

SILVER CITY MINERALS LIMITED

Quarterly Report

December 2013

ASX Code: SCI

Issued Shares: 98M

Listed Options: 29.2M

Unlisted Options: 13.2M

Cash Balance: \$3.8

ABN: 68 130 933 309

DIRECTORS

Bob Besley

Chris Torrey

Ian Plimer

Greg Jones

Ian Hume

TOP SHAREHOLDERS

(At 22 January 2014)

Sentient Group: 17.45%

PlatSearch NL: 14.58%

Fitel Nominees: 5.21%

Top 20: 63.96%

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HIGHLIGHTS

Silver City Minerals Limited (ASX:SCI) is pleased to release its quarterly activity report for the period ended December 31, 2013.

New South Wales

- Twenty nine discrete conductors identified in VTEM survey 10 kilometres northwest of Broken Hill.
- Close spaced multiple conductors indicate continuity along favourable horizons.
- Trial VTEM survey lines over the Allendale project suggests that drill-indicated sulphide mineralisation responds well to the technique.

Queensland

- SCI is highly encouraged by strong induced polarisation (IP) anomalies identified at Sellheim.
- Strikes of over one kilometre and widths of 400 metres indicate significant size. Indicative of sulphide-bearing rock at depth.
- Highly anomalous gold in surface rock chip samples.
- Multiple phases of igneous intrusion, hydrothermal brecciation and alteration and visible gold in veins outlined in geological study.
- SCI considers there is high potential for gold and/or copper mineralisation located with or in close proximity to sulphides.

OUTLOOK

- Drilling will take place at Sellheim when the wet season ends in March or April 2014. SCI envisages approximately 2000 metres of combined RC and diamond drilling.
- Assessment of VTEM conductors with follow-up ground surveys will take place as a prelude to selected drill assessments.
- At Razorback West the Company is assessing the use of other geophysical techniques for targeting sulphide mineralisation, including ground EM and detailed gravity surveys.
- Continued assessment of base-metal and IP anomalies at Speedwell with RAB drilling scheduled.
- Continued assessment of regional datasets at Broken Hill as a means to identify prospective targets for future drilling.

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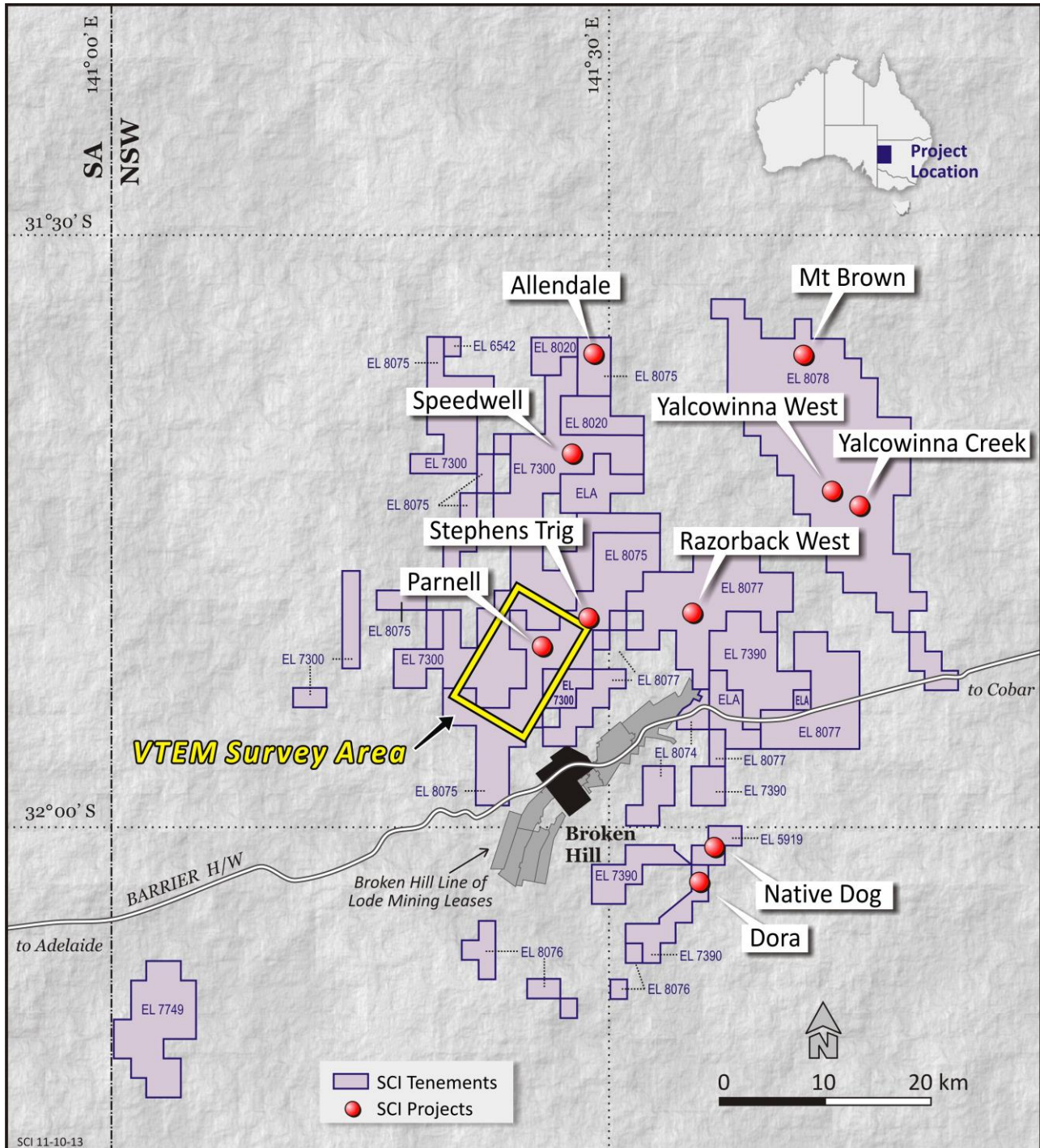


