0.32 g/t gold** (5 July 2018).
- Hole 18CB058 intersected **21 metres at 0.4% copper and 0.1 g/t gold** (5 July 2018).
- Hole 18CB063 intersected **16 metres at 0.5% copper and 0.18 g/t gold** (5 July 2018).
- Hole 18CB069 intersected **16 metres at 0.5% copper and 0.05 g/t gold including 2 metres at 2.5% copper and 0.4 g/t gold**. This occurs within a larger intercept of 31 metres at 0.3% copper (5 July 2018).

Collectively these, and shallower RC holes from historic drilling, outline what appears to be a steeply plunging, well mineralised structure within the ironstone, which is over 200 metres long, 10 to 40 metres thick (true thickness) and extends to depths in excess of 270 metres. The southwest part of the structure hosts the better grades and thicknesses (orange, red and purple dots on Figure 3) compared to the northeast part (green dots).

Within the magnetic ironstone there has been no drilling to test mineralisation below about 250 metres. The Company concludes there is scope for significant copper-gold mineralisation to extend at depth beneath both the South and North Zones.

Geophysics

Since inception, in addition to drilling, a range of geophysical surveys have been completed. These include electromagnetic (EM), magnetic, gravity and induced polarisation (IP).

Induced Polarisation Surveys

In May this year (ASX Release 2 May 2018) the Company indicated it had identified significant IP anomalies associated with copper-iron sulphide mineralisation within the magnetite-rich rocks (ironstones) at Copper Blow. In addition, the initial gradient array IP survey identified anomalies within rocks unrelated to magnetite to the east and southeast of Copper Blow.

In June the Company presented preliminary data for a 3D chargeability model (ASX Release 12 June 2018) and results of limited rock chip sampling. This showed that not only is the Copper Blow zone of known copper-gold mineralisation a strong chargeable anomaly but two other significant anomalies unrelated to magnetite rocks exist to the southeast.

Rock chip samples collected in the area returned results anomalous in elements associated with the adjacent ironstone at Copper Blow prospect.

Dipole-dipole induced polarisation survey and soil geochemistry

To resolve the IP anomalies to a higher resolution for drill targeting the Company recently completed a dipole-dipole induced polarisation survey on lines 200 metres apart over an area of approximately 6 square kilometres (ASX Release 23 July 2018). This technique can detect mineralisation much deeper in the rock sequence compared to the gradient array configuration previously used. The data is also readily adaptable to inversion (3D) modelling. The survey covered Copper Blow and the adjacent anomalies.

A soil geochemical program was also completed over the same area.

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Results

The 3D model of the IP outlines a linear, northeast-trending, 1 kilometre long and 150 metres wide chargeability (IP) anomaly coincident with the magnetic anomaly and known mineralisation at Copper Blow. This entire anomaly includes both the North and South mineralised zones identified in drilling and the response is attributed to the abundance of copper and iron sulphides. The model shows that the sulphides in this anomaly extend almost from surface to over 400 metres in depth. This is consistent with the drill results and surface outcrops.

The magnetic horizon is however only part of a continuous and sinuous IP anomaly which extends for over one kilometre, firstly in an east-northeast direction, then to the south and southwest (Figure 5). The strongest part of the new anomaly has the same intensity of the IP anomaly developed over the magnetite-bearing rocks at Copper Blow but occurs in non-magnetic rocks. It is approximately 600 metres long 200 metres wide.

The 3D model indicates that the sulphides which cause the anomaly do not outcrop and that the top of the anomaly is about 80 to 100 metres below surface. The image in Figure 5 is a plan of a slice through the 3D IP model at about 180 metres below surface.

A government funded airborne gravity gradiometry survey (Falcon™) was completed over the Broken Hill district in February 2003. A positive anomaly identified in this survey is broadly coincident with the strongest IP anomaly in non-magnetic rocks (Figure 5).

Soil sampling was undertaken over the area of IP anomalies. The magnetic ironstone horizon returned a suite of anomalous elements which included copper, gold, potassium, barium, molybdenum, cobalt, nickel, cerium, phosphorous and lanthanum. The most consistent element suite over the non-magnetic anomalies is barium, potassium and molybdenum. Less consistent anomalism occurred for copper, cobalt, phosphorus and lanthanum.

