

SILVER CITY MINERALS LIMITED



Quarterly Report

March 2018

ASX Code: SCI

Issued Shares: 245.6M
Unlisted Options: 24.2M
Cash Balance: \$2.0M
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Greg Jones
Josh Puckridge

TOP SHAREHOLDERS

(At 22 April 2018)

L&M Group Limited	5.4%
Dead Knick Pty Ltd	5.0%
Upsky Equity Pty Ltd:	3.4%
Jennings Family Investments	2.6%
Calm Holdings Pty Ltd	2.5%
HSBC Custody Nominees:	2.3%
Beck Corporation Pty Ltd	2.2%
SMAC Nominees Pty Ltd	2.1%

Top 20: **39.6%**

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HIGHLIGHTS

Follow-up drilling at Copper Blow returned an excellent copper-gold intersection of:

- 41.2 metres at 1.3% copper, 0.40 g/t Au from 183.8 metres in hole 18CB054 including 7 metres at 2.0% copper and 0.99 g/t Au from 189 metres and 7 metres at 2.0% copper and 0.48 g/t Au from 208 metres.

In addition, one hole returned elevated cobalt:

- 10.78 metres at 0.09% cobalt and 0.3% copper from 288.36 in hole 17CB046

Preliminary metallurgical testwork has return excellent recoveries for both copper and cobalt with gold results pending. Cleaner float stage work in progress is expected to deliver higher grade concentrate results.

Copper

- 97% Cu recovery to a rougher float concentrate grading 26% Cu on drill samples grading 7.6% Cu
- 95% Cu recovery to a rougher float concentrate grading 14.5% Cu on drill samples grading 0.92% Cu

Cobalt

- 93% Co recovery to a first stage rougher pyrite concentrate grading 0.52% Co on pyrite rich drill samples grading 0.13% Co
- 69% Co recovery to a rougher copper concentrate grading 0.06% Co on drill samples grading 7.6% Cu and 0.03% Co.

OUTLOOK

- Results expected from a third round of drilling which commenced with diamond and RC drilling in April
- Results from induced polarisation geophysical survey
- Results from initial metallurgical testwork
- Results from copper-cobalt exploration program

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OVERVIEW

The March quarter has seen a continued focus on Copper Blow where the Company has intersected significant copper-gold-cobalt mineralisation in the first and second rounds of drilling. The mineralisation is intimately associated with magnetite 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 tested over a strike length of 1 kilometre in the south-western part of the anomaly (Figure 1).

The Company has completed a series of ground geophysical surveys along the prospective magnetic horizon to define targets in more detail. This work shows that the copper-rich mineralisation at Copper Blow is associated with strong coincident magnetic and residual gravity anomalies and localised electromagnetic anomalies.

At the time of writing induced polarisation surveys were underway at Copper Blow.

A second round of drilling which commenced in January returned significant copper-gold and cobalt intersections with a broad intersection encountered in hole 18CB054 in the North Zone.

A third, follow-up program of almost 4000 metres in up to eighteen holes commenced in April and was ongoing at the time of writing.

Preliminary metallurgical results indicate good recoveries for both copper and cobalt with gold results pending.

In addition to work at Copper Blow, the Company completed a detailed ground gravity survey at Razorback and has been reviewing all Broken Hill tenements with respect to copper-cobalt-gold exploration.

WHAT'S NEXT?

Drilling is underway with two rigs operating and preliminary results are likely early in May. New targets are also likely to be generated by the ongoing IP survey and current drilling will be guided in part by this new information.

With respect to copper-cobalt exploration the Company originally focussed its exploration effort on the Yalcowinna EL. It is apparent however that large portions of SCI tenure host occurrences that have been classified in the past as Cu-Co and require further investigation by reconnaissance mapping and geochemical sampling.

OPERATIONS

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

Drilling

In the March quarter the Company drilled 1042.8 metres in three diamond holes and a diamond tail on an earlier RC hole. The holes were designed to test for copper-gold mineralisation over a strike length of 750m at Copper Blow (results in Table 1 and 2 from ASX Release 22 February 2018). At the time of writing work was underway in a third round of drilling with two drills operating.

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Hole 18CB054 has returned a highly significant downhole intersection (**41.2 metres at 1.3% copper and 0.4 g/t gold**). It indicates that copper-gold mineralisation is persistent to depths of at least 200 metres (Figures 2 and 3). Mineralisation is open in all directions down-dip and along strike with grade and thickness increasing with depth.