Figure 1. Silver City Broken Hill tenements and projects.

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OPERATIONS

NEW SOUTH WALES PROJECTS - BROKEN HILL

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 or new extensions which do not crop out at surface. To this end the Company has completed four trial lines of helicopter-borne VTEM survey over the project area with the view to identifying sulphides at depth or along strike from known mineralisation. Preliminary interpretation suggests that areas of known mineralisation in drill holes are detectable as conductors in the survey. This is encouraging for future work both at Allendale and within the Broken Hill district.

Further field evaluation of the VTEM data and follow-up of historic geophysical surveys is ongoing.

Aragon (EL 7300) and Willyama (EL 8075)

VTEM survey

A helicopter-borne VTEM survey was conducted over the southern parts of these adjacent tenements. A total of 29 conductors were identified. Each returned a strong geophysical response and is scheduled for initial follow-up (Figure 2). A number of conductors form groups which indicate strike continuity to conductive rocks. Three groups stand out with respect to intensity of response; these are Limestone, Newfold and Acacia Vale where evaluation has commenced. The Newfold conductor corresponds to an area of alteration, gossanous and pyritic rocks. Detailed ground work is scheduled.

Razorback (EL 8077)

Razorback West

No field work has been undertaken at this project during the period. The Company is assessing the possible use of other geophysical methods to target sulphide mineralisation including detailed gravity and ground EM surveys.

QUEENSLAND PROJECTS

Sellheim

The Sellheim project covers an area of approximately 125 square kilometres and encompasses three Exploration Permits for Minerals (EPMs) and three Mining Leases (MLs), located approximately 140 kilometres southeast of Charters Towers in North Queensland.

Geology

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Regionally the tenements are located in the lower part of the Drummond Basin comprising sandstones and volcanic rocks where these are in contact with a sequence of siltstone known as the Ukalunda Formation. Importantly, these are both intruded by younger granites and diorites (Figure 3). Work by SCI shows there are multiple phases of intrusion and the goldfield at Sellheim, located largely within ML 10328, is probably underlain by these where they intruded the older sediments.

Gold Mineralisation

Alluvial and eluvial gold has been mined from the area since the 1860s. Alluvial gold deposits form by erosion of gold from hard-rock sources and transportation to depositional sites, often over large distances, by rivers and streams. Eluvial gold deposits form as residual deposits close to hard-rock sources where mass wasting and weathering of gold-bearing host rocks take place. The source of the gold at Sellheim had not been adequately identified.