The strong anomalism over the ironstone is attributed to the fact that mineralisation partially crops out and old workings are abundant. The less consistent anomalism over the non-magnetic anomalies reflects the IP results which suggests mineralisation is not encountered until depths of 80 to 100 metres. The element suite over both areas is consistent with that which occur in IOCG deposits and those which occur in the Company drilling to date.

The strong potassium response in both areas is attributed to the abundance of potassium-rich alteration minerals; biotite and potassium-rich feldspar (k-feldspar; Figure 6) are an integral part of this style of copper-gold mineralisation.

Synopsis

The results indicate a much larger mineral system, potentially with much more copper, gold and cobalt, than that solely hosted in the magnetic ironstone complex where drilling has been focused.

The mineralised structures within the magnetic ironstones at Copper Blow show marked similarities to other copper and copper-gold projects both in New South Wales and Queensland. Short strike length ore zones with extensive down plunge dimensions more than 1000 metres are a characteristic of copper mines in the Cobar district approximately 400 km east of Broken Hill. Examples in NSW are CSA and Tritton, and in Queensland the Selwyn (Starra) deposits.

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In contrast the larger IP and geochemical anomalies in non-magnetic rocks adjacent to the ironstones have the potential to represent a much larger deposit. The Company has previously suggested that mineralisation might be related to intrusive igneous rock known as gabbro, or that the nonmagnetic IP anomalies may be responding to sulphide hosted in hematite, or hematite breccias a common ore type in very large iron oxide copper-gold (IOCG) deposits. Examples are Prominent Hill in South Australia and Ernest Henry in Queensland.

The coincidence of an IP, soil and positive gravity anomaly lends significant credence to the model of intrusion and/or hematite-related mineralisation (Figure 6).

The Company has commenced planning and environmental permitting for a drilling of both target types.

Copper-Gold-Cobalt Exploration

Work by SCI has identified a mineralised belt within its Yalcowinna Exploration Licence which hosts eleven copper and copper-cobalt prospects identified based on their geology and rock and RAB geochemistry. The mineralisation in these prospects has been identified in the past and classified by the NSW Geological Survey as either Great Eastern-type (pyrite, Cu-Co) or vein-type Cu mineral occurrences (ASX Releases 17 October 2017).

Other copper-cobalt occurrences have been mapped by the NSW Geological Survey throughout the district. In addition to the Great Eastern-type, others known as the Sisters-type and the Big Hill-type also occur. An analysis of these occurrences suggests over 30% of those in the district lie within SCI tenements (Figure 7).

SCI has been sampling these Cu-Co-occurrences within its Broken Hill tenure with the view to identifying economic concentrations of copper and cobalt. Work is ongoing, and results will be made available to the market in the coming months.

BUSINESS DEVELOPMENT

The Broken Hill district remains of significant focus for the Company. The Company has discovered a copper-gold project at Copper Blow near Broken Hill that has the characteristics of large scale copper-gold systems. It has identified numerous copper-cobalt prospects within the Yalcowinna tenement. It intends to pursue these with targeted exploration in the coming months.

CORPORATE

Net operating expenditure for the Quarter was \$869k. This included \$856k expenditure on projects held by the Company, \$192k on administration, offset by \$7k received in interest income and \$172k received from JV income. Cash on hand at the end of the Quarter was approximately \$1.2 million.

