



SHAREHOLDER UPDATE

7 July 2010

QUARTERLY REPORT - JULY 2010

HIGHLIGHTS

- **Reconnaissance RC drilling by SCI at the Maybell prospect has intersected 4 metres at 608 g/t silver (with a re-assay returning 4m at 733 g/t silver), beneath previously untested lode horizons.**
- **Detailed mapping and rock chip sampling of the Allendale project area has shown that prospective “lode rocks” are far more extensive than shown in previous maps. SCI work shows that base and precious metal potential extends well beyond the known historic workings in the area. Rock chip samples have returned highly anomalous results.**
- **SCI has signed an Option Agreement with respect to three Mineral Claims which lie within EL 7319 (Euriowie). The claims cover the old Golden King mine and SCI rock samples have returned high grade gold (to 12.8 g/t) and copper (to 2.5%).**
- **SCI RAB drilling at Razorback West has outlined a large, open-ended (4.7km long) base-metal anomaly under shallow cover approximately 15 km northeast of the Broken Hill Line of Lode. This is coincident with a regionally significant gravity anomaly in an area of poor outcrop. Detailed mapping has shown that previously unrecognised “lode rocks” occur in the area.**

SCI CORPORATE

- **Management changes effective in April have seen the appointment of Mr Christopher Torrey as CEO, Mr Robert (Bob) Besley as Chairman and the resignation of Dr Michael Leggo as Managing Director.**
- **The company has made significant headway in preparations for the proposed IPO, scheduled for the last quarter of 2010, with technical due diligence and a draft prospectus near completion.**

- Total expenditure for the quarter was \$497,000, comprising \$372,200 on projects and \$124,800 on administration. Cash in the bank at June 30 2010 was \$1.26 million.
- A number of old exploration agreements with respect to the Aragon, Euriowie and Ziggys tenements have been clarified, modified and agreed to by third parties. The Aragon and Ziggys tenements are now subject to a 10% free carried interest to the completion of a Bankable Feasibility Study (BFS). This interest is convertible to a 0.25% NSR. Euriowie has an attached 8% free carried interest to the end of BFS convertible to 0.2% NSR.
- A new Option Agreement with respect to a high grade copper-gold project known as Golden King has been signed. This is a three year option with a total exercise payment of \$500,000 and 500,000 fully paid ordinary shares in SCI. The initial advance option payment for the first year is \$35,000.

SCI OPERATIONS

Yanco Glen (EL 5764)

This project encompasses an area of approximately 13 square kilometres centred on the Yanco Glen exploration licence. A number of old mines and prospecting pits occur within the area. These include prospects such as Allendale Mines, Sinclair's, Steakhouse, Easter Gift and Waukaroo. The most important historic mine in the area; Allendale, recorded a total tonnage of 22,380 tons of ore with grades varying from 6 to 10% lead, 47 to 260 g/t silver and up to 13.3% Zn.

SCI has completed detailed mapping in an area of approximately 4 square kilometres centred on the BHT-style Allendale Mines and has located at least 6.1 kilometres of outcropping lode rocks (Figure 2). Rock chip samples show widespread anomalous lead, zinc and silver grades. Similarly, historic drill holes located in the Allendale Mine area have returned high grade intersections. Hole DDA1 for example intersected 2.7 metres at 8.0% lead, 4.7% zinc and 55 grams per tonne silver from 67.5 metres. Most drilling has been focused on the old Allendale Mine and this large mineralised structure remains essentially untested for high grade Broken Hill type lodes. In longitudinal section, drilling shows that the main Central lode has been tested only by very broadly spaced holes in the order of 100m apart. Given that ore shoots similar in size to those which occur at Broken Hill could easily fit within this area, the current drill density is considered by SCI to be inadequate. This is a high priority target for SCI with 11 drill holes scheduled for completion after fund raising.

New soil geochemical data from portable XRF surveys show that not only is the Allendale Mine area anomalous, but zones which have never been drill tested, such as Steakhouse, Easter Gift, Waukaroo and areas north of Sinclair's also show marked anomalism. The Steakhouse-Allendale-Sinclair's anomalous trend represents a mineralised corridor some 3.5km long and 1km wide where multiple, untested lode horizons occur (Figure 2).