Although it is clear that some alluvial gold occurs in old river channels close to the Sellheim River, it is also apparent that small creeks and wash on low ridges downslope from the Mount Richardson ridgeline host abundant gold. Not only does gold occur here as small nuggets, but inspection of rock material in waste dumps at the current mine operation has located visible gold in gossan and quartz-tourmaline veins and breccias which are hosted in sedimentary rocks (Figure 4). Tourmaline is a boron-bearing mineral commonly found in or associated with mineralised intrusions. SCI considers this is eluvial gold located close to its hard rock source (Figure 5).

Historic mineral microscopy on samples of gold and gold-bearing rocks from the gold plant and waste dumps suggest the gold is of hydrothermal/magmatic origin and locally associated with other sulphide minerals. For example chalcopyrite (copper sulphide) occurs with tourmaline, galena (lead sulphide) contains gold inclusions and the minerals bismutite ($\text{Bi}_2\text{O}_2\text{CO}_2$) and tetradymite ($\text{Bi}_2\text{Te}_2\text{S}$) form inclusions in tourmaline. They in turn host inclusions of gold. Further, microprobe analyses of gold nuggets indicate a relatively high (greater than 5% silver content). This feature generally occurs when gold is located close to its source rocks. Rock geochemistry suggests anomalism in gold, bismuth, copper, lead, silver and molybdenum.

Geophysics

During the Quarter the Company completed an offset pole-dipole, induced polarisation survey in conjunction with geological mapping and rock chip sampling (ASX Release 4 November 2013).

The survey produced a number of very strong (greater than 100 mV/V) and discrete chargeability anomalies which are grouped in an east-west oriented corridor approximately 1.5 kilometres wide and 4 kilometres long. A plan of a horizontal slice of the IP model at 200 metres below the surface shows the anomalies have variable shapes; some circular (in plan), some forming an arcuate group and others elongate, both in east-west and north-south orientations (Figure 6).

Dimensions of circular anomalies, of greater than 20mV/V, are 350 to 500 metres in diameter. Elongate anomalies of the same strength have strike lengths of 800 to 1,300 metres and are 150 to 400 metres wide. One anomaly is associated with a strong magnetic and resistivity anomaly, others consistently show coincident, elevated resistivity features.

Cross-sections through the model show that chargeability responses commence at between 100 and 200 metres below surface and extend to depth, with only minor and low strength responses reaching the surface (Figure 7). The strength of the anomalies suggests appreciable sulphide mineralisation is hosted in discrete rock bodies at depth. At surface, indications of sulphide minerals occur in narrow gold-bearing shear structures, a quartz-tourmaline and sericite-iron oxide

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(from weathered sulphide) breccia complex and in calc-silicate replacement zones. None of these appear to return chargeabilities responses of the size and strength of those outlined by the survey at depth.

No historic drilling has penetrated deep enough to test these anomalies with average hole depth only 47 metres. One hole (MMC0015) located above an anomaly (cross-section 527800E) did return anomalous gold near surface, perhaps intersecting a vein. Results included 1 metre at 9.03 g/t gold from 1 metre and 4 metres at 1.37 g/t gold from 12 metres (Figure 7; ASX Release 30 July 2013).

It is the view of the SCI Board that these anomalies and associated rocks provide excellent drill targets with respect to the intrusion-related gold and gold-copper deposits. The Company intends to drill test these anomalies and associated rocks as soon as possible. This will likely take place when the rainy season terminates in March or April 2014.