A longitudinal section (Figure 4) shows that there is no significant drilling between high grade intersections on Section 46-43 (South Zone) and Section 54-48 (North Zone) a distance of 150 metres.

The style of mineralisation in the North Zone suggests it may be amenable to extraction by open pit mining methods whereas the higher grade narrower zones in the South Zone may be amenable to underground mining techniques.

In addition to high grade copper-gold previously announced, the South Zone continues to return highly anomalous intersections of cobalt with modest copper values. These are hosted in pyrite-rich intersections and recent mineralogical work indicates the presence of cattierite (a cobalt sulphide; CoS_2). Hole 17CB046 has intersected **10.78 metres at 900 ppm (0.09%) cobalt and 0.3% copper from 288.36 metres**. An intersection nearby in hole 17CB042 returned **5.2 metres at 0.14% cobalt** in similar rock (ASX Release 26 October 2017).

Table 1 Copper-Gold Intersections

Hole Number	From (metres)	Interval (metres)	Copper (%)	Gold (g/t)	Copper Cutoff(%) if applicable
18CB054	183.8	41.2	1.3	0.42	0.5
	183	47	1.2	0.36	0.1
Includes	189	7	2.0	0.99	1.0
and	208	7	2.0	0.48	1.0
18CB052	134	0.4	1.5	0.10	1.0
	185.5	2.5	2.4	0.16	1.0
	244	0.3	1.4	0.16	1.0
18CB053	177	1	2.7	0.51	1.0
	187	1	1.4	0.12	1.0
	246.28	0.72	1.1	0.35	1.0
	252.34	0.77	1.8	0.24	1.0
	284.65	1.47	1.9	0.25	1.0
	289.48	0.52	2.7	0.45	1.0
17CB046	288.36	22.44	0.3	0.04	0.1

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Table 2 Significant Cobalt Intersections

Hole Number	From (metres)	Interval (metres)	Copper (%)	Gold (g/t)	Cobalt (ppm) or % as indicated
18CB052	261.6	2.1	0.3	0.04	0.18%
18CB053	341	4	0.2	0.05	0.17%
	352	3	0.3	0.10	0.20%
17CB046	288.36	10.78	0.3	0.01	0.09%

Metallurgy

The Company has received preliminary results for rougher flotation tests. These include recoveries for copper and cobalt with analytical results for gold still pending. A summary of results is shown in Table 3 (ASX Release 27 March 2018). Cleaner float stage work in progress is expected to deliver higher grade concentrate results.

Table 3 Results from preliminary rougher flotation tests

	Head Grades		Recovery (%)		Concentrate Grade	
Classification	Copper (%)	Cobalt (%)	Copper	Cobalt	Copper (%)	Cobalt (%)
Cobalt	0.02	0.13	44	93	0.07	0.52
High Grade Copper	7.56	0.03	97	69	26	0.06
Lower Grade Copper	0.92	0.02	95	45	14.5	0.16

Geophysics

During the previous quarter detailed ground gravity and magnetic surveys were completed, covering the entire 4.5 kilometre strike length of the airborne magnetic anomaly (Figure 1). These showed that the apparently continuous, linear airborne magnetic anomaly is, in plan view, segmented into series of elongate, pod-like zones of magnetic-high anomalies separated by sections of lower magnetic susceptibility.

The mineralisation encountered to date in the South and North Zones at Copper Blow both lie within discrete magnetic-high zones. These zones are also gravity highs. The geophysical work completed to date indicates there are nine coincident magnetic-gravity anomalies each which has potential to host copper-gold-cobalt mineralisation. Anomaly CB4 for example, is a high priority target which has very strong magnetic susceptibility, hosts many old mine workings over a strike of 450 metres and has elevated copper in rock chips at surface (ASX Release 21 December 2017).

During this quarter the Company undertook a trial induced polarisation (IP) survey over copper-gold mineralisation hosted in hole 18CB054 located within the North Zone. Both dipole-dipole and gradient array configurations were

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tested. Both methods are interpreted to have detected the known sulphide mineralisation at depth. As a result, the Company initiated more extensive IP coverage of the linear magnetic anomaly to assess further concentrations of sulphide minerals within the belt. This survey was ongoing at the time of writing (ASX Release 23 April 2018).

Copper-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).

The NSW geological Survey historically classified these “types” on the basis of their geological settings and similarities or contrasts to one another. Whilst copper minerals may have been identified at some occurrences, there was little or no geochemical work to indicate the presence or extent of cobalt mineralisation in every occurrence. Copper Blow for example was classified as Sisters-type and very little was known about its cobalt content. SCI would suggest that Copper Blow represents an iron oxide copper-gold type (IOCG) and that the simple classification system outlined by government workers may be more complex than previously considered.

