

SILVER CITY MINERALS LIMITED



SHAREHOLDER UPDATE

9 February 2011

REPORT – To 31 January 2011

HIGHLIGHTS

- Preliminary investigations into potential for discovery of silver deposits within the Apollyon Valley have been encouraging. Evaluation of historic geochemical surveys coupled with recent SCI rock chip samples suggest potential for both high grade silver-rich sulphide veins and lower grade oxidised halos which might be amenable to open pit mining and leach extraction.
- Rock chip samples collected from within the Eldee Creek Exploration Licence have returned a suite of 15 gold-anomalous samples associated with a zone of tourmaline veins. Four samples returned over 4 g/t gold with maxima of 5.42 g/t. Soil samples in the area indicate a lead-zinc-copper-arsenic-gold anomaly 1.5km long and 100-200m wide.

SCI CORPORATE

Extraordinary General Meeting

SCI has had preliminary approval from all holders of Converting Performance Shares (CPS) to convert this class of share to a fully paid SCI share on the basis of one fully paid share for every three CPS. This will result in the cancellation of 30 million CPS's and the issue of 10 million new shares in lieu thereof. Your Board is of the opinion this change to the company share structure will benefit all shareholders. This will require the formal vote of CPS holders and the acceptance of the new issue by existing shareholders. A notice of EGM to be held on 3 March has been distributed to all shareholders. Upon successful completion of the EGM, SCI plans to transition the company to an IPO. The IPO Due Diligence Committee has been formed and the Prospectus is in the final stages of preparation.

Variation to Agreement with CBH Resources

In order to earn more interest in the projects and to eliminate a "clawback" right held by CBH Resources (CBH), SCI has re-negotiated its joint venture agreement between the two companies. The new agreement provides for SCI expenditure of \$3 million on the entire joint venture tenement package (8 exploration licences) before 27 August 2013. This will give SCI 75% equity in seven exploration licences and eliminate all clawback arrangements. In addition CBH will immediately earn 15% equity in one licence (EL 7300), SCI will carry CBH to the beginning of a Definitive Feasibility Study and CBH will have the off-take rights to lead-zinc concentrates under normal commercial terms.

SCI OPERATIONS

Exploration Permitting

In anticipation of funding being available through the IPO for exploration in the second quarter of 2011 SCI has moved to secure access to specific projects from the Environmental Sustainability Unit of Industry and Investment; the government body charged with authorising exploration work. The table below indicates the status of approvals.

Tenement	Prospect	Work Planned	Environmental Approvals
EL 7203	Razorback West	RAB Drilling	Approved
EL 5764	Allendale	RC Drilling	Approved
EL 6036	Ziggys	RAB and Aircore Drilling	Approved
EL 6132	Maybell	RC Drilling	Approved
EL 6132	Stephens Trig	RC Drilling	Approved
EL 7319	Yalcowina Creek	RAB Drilling	Application Pending
EL 7319	Golden King	RC and RAB Drilling	Approved
EL 6468	Anomaly Hill	RAB drilling	Approved

Euriowie (EL 7319)

A detailed geological and geochemical sampling program has commenced at the Mt Brown prospect where brecciated massive sulphide gossans outcrop intermittently over a 1.5 kilometres strike length. Historic rock chip sampling shows values up to 402ppb gold, 433g/t silver, 34% lead and 0.9% copper.

Apollyon Valley (EL 6475)

A comprehensive review of historic geochemical surveys coupled with recent rock chip sampling confirms strong anomalism associated with known occurrences of lead and silver-rich veins (known as Thackaringa type veins). The work has identified a geochemical anomaly which extends for over 20 kilometres along Apollyon Valley Shear Zone. The best responses however lie in a well-defined corridor 200 to 500m wide and approximately 10km long in the southern part of the licence. Recently collected rock chip samples have returned values of up to 12.95% lead, 119 g/t silver and 0.36% copper from gossans in old mines areas. One sample of retrograde schist collected over an outcrop some 16m in length has returned 1.4% lead and 11.8 g/t silver. This sample shows that broad thicknesses of host rocks adjacent to old veins contain anomalous metal values.

Historic reports of silver values from the oxidised upper parts of Thackaringa type veins indicate that very high grades were encountered by original miners. Records indicate grades of many thousands of parts per million or even percents of silver in small parcels of ore. Further to this SCI research shows that historic sampling of sulphide-rich parts of Thackaringa veins from mine dumps (mid 1970's exploration) also returned very high silver grades. For example, in the Thackaringa District (not within SCI tenure), a batch of 34 sulphide-rich vein samples averaged 57% lead and 1772 g/t silver.