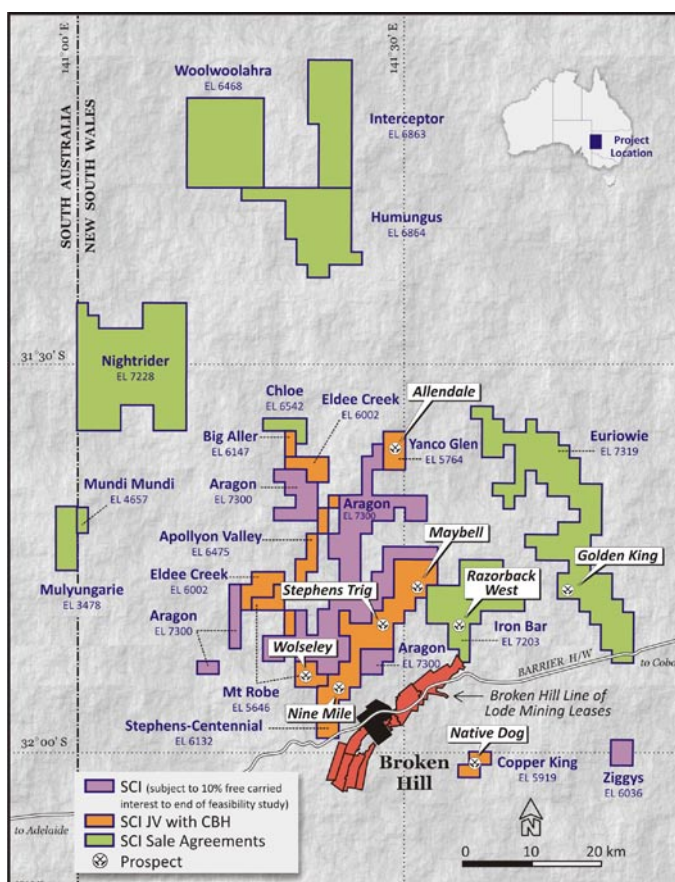


Figure 1: SCI Tenements and Prospects

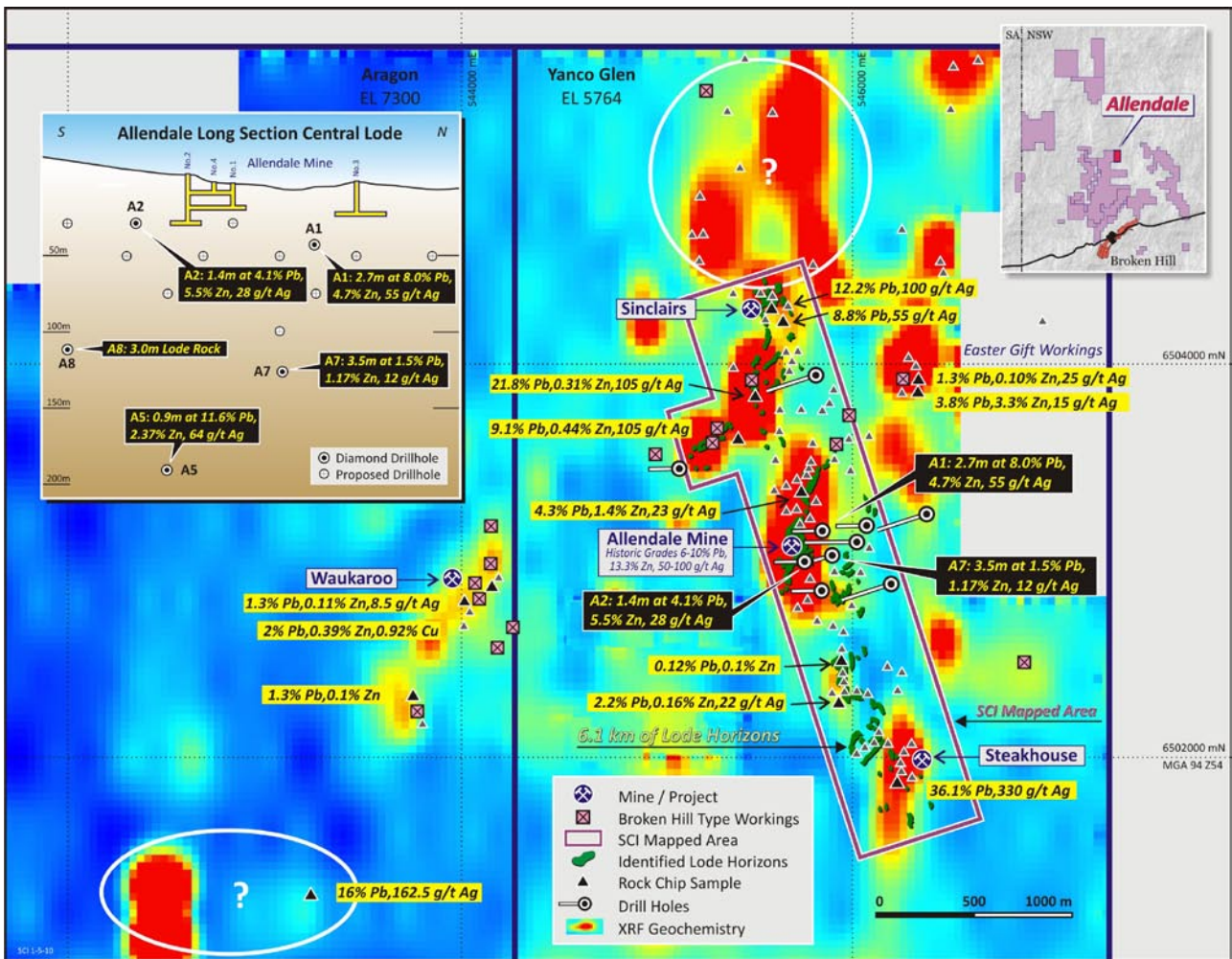


Figure 2: Allendale Project

Golden King Option Agreement

SCI has signed an Option Agreement with respect to three Mineral Claims (MC's) over the historic Golden King mine located within the western part of the Euriovie tenement (EL 7319). This is a three year option with a total exercise payment of \$500,000 and 500,000 fully paid ordinary shares in SCI. The initial advance option payment for the first year is \$35,000. Gold and copper mineralisation is hosted in quartz veins within a shear zone extending for over 800m along strike. Preliminary sampling of outcrops and old dumps by SCI has returned values of up to 12.8 g/t gold and 2.5% copper. Detailed geological mapping and rock chip sampling are scheduled for this prospect with the view to RC drilling immediately after completion of the IPO.

Iron Bar (EL 7203)

A rotary airblast (RAB) drilling programme was undertaken at Razorback West within the Iron Bar tenement. A total of 3266.5m were drilled in 453 holes. Results from this work have been combined with historic RAB and auger surveys to outline a significant lead and zinc anomaly. Geochemically anomalous rocks mostly occur beneath a cover of soil and transported alluvium 5 to 30m thick. Within this anomalous zone samples, mainly collected from the bottom of each hole, range in value from less than 10ppm to 1000ppm lead and less than 10ppm to 2560ppm zinc. The zinc anomaly extends in a southwest-northeast orientation and is 4.7km long and locally 200 to 400m wide. The anomaly overlies a strong, regionally significant gravity anomaly which extends for 6km along strike (Figure 1). This project has the potential to host a large Broken Hill type base

metal and silver mineralised zone. On completion of IPO, SCI plans to extend RAB surveys and conduct preliminary RC drilling.

Stephens-Centennial (EL 6132)

Nine Mile and Maybell Prospects

A total of 629m of reverse circulation (RC) percussion drilling was completed in 11 holes at Nine Mile and 733m in 7 holes at Maybell. The most significant results were received from Maybell where Hole No RCM-5 intersected 6m at 608 g/t silver (Table1). A re-assay of this intersection produced a result of 6m at 733 g/t silver. This is a very high grade result and occurs within a gossan in the oxidized zone. This drill hole provides an excellent target for follow-up drilling.