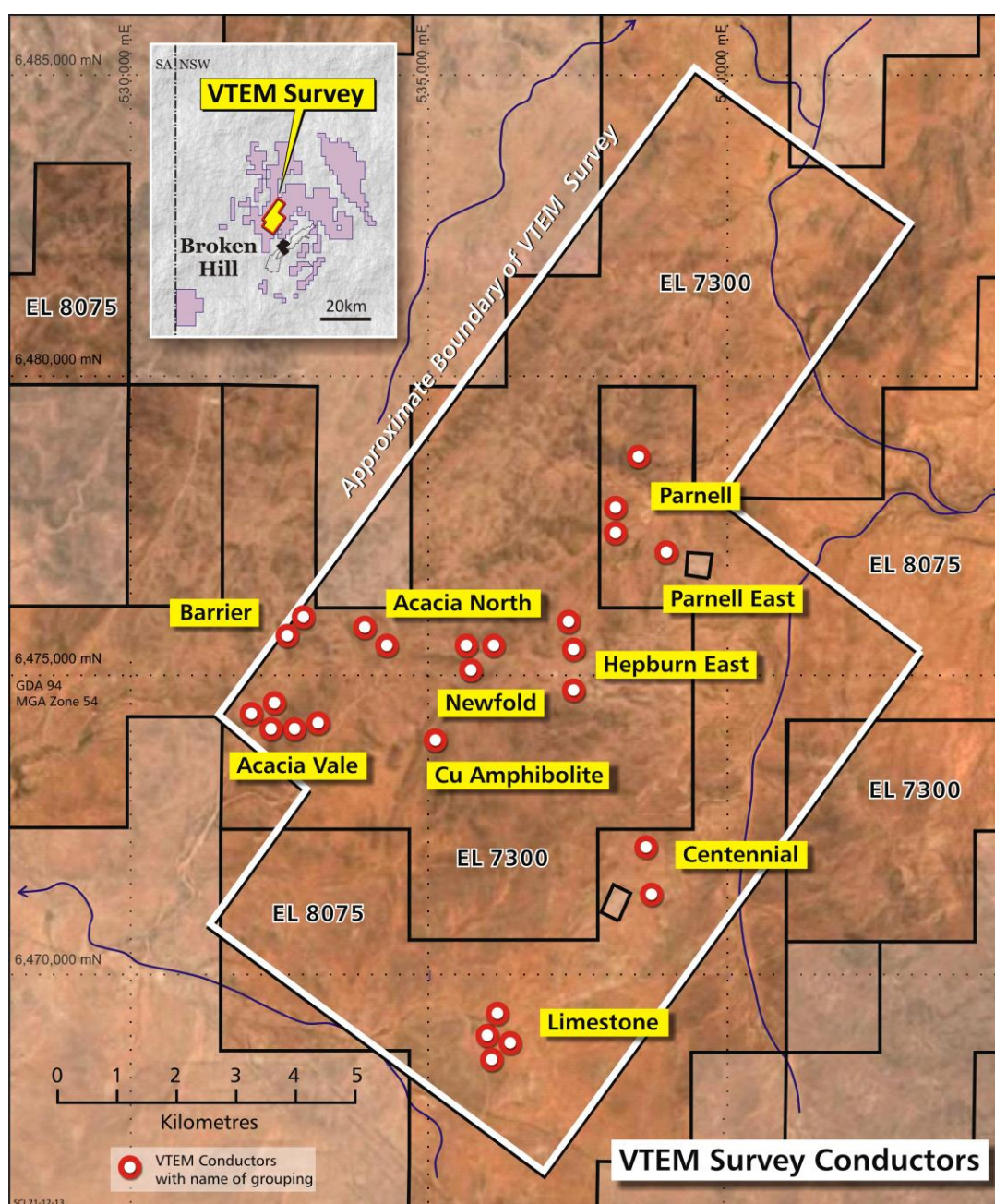


Figure 2. Broken Hill high priority VTEM conductors

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