As a consequence, SCI proposes to conduct a review and sampling program of all known Cu-Co-occurrences within its Broken Hill tenure with the view to identifying economic concentrations of copper and cobalt. Work will start on the Yalcowinna tenement.

BUSINESS DEVELOPMENT

The Broken Hill district remains of significant focus for the Company. The emphasis has been on the discovery of new lead-zinc-silver mineralisation of the type that is currently mined at Broken Hill. Detailed reviews of historic exploration data suggest that other styles are also present. The Company has outlined an historic copper-gold project at Copper Blow and many copper-cobalt projects within the Yalcowinna tenement and intends to pursue these with targeted exploration in the coming months.

CORPORATE

On 6 March 2018 the Company issued of 49.07 million shares at 4 cents per share which raised \$1.96 million before costs pursuant to the placement announced on 28 February 2018. Blackwood Capital Pty Ltd was Lead Manager to the placement.

Net operating expenditure for the Quarter was \$537k. This included \$459k expenditure on projects held by the Company, \$157k on administration, \$10k on a tenement security deposit offset by \$2k received in interest income and \$87k received from JV income. Cash on hand at the end of the Quarter was approximately \$2.0 million.

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Annexure 1 Figures

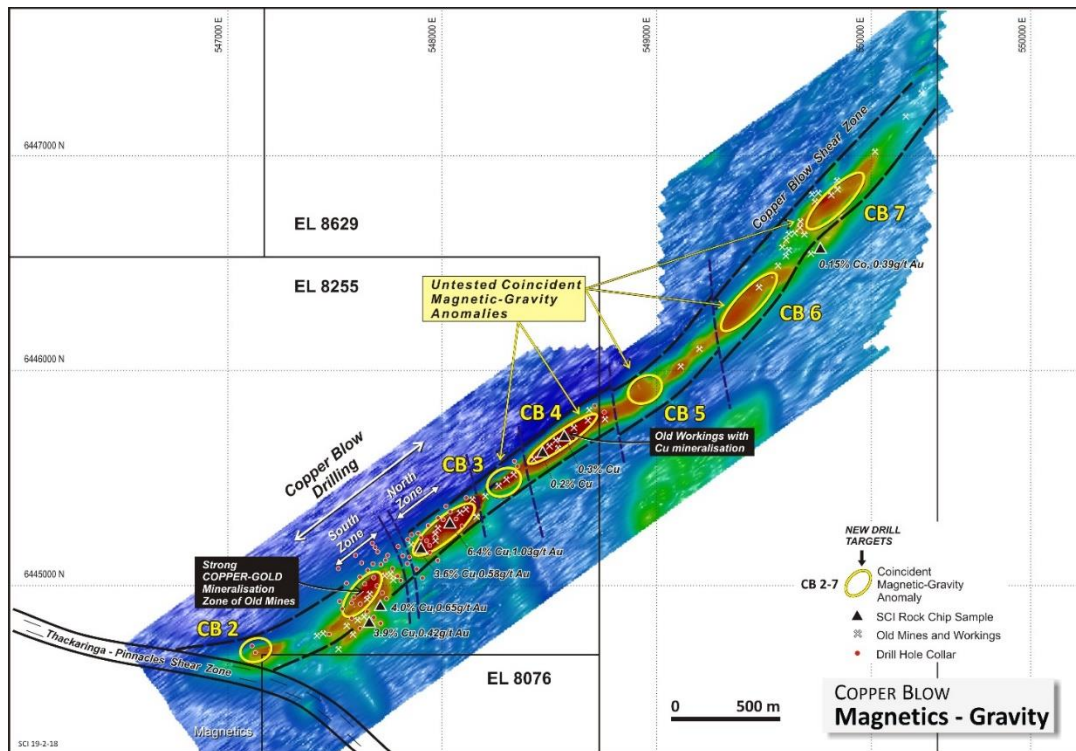


Figure 1 Detailed ground magnetic survey reduced to pole image. Shows a series of coincident magnetic/gravity anomalies. In addition to the North and South Zones at Copper Blow there are seven targets all of which might host copper mineralisation.