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Annexure 1 Figures

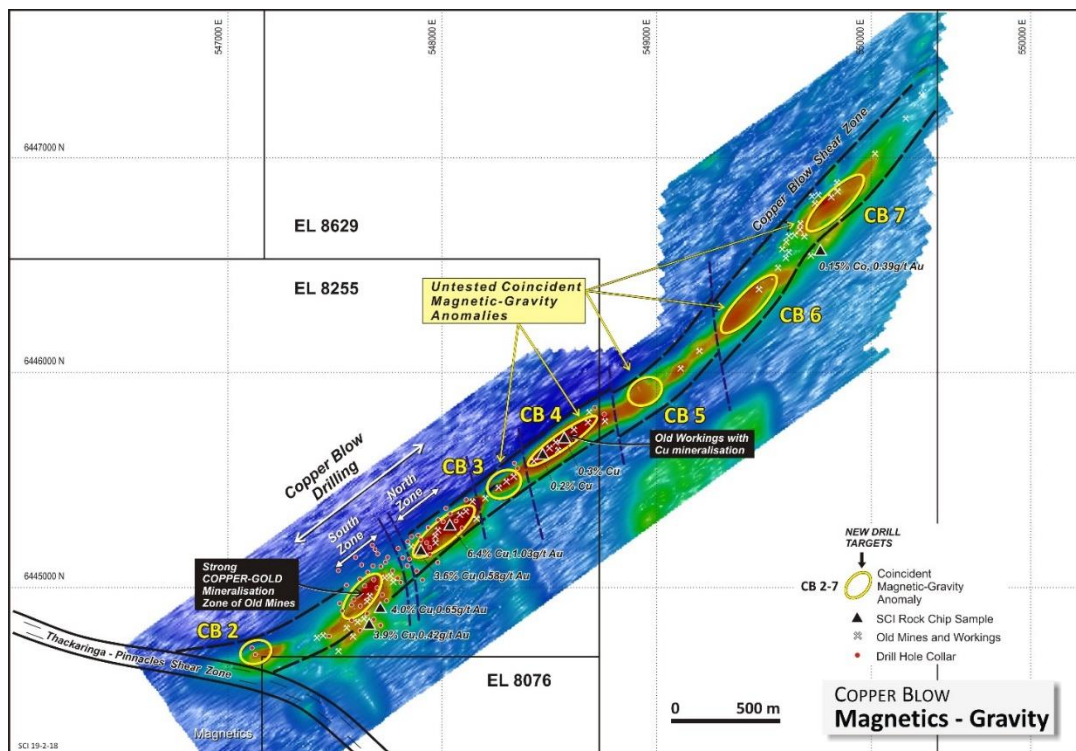


Figure 1. Detailed ground magnetic survey reduced to pole image. Shows a series of coincident magnetic/gravity anomalies. In addition to the North and South Zones at Copper Blow there are seven targets all of which might host copper mineralisation.

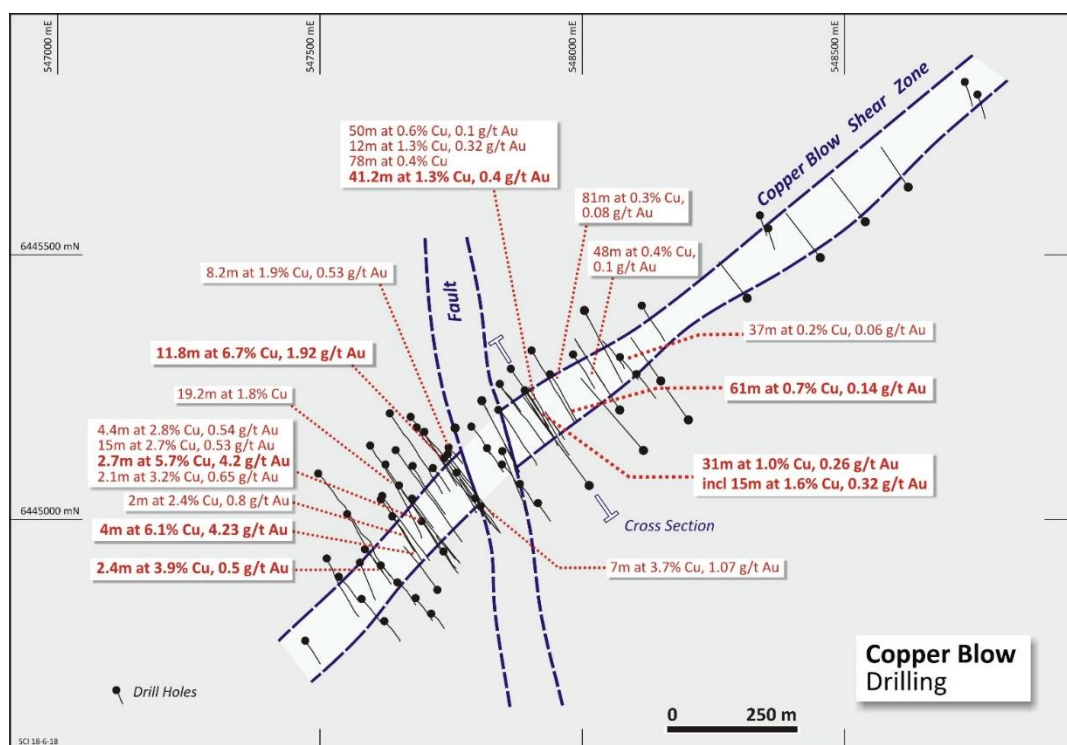


Figure 2. Copper Blow drilling.