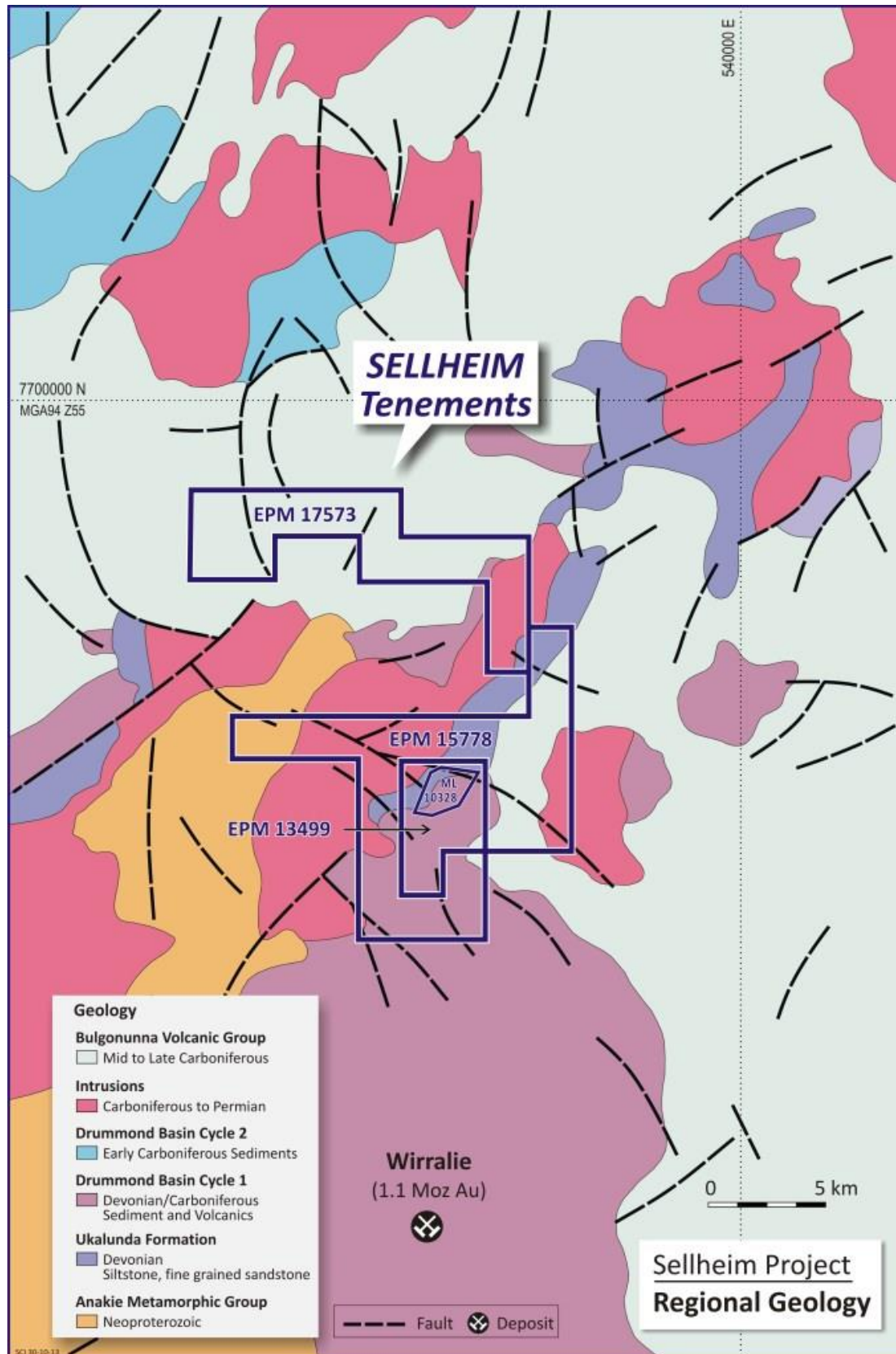


Figure 3. Regional geology map showing Sellheim tenements.