Table 1: Significant Drill Hole Intersections Maybell

Hole No.	MGA East	MGA North	From	Metres	Silver (g/t)	Lead(%)	Zinc(%)	Cutoff
RCM1	548358	6484623	33	2	17	0.40	1.50	10 g/t Ag
RCM3	548330	6484635	31	3	22	0.04	0.06	10 g/t Ag
RCM4	548317	6484644	17	1	21	0.20	0.30	10 g/t Ag
RCM 5	548324	6484750	17	4	608	0.26	0.02	30 g/t Ag

Note: Weighted average of 1 metre samples collected by riffle splitter with nominal sample size 2kg. Hole RCM5 intersected high grade silver above the water table. Analytical method ALS-Chemex Lab Code ME-ICP 61, Ag OG62 and Ag OG62h, Zn OG62 (www.alsglobal.com/DivisionDownloads/minerals/ALS_Minerals_Service_Schedule_2010_AUD%20low.pdf)

Stephens Trig Prospect

This prospect was last evaluated by a previous explorer in 2003. Little is known about the geology of the prospect as no compilation of the data has been undertaken prior to SCI involvement. Previous drilling programs have recorded high grade, near-surface intersections including 2m at 12% Zn, 4.27% Pb and 62 g/t Ag in hole SG001. SCI is currently undertaking a detailed assessment of all historic work on this prospect and is confident that there is potential to outline a well mineralised base metal zone with further, more detailed drilling.

Table 2: Significant Historic Drillhole Intersection Stephens Trig Project

Hole No.	MGA East	MGA North	From (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (g/t)
SGC1	545590	6478934	51	6	9.53	0.71	14
SGC2	545574	6478829	54	3	5.86	1.38	16
SGC4	545329	6478744	134	3	8.48	1.69	53
and			196	1	4.07	1.11	13
SGC5	545310	6478643	66	1	1.55	0.05	5
SGC6	544988	6478474	48	2	5.87	0.01	2
SG001	545797	6478964	66	2	12.00	4.27	62
SG003	545542	6478904	110	12	6.75	2.28	10
Including			112	6	11.80	3.80	13
SG005	545276	6478541	76	4	5.31	0.32	13
SG006	545377	6478850	56	2	2.30	2.71	20
SG012	545527	6478829	126	16	1.29	0.30	2
SG016	545451	6479135	335	1	9.00	5.08	43
SG017	545226	6478895	342	4	1.10	0.33	8
			390	2	1.54	2.38	117

Note: Lower cut of 1% Zn with minimum 1 metre width.

Mt Robe (EL 5646)

Wolseley Prospect

A total of 653m of RC drilling were completed in 7 holes returning no significant intersection but some weak mineralisation. Geological evaluation of the data is ongoing. The program was curtailed early due to heavy rains at the time.

SILVER CITY MINERALS LIMITED



Christopher Torrey
CEO

Competent Person

The information in this report that relates to Exploration Results is based on information compiled by Christopher Torrey, who is a member of the Australian Institute of Geoscientists, is a full-time employee of CTEX Pty Ltd and Chief Executive Officer of Silver City Minerals Limited, and 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 one of the world's largest natural accumulations of silver, lead and zinc; the Broken Hill Deposit. SCI was established in May 2008 to explore specifically in the District where it controls 18 exploration tenements through various Sale and Joint Venture agreements. It has a portfolio of highly prospective ground with drill-ready targets focused on high grade gold, silver and base-metals, and a pipeline of prospects moving toward the drill assessment stage.

CONTACT DETAILS

Management and Directors

Bob Besley	Chairman
Chris Torrey	Chief Executive Officer
Greg Jones	Non-Executive Director
Robert J Waring	Non-Executive Director
Justin Clyne	Company Secretary

Registered Office

Level 1, 80 Chandos Street, St Leonards, NSW 2065
PO Box 956, Crows Nest, NSW 1585, Australia
Ph: +61 2 9437 1737
Fax: +61 2 9906 5233
Email: info@silvercityminerals.com.au
Web: www.silvercityminerals.com.au