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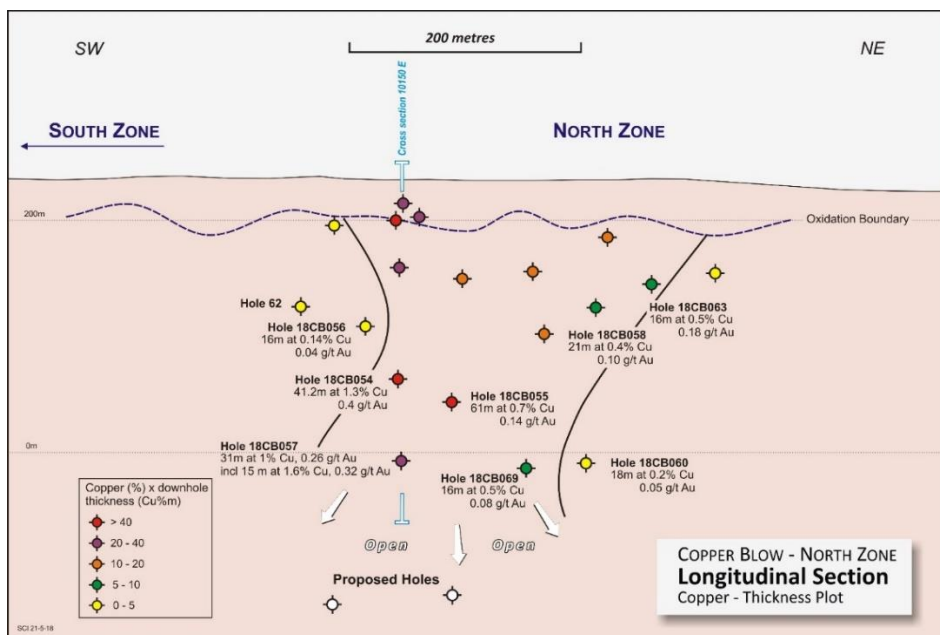


Figure 3. Copper Blow Longitudinal Section showing grade x thickness plot. Points depict the centre-points of the mineralised intersection on a vertical plane. Copper-gold mineralisation remains open at depth and along strike.

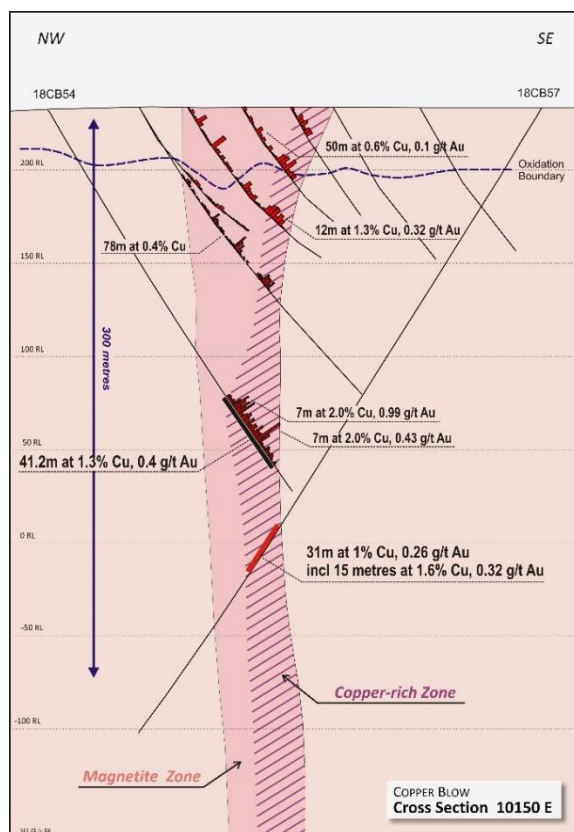


Figure 4. Cross Section 10150E showing broad zone of magnetite-biotite alteration and copper mineralisation.