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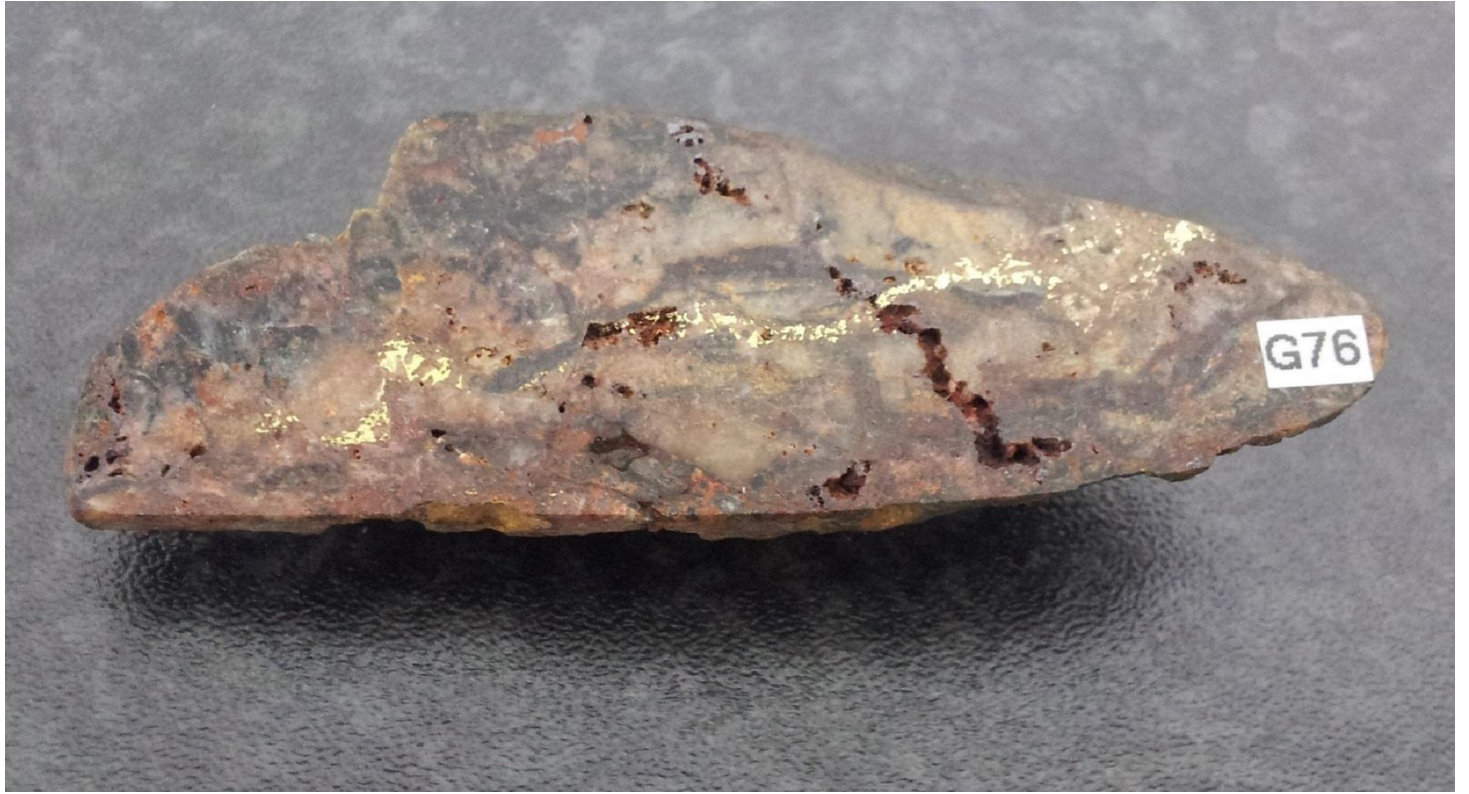


Figure 4. Rock sample retrieved from waste dump at the alluvial gold plant at Sellheim. Shows a sinuous gold vein cutting a quartz-tourmaline rock from a hydrothermal breccia. Black zones are tourmaline and white-cream zones are quartz. Sample is 700 millimetres long.

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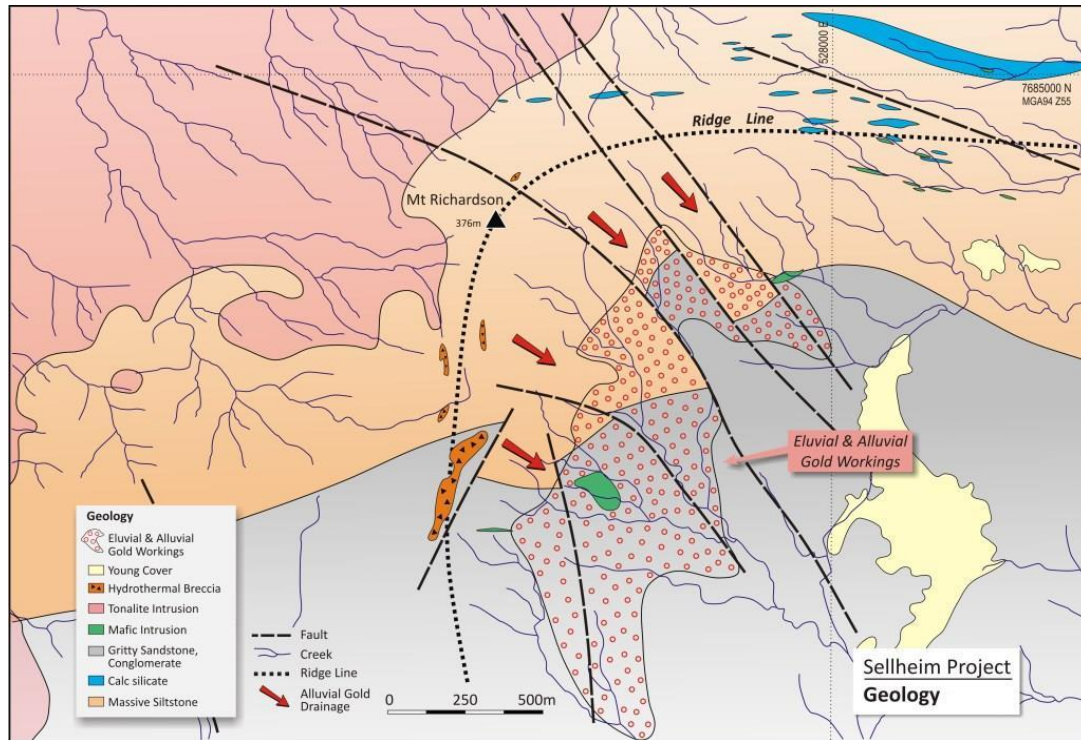