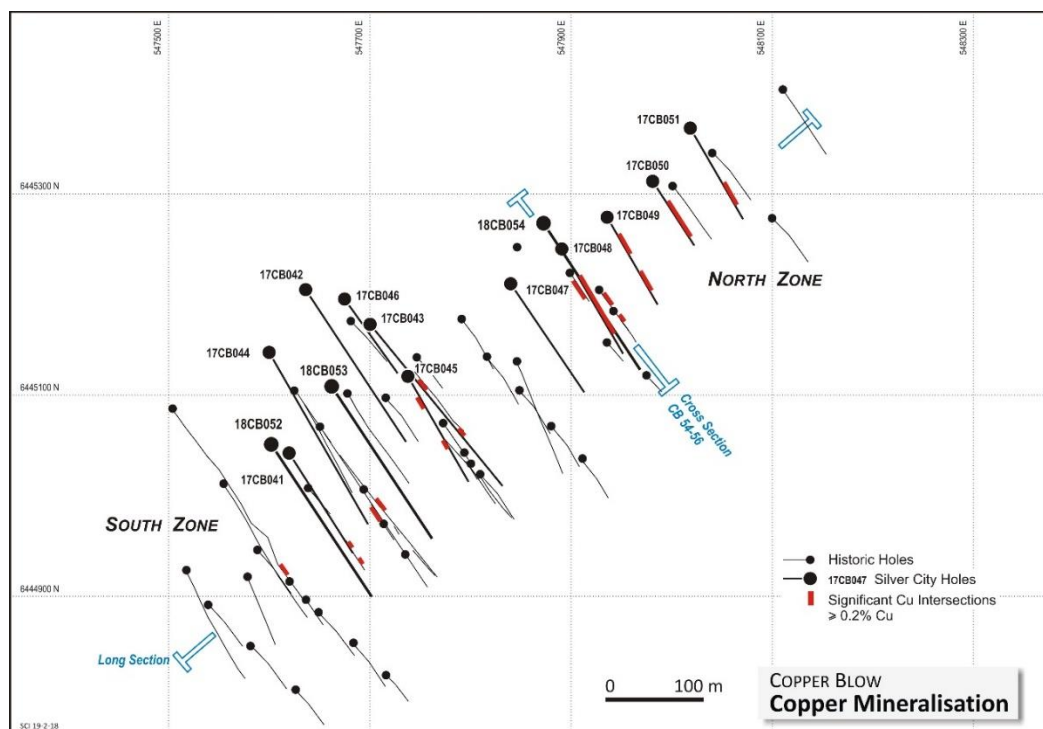


Figure 2 Copper Blow drill hole locations with significant mineralisation represented as red bars on drill traces.

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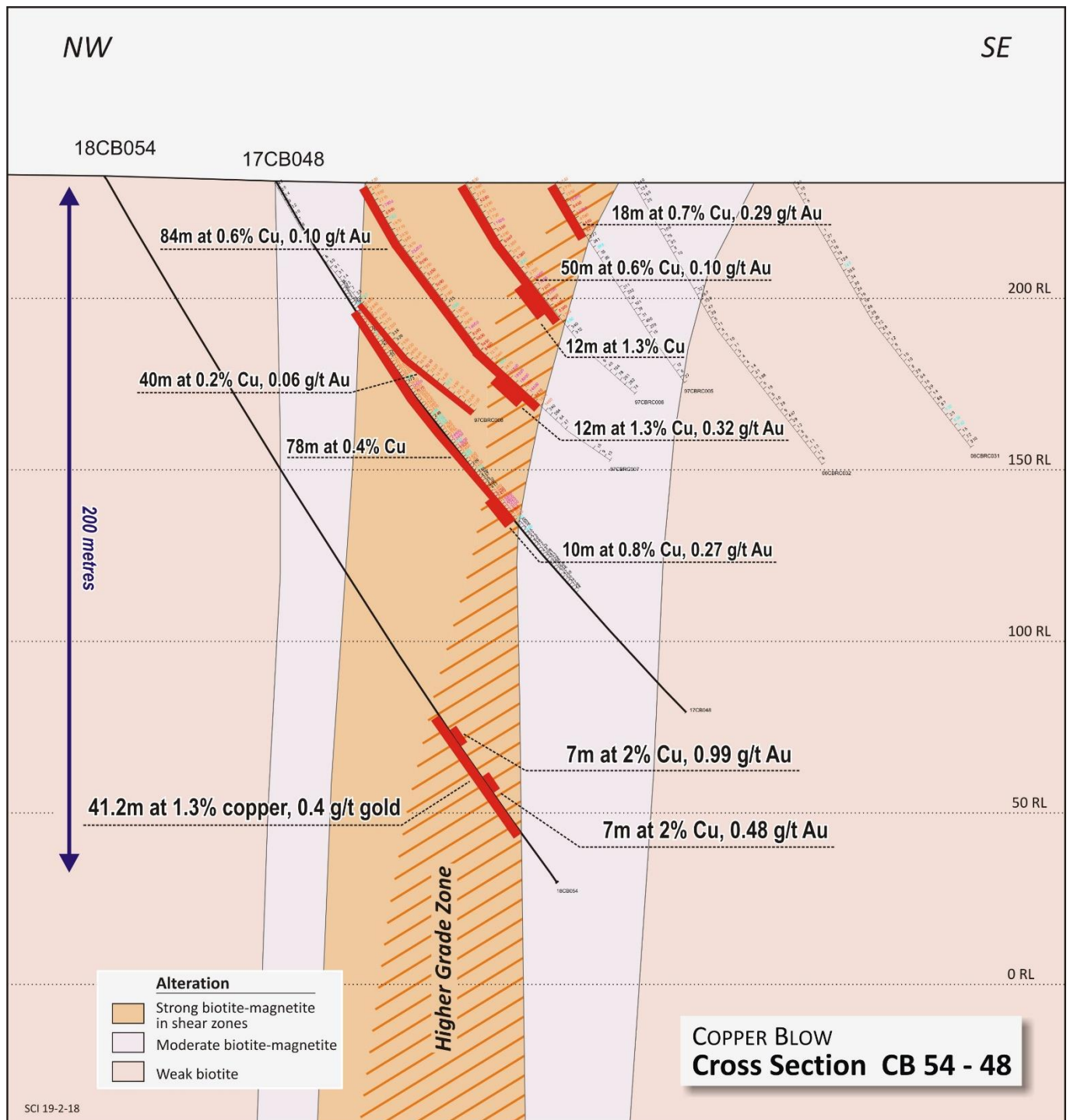