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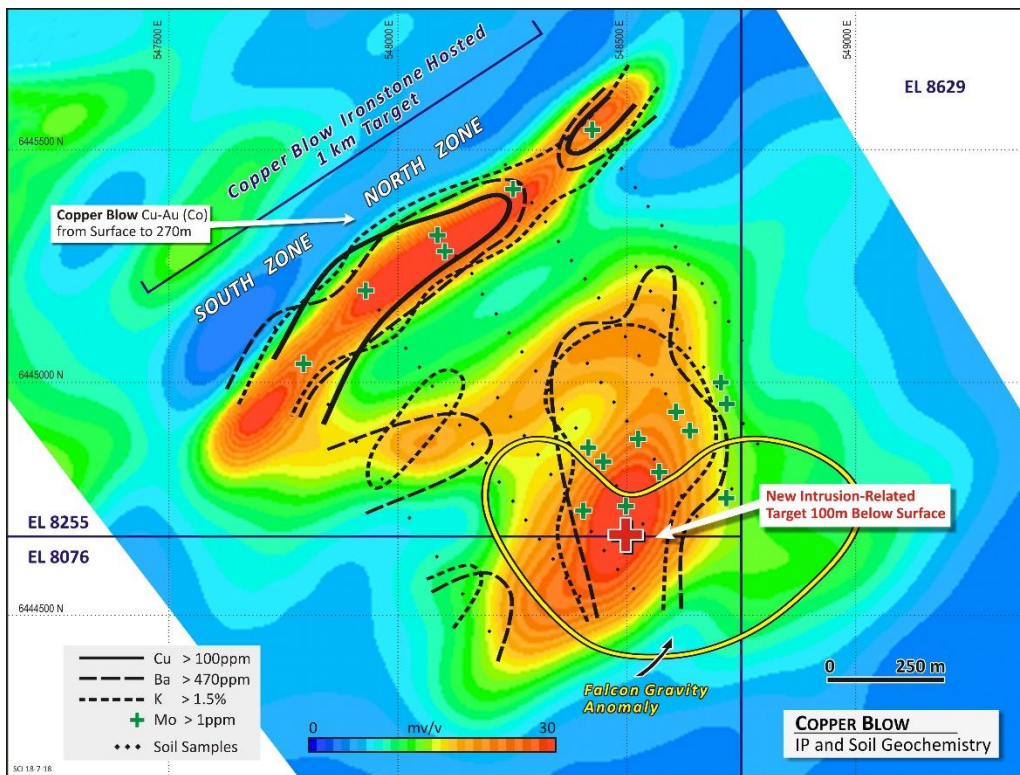


Figure 5. The colour image is a plan of a slice through the 3D IP model at 180 metres below surface. Hot colours correspond to high sulphide content. It shows strong IP responses both over the magnetic ironstone and areas to the south where no magnetism occurs. Surface soil geochemistry shows consistent anomalous responses for barium (Ba), potassium (K) and molybdenum (Mo) over both ironstone and non-ironstone hosted IP anomalies. Drilling to date has focused solely on Copper Blow within the South and North Zones of the magnetic ironstone.

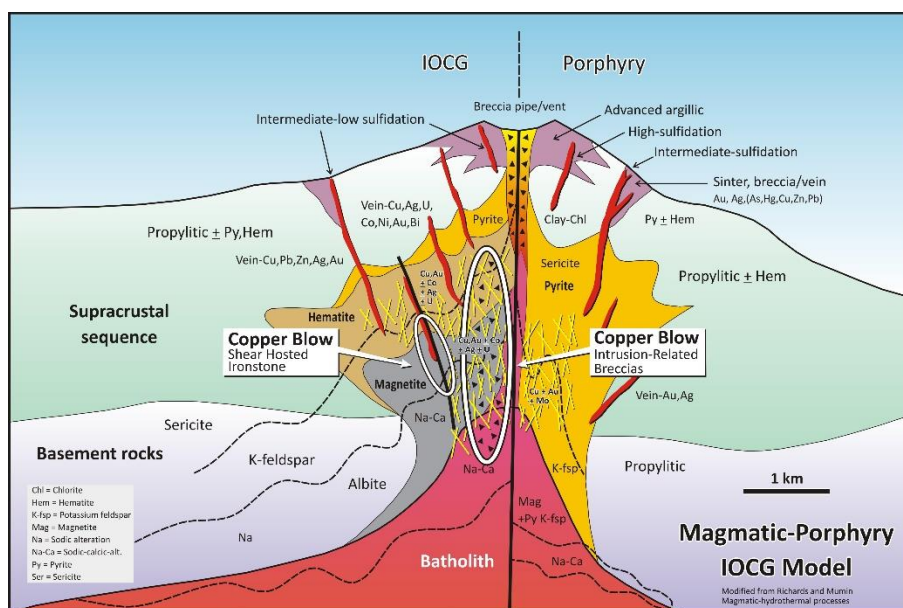


Figure 6. Comparative IOCG and porphyry model (modified from Richards and Mumin). It shows the two styles of mineralisation which might occur at Copper Blow. One is the magnetic ironstone in a shear zone and the other, potentially much larger, is the hematite or hematite breccia hosted deposit.