Figure 5. Plan of geology of the Sellheim project showing the location and extent of the eluvial/alluvial goldfield.

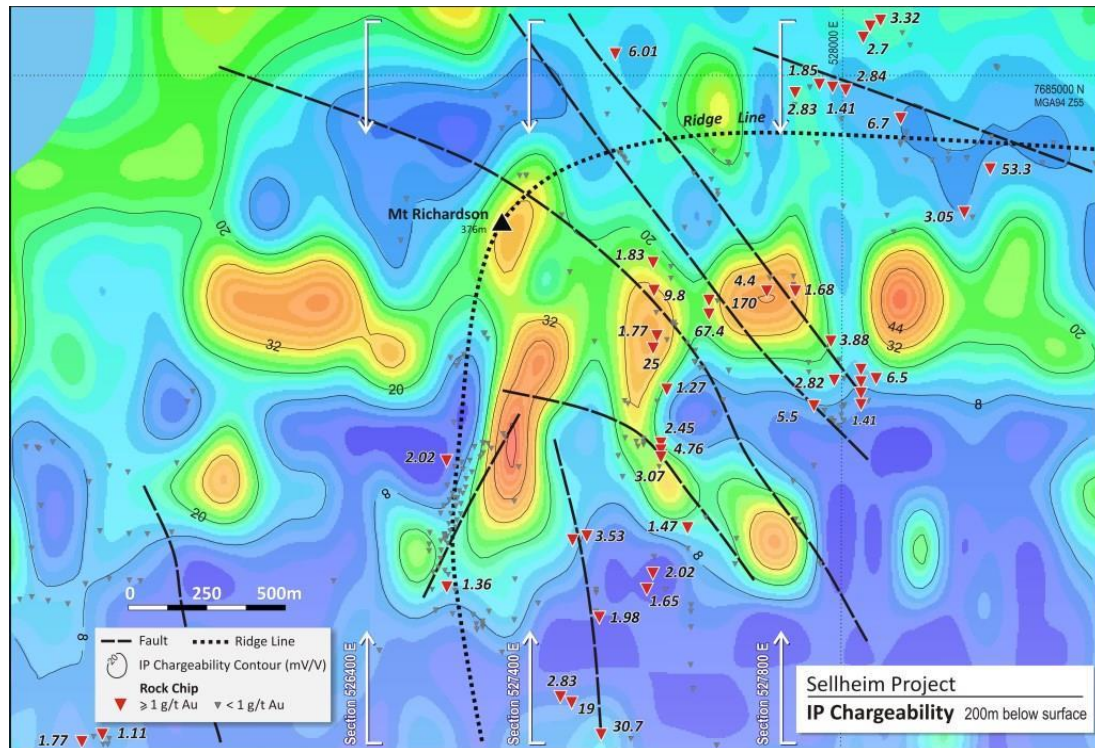


Figure 6. Plan of IP chargeability modelled at approximately 200 metres below surface. IP anomalies are shown in the hot yellow and orange colours. Plan covers the same area as Figure 5. Chargeability anomalies lie beneath a large portion of the goldfield. All rock chip samples collected are shown. Numbers refer to grams per tonne (g/t) gold in samples greater than or equal to 1 g/t.