Figure 3 Cross section showing broad zone of magnetite-biotite alteration and copper mineralisation in hole 18CB054.

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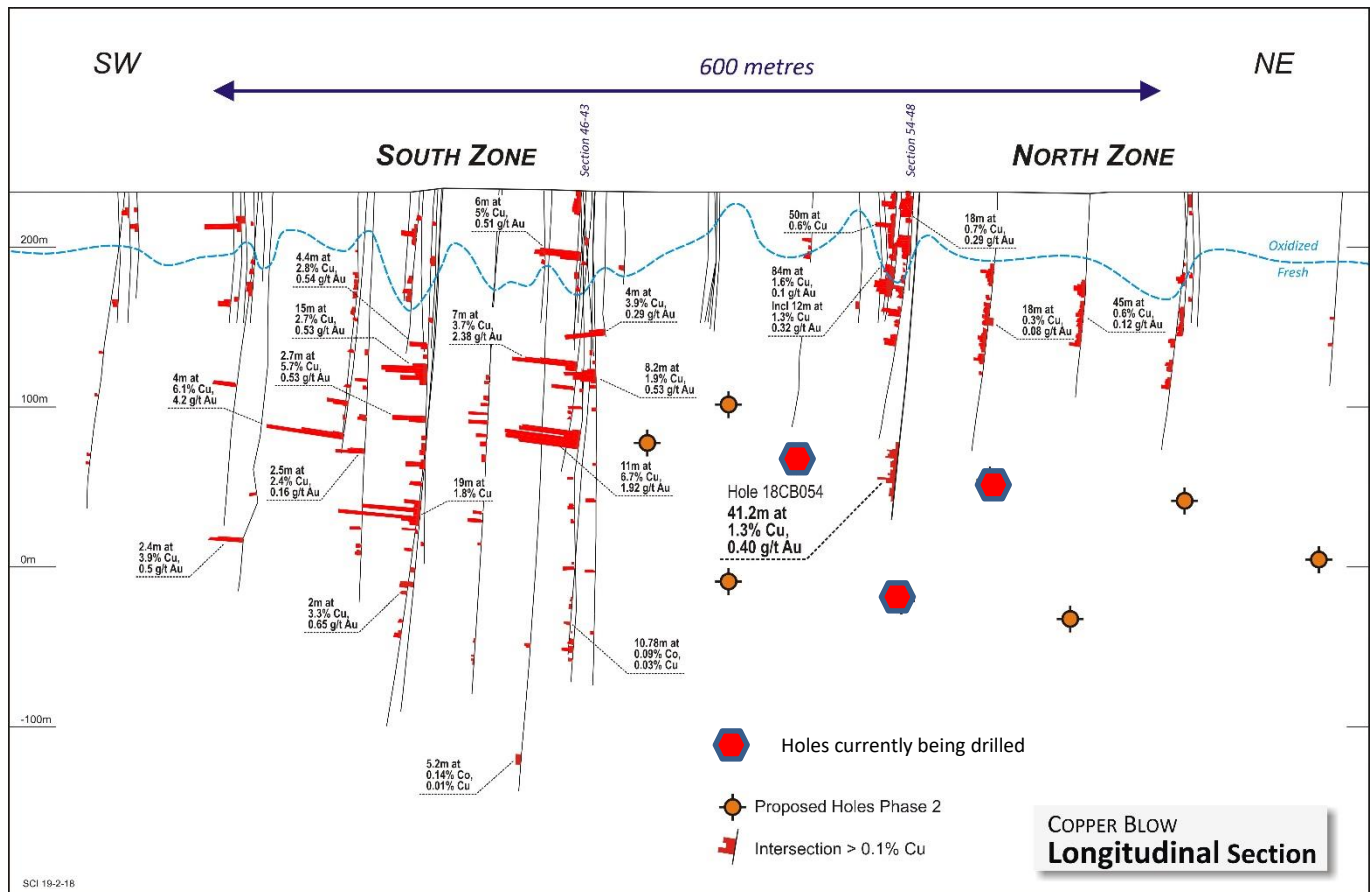