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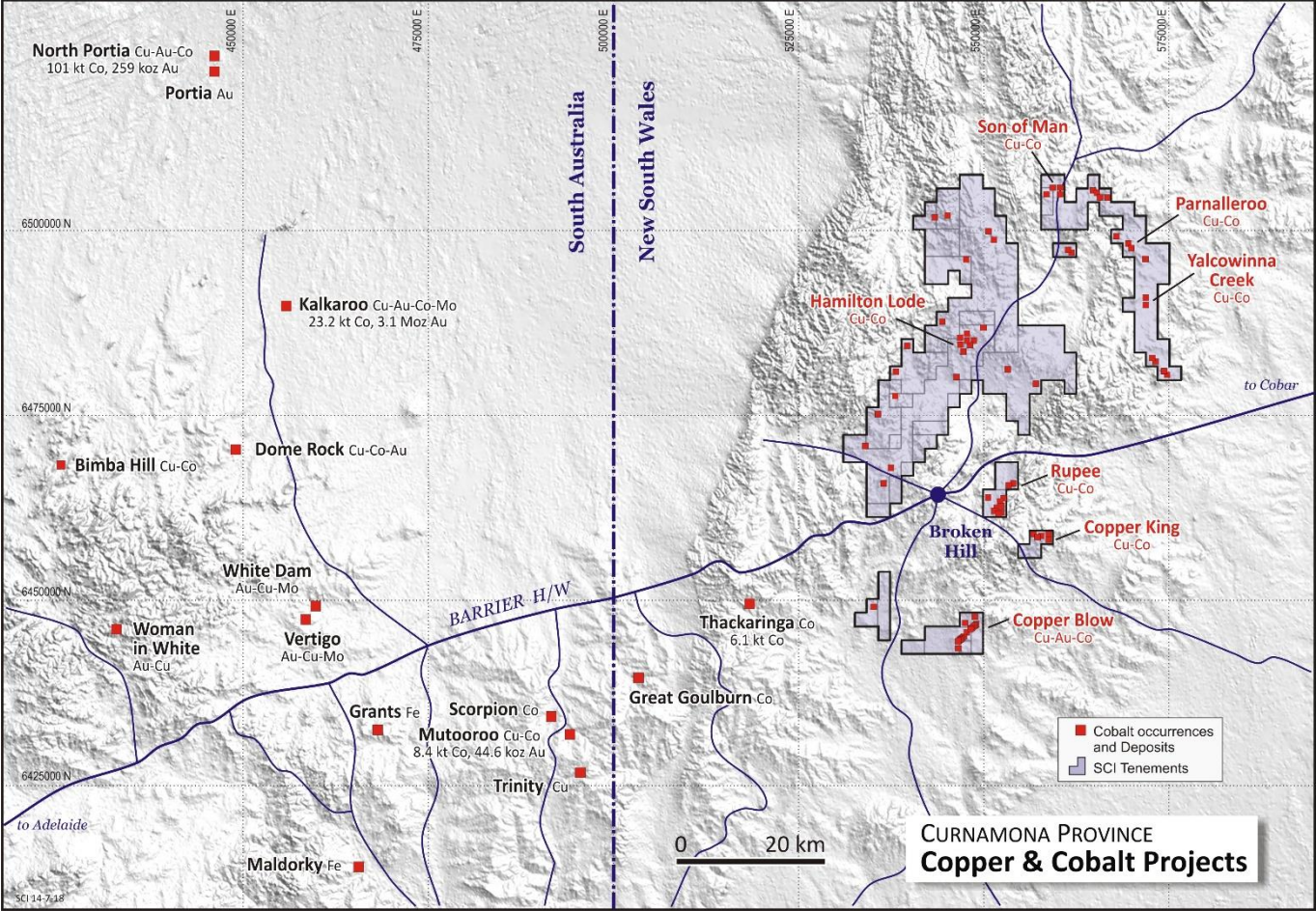


Figure 7. Copper-cobalt occurrences Broken Hill

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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.

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.

This report contains information extracted from the following reports: ASX Releases 22 February 2018, 2 May 2018, 28 May 2018, 5 July 2018 and 23 July 2018 and are available to view on the website www.silvercityminerals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.