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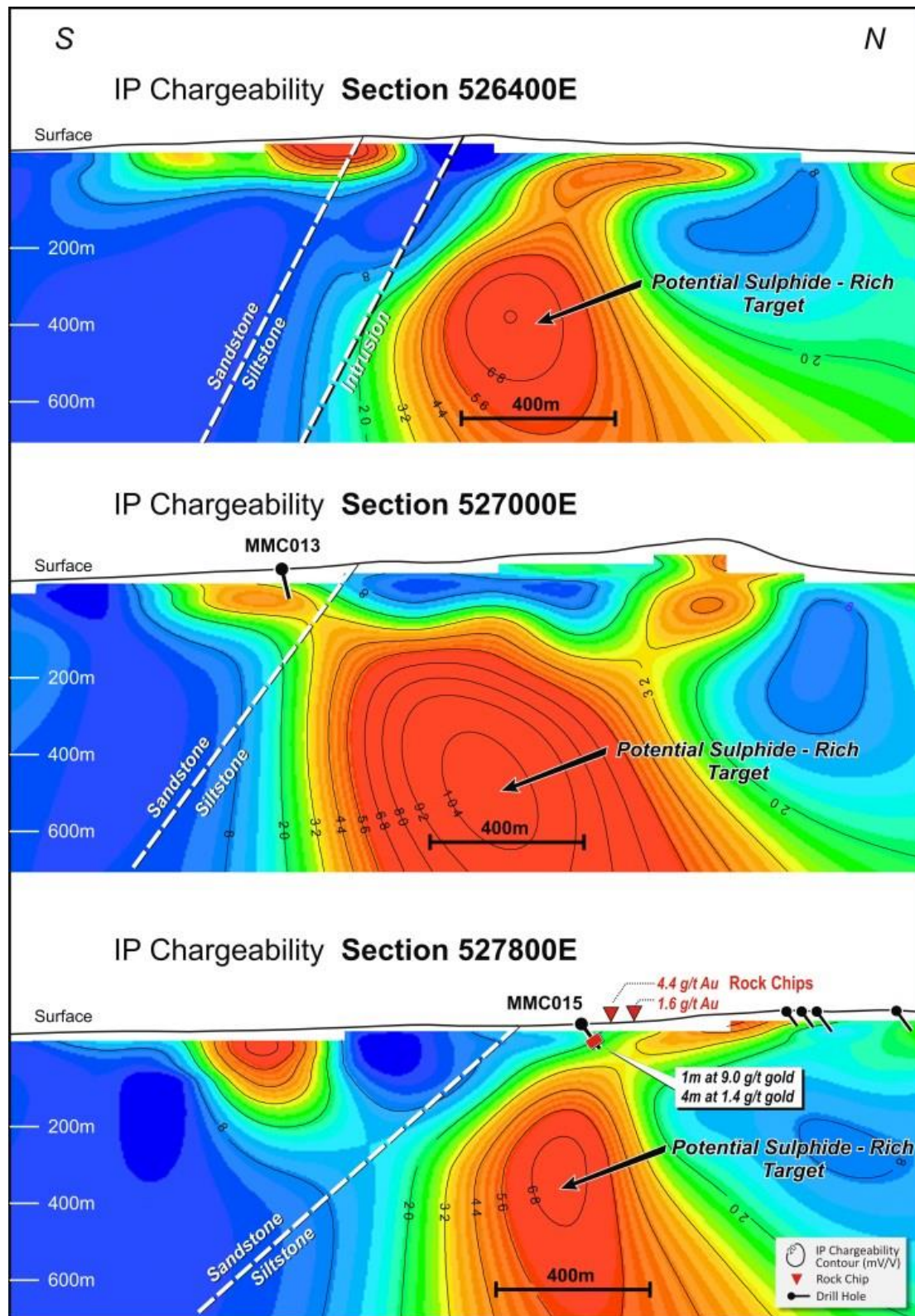


Figure 7. IP chargeability cross-sections (locations shown on Figure 6) showing the size and intensity of the anomalies.

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CORPORATE

Net operating expenditure for the Quarter was \$277k. This included \$570k on projects, \$142k on administration and offset by \$16k received in interest income and R&D tax offset income of \$419. Cash on hand at the end of the Quarter was approximately \$3.8 million.

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

SILVER CITY MINERALS LIMITED

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, 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.

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". Christopher consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.