Figure 4 Composite longitudinal section showing extent of drilling and significant intersections. The zone between hole 54 (Section 54-48) and high grade intersections in Section 46-43 has very little drilling (over approximately 150 metres of strike). Piercement points of proposed Phase 2 drilling are shown. Red points show holes being drilled at time of writing.

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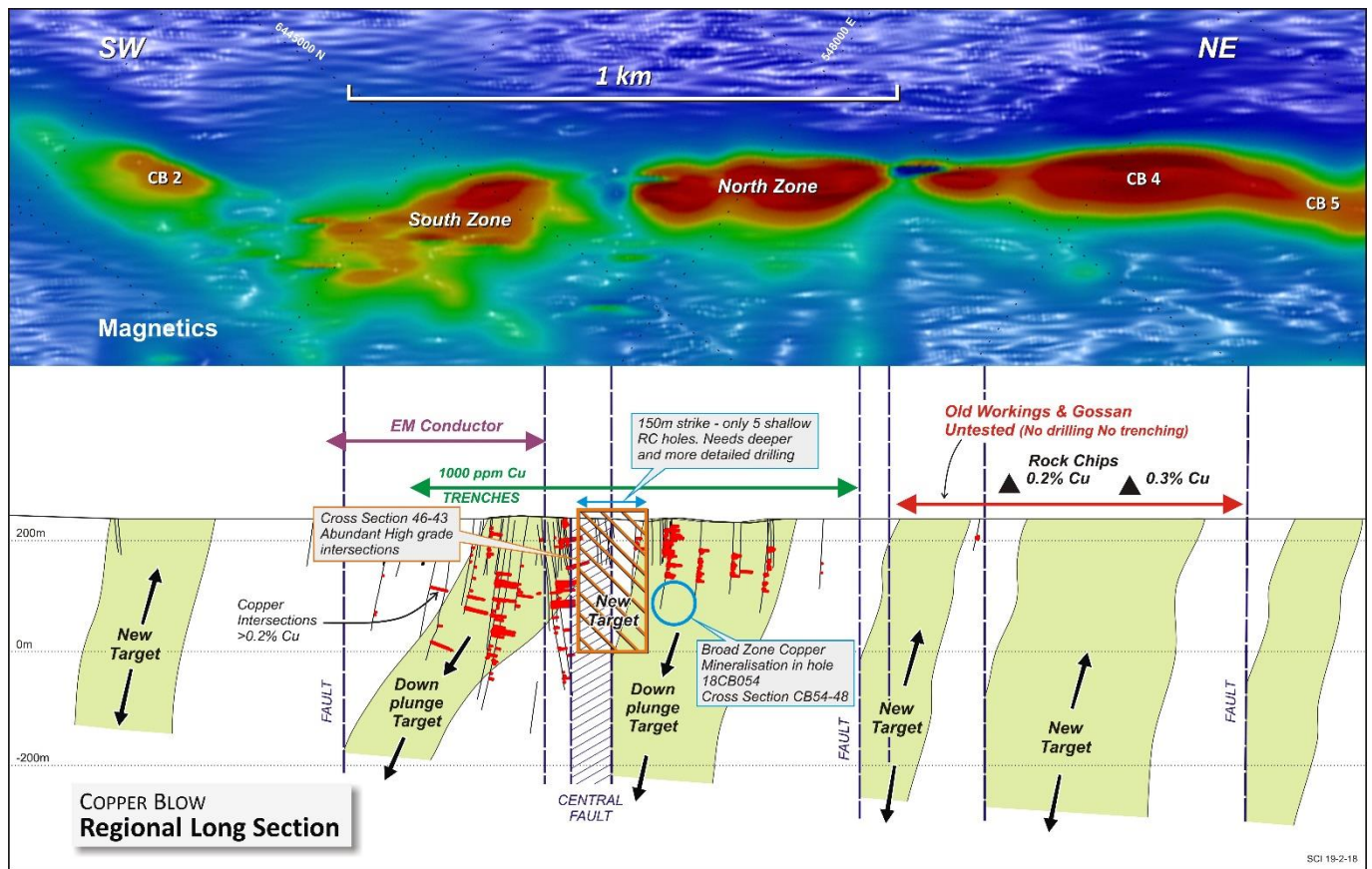


