



ASX ANNOUNCEMENT

31 July 2014

Silver City Minerals – Market Update

Silver City Minerals Overview

Silver City Minerals Limited (ASX: SCI) is a precious and base metal exploration company focused on unearthing shareholder value from its tenement holdings in the Broken Hill District of New South Wales and the Charters Towers gold province in North Queensland. SCI is also in the early stages of exploration for epithermal gold-silver deposits in New Zealand.

Sellheim (gold-copper)

The emerging Sellheim project is located approximately 140km southeast of Charters Towers in North Queensland, in a district which has historically produced in excess of 20 million ounces of gold. To date, SCI has been focused on discovery of the gold sourcing the Sellheim eluvial goldfield. Current mining activities have already exposed a number of narrow gold-bearing structures which return highly anomalous gold, copper, molybdenum and bismuth rock chips.

Recent geological and geophysical surveys at the Sellheim Project suggest a relationship between an eluvial goldfield, altered rocks, gold in rock chip samples and a series of large (up to 400 metres in diameter) and very strong IP results (electrical geophysical anomalies measured with Induced Polarisation methods).

In May 2014, SCI completed a seven hole drilling program for 2,268m designed to test a number of induced polarisation (IP) anomalies underlying an eluvial goldfield where rock chip sampling had returned anomalous gold, silver, copper, bismuth and molybdenum. A total of four drill holes were used to test the IP anomalies, two tested calc-silicate rocks beneath old copper-gold workings and one hole experienced significant deviation and was abandoned (ASX Releases 13 May and 19 June 2014).

Q: What was the strategy behind the Sellheim farm-in agreement?

In what are undoubtedly tough market conditions, the Board viewed the opportunity to farm-in into the Sellheim gold project as a real value-add proposition for the Company – particularly taking into account its location and potential development upside. In addition to our strong base metal portfolio at Broken Hill, Sellheim provides our shareholders with the ability to explore for hard-rock deposits within a proven gold mining jurisdiction.

Q: What did the recent drill results identify at Sellheim?

The recently completed drilling activities at Sellheim were considered very successful and have allowed the exploration team to gain a better understanding of the geological system and potential gold bearing structures within the project area.

From the drilling program, our team was able to determine that multiple intersections of gold, copper and silver mineralisation occur within holes 14SH001, 002 and 004. Furthermore, anomalous gold intervals in the order of 0.1 to 0.7 g/t over intervals of 0.5 to 18m were found to be hosted within skarn alteration and quartz sulphide veins. Importantly, the best intersection of 11.1m at 0.66 g/t gold and 0.28% copper in hole 14SH004 is hosted in magnetite-quartz skarn and is located in close proximity to a major fault structure which to date has not been drill tested.

To provide some further context on the exploration potential at Sellheim, skarn deposits worldwide are an abundant source of copper, lead, zinc, silver and gold and form part of the intrusion-related gold model. The Red Dome gold deposit in North Queensland is a significant local example of this.

Q: What are the next steps for SCI at the Sellheim project?

Taking into account the limited exploration drilling undertaken at Sellheim – Silver City is currently undertaking the necessary planning for a strategic follow up drilling program.

After undertaking a thorough geological assessment, the Company believes hole 14SH004 is close to a fluid conduit (known fault) that is prospective for gold and copper mineralisation associated with breccias.

Furthermore, Silver City favours an intrusion-related (or porphyry) gold model for the formation of the gold at Sellheim, drawing comparisons from other Queensland deposits such as Mt Leyshon (3.2 million ounces), Kidston (5 million ounces), Mt Wright (1 million ounces) and Red Dome (1.3 million ounces) all which have mineralised breccias close to surface.

Broken Hill (lead-zinc-silver)

The Razorback West project is located approximately 15 kilometres northeast of the world class mines of Broken Hill. The project is characterised by coincident gravity, induced polarisation and RAB geochemical anomalies which extend over a strike length of 5 kilometres.

Importantly, the Razorback West project is located on the western shoulder of a large regional gravity anomaly in an identical setting to the world-class Broken Hill ore bodies and represents the potential for a truly large Broken Hill type silver-lead-zinc discovery. While Razorback offers a very large buried target, active exploration also continues on other areas with good potential for smaller discoveries.

Q: What are the exploration plans for the Company's Broken Hill tenements?

Broken Hill remains a key area of focus for the Company with a number of identified targets warranting follow up exploration activities. Looking ahead, the Company is focused on continuing its geological and geophysical evaluation of these targets with the aim to define and test the best possible drill targets.

The Company believes the Razorback West project is potentially the fault-offset northern extension of the famous Broken Hill "line of lode" corridor. Following a thorough review of all available data, the Company is assessing the viability airborne VTEM and downhole MMR geophysics in

conjunction with follow up drilling. This will allow the Company to cost effectively increase its knowledge of the Razorback West project and its geological confines.

Taupo (gold-silver)

In May 2014, the opportunity presented itself for the Company to acquire a portfolio of tenements in New Zealand that have target styles matching our Company expertise. The tenure encompasses 94 square kilometres located on private land within a commercial pine forest approximately 35km east of the city of Rotorua.

Q: What is SCI exploring for at its New Zealand tenements following the recent acquisition?

The target at Taupo is high grade epithermal gold-silver mineralisation associated with a young volcanic plug some 3 kilometres in diameter. Previous sampling, magnetic features and hydrothermal alteration of rocks suggest this is an unexposed fossil geothermal system. Historical data identifies gold and silver mineralisation. Old records indicate the area was mined for gold on a small scale in the early 1920s.

Geologically models developed in New Zealand suggest the presence of gold-silver mineralisation at shallow depths.

Q: Will the New Zealand tenements detract from ongoing work at Sellheim and Broken Hill?

The acquisition of the New Zealand tenements was a strategic decision made by the Board of Silver City to provide further opportunity to our shareholders for considerable exploration success. The Company is currently planning an initial low cost program of geological mapping and sampling for late 2014 – however this will have no impact on our future planning and scheduled work programs for our New South Wales and Queensland assets as they are still SCI's primary focus.

Funding

Q: Is Silver City Minerals sufficiently funded to execute its upcoming exploration plans?

We are very well supported by our major shareholders as evidenced by the successful share placement completed in March 2014. The placement to Sentient Global Resources Fund and Fitel Nominees raised \$419,700. Following this we raised a further \$877,500 in April through the successful completion of a share purchase plan offered to existing shareholders.

The successful SPP and share placement provided the Company with increased short term financial flexibility – paving the way for the systematic exploration of the Sellheim gold project in recent months.

At present, SCI has a robust cash position of \$3.8 million

For further information investors are referred to the Silver City Minerals website at www.silvercityminerals.com.au and our most recent Quarterly Report.

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. It has entered into a Farm-in and Joint Venture Agreement with a private consortium to explore the Sellheim gold project south of Charters Towers and has acquired two tenements to explore for high grade gold and silver in an epithermal system near Rotorua, New Zealand.

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.

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
Ivo Polovineo	Company Secretary
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