Figure 5 Composite longitudinal section and magnetic plan showing the anomalous pods and the corresponding interpretation of plunging mineralised copper-gold shoots. RC drilling planned for anomalies CB2, CB3, CB4 and CB5.

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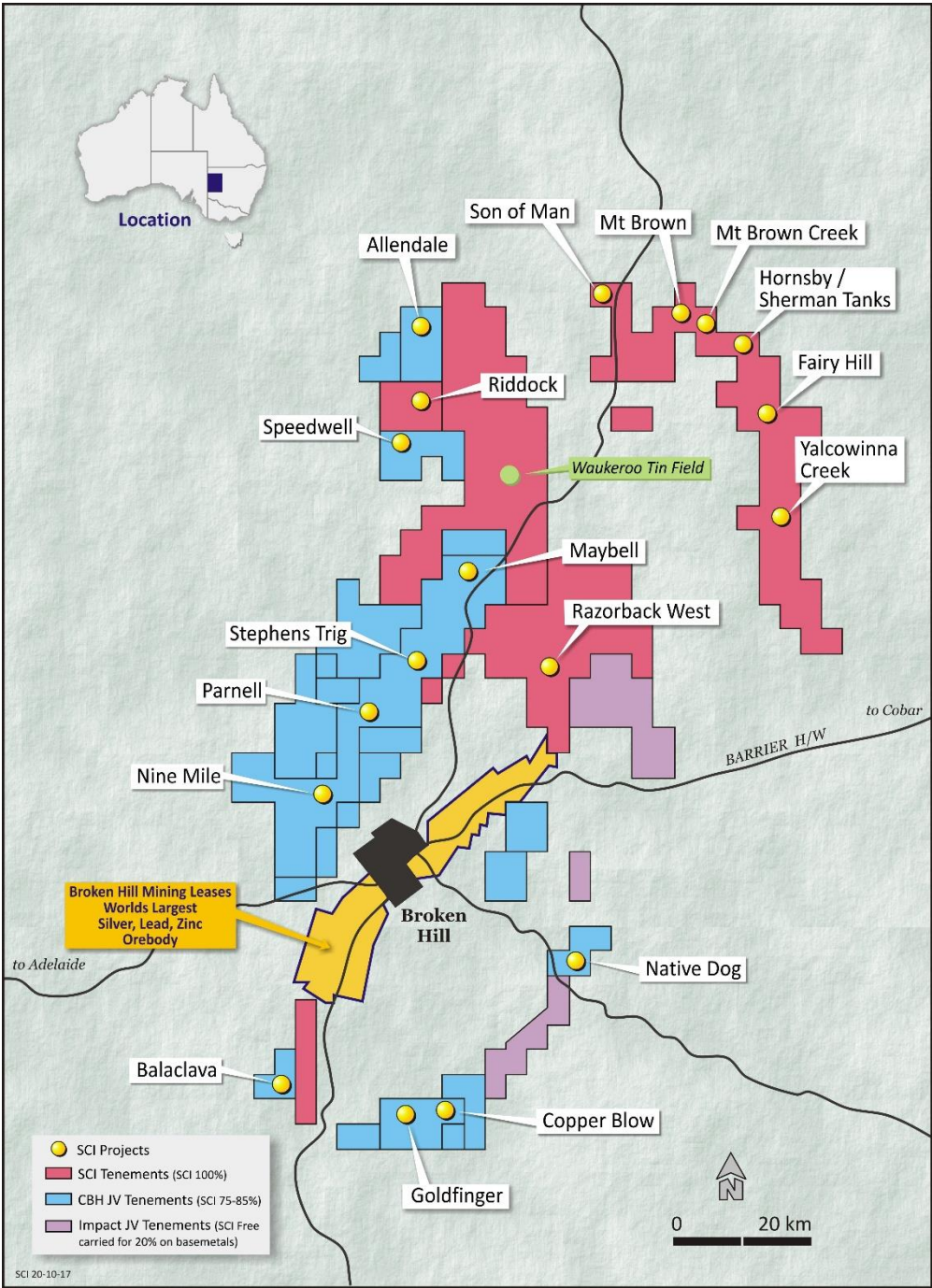


Figure 6 Silver City tenements at Broken Hill

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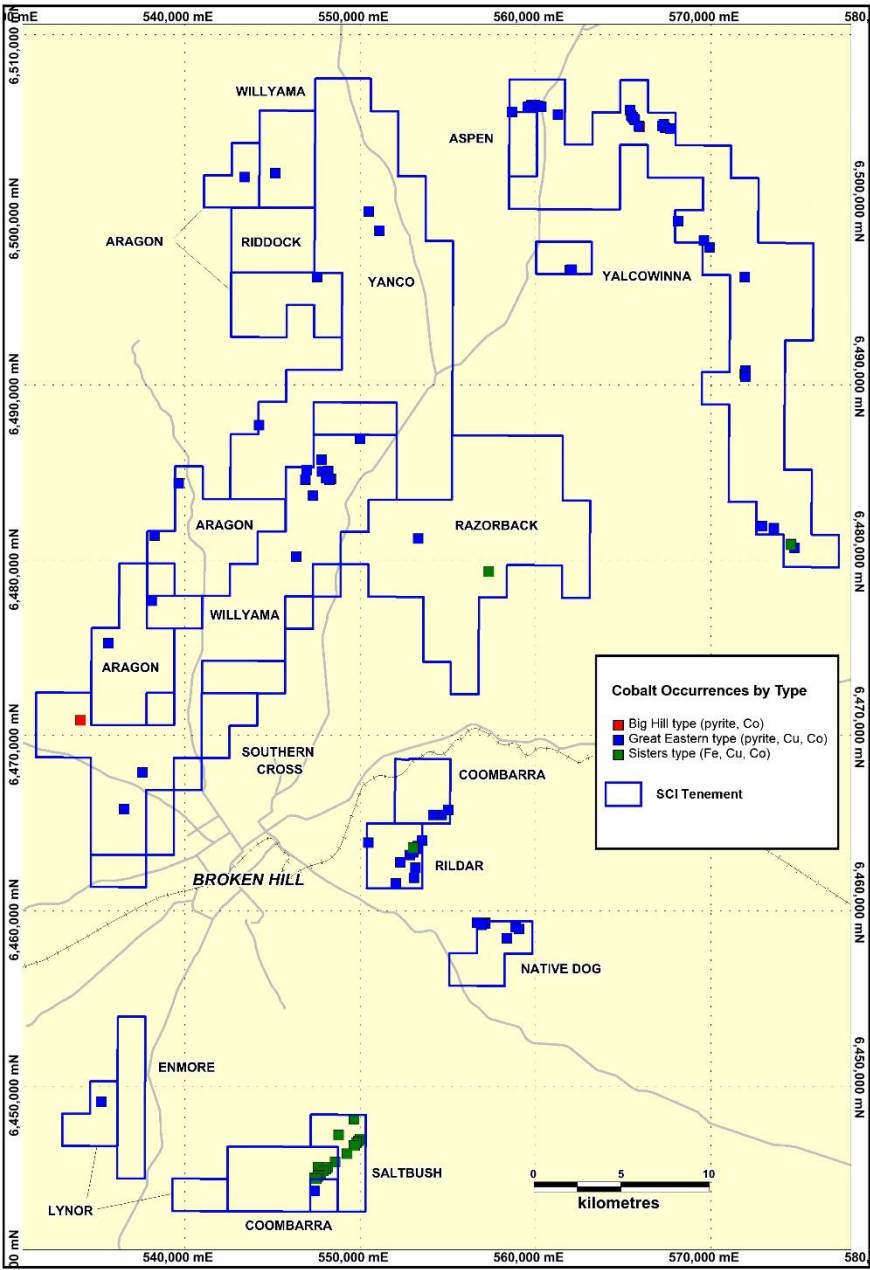


Figure 7 Copper-cobalt occurrences Broken Hill

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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.