Figure 2 shows an extensive (approximately 10km) elongate lead anomaly in the southern part of the tenement. It has been detected in soils using a portable XRF device. High grade historic silver mines and silver-anomalous rock chip samples correlate well with the lead-rich zones. This area has never been systematically mapped at a detailed scale and has never been drill tested.

While SCI work to date is preliminary in nature, it does suggest potential for both very high grade silver-bearing sulphide veins and broader halos of lower grade oxidised veins, or vein stockworks which might be amenable to open pit mining and leach beneficiation.

Further detailed evaluations are planned.

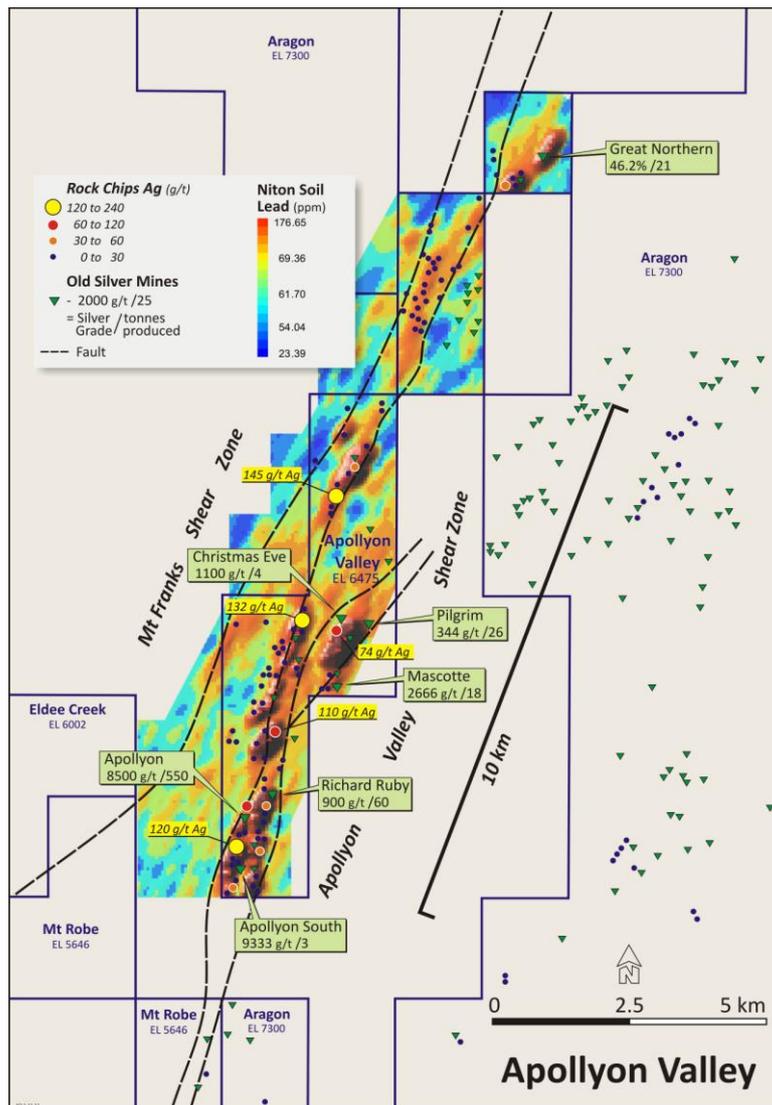


Figure 2. - Apollyon Valley Silver Project. Underlying image shows lead in soils. Green triangles are historic silver workings.

Chloe (EL 6542)

Work on a soil geochemical anomaly first identified by portable XRF has been undertaken. Mapping and rock chip sampling has identified an area of iron-rich meta-sandstones which are highly anomalous in both lead and zinc. No host “lode” horizons or significant gossans have been identified. Potentially this zone of anomalism may represent a halo to massive sulphides. Further assessment is ongoing.

Eldee Creek (EL 6002)

A strong lead-zinc-arsenic-copper anomaly has been previously identified in soil samples using both portable XRF and conventional analytical methods in the vicinity of the old Silver King and Jersey Lilly mines. The zone is approximately 1.5km long and 200m wide. In addition conventional soils showed anomalous levels of gold (to 137ppb). Field inspection of the anomaly revealed an abundance of locally gossanous, narrow (1m) tourmaline veins. Recent sampling of rocks within the anomaly, including tourmaline veins, has returned a suite of 15 anomalous samples with gold values between 0.056 g/t and 5.42 g/t. Four of these returned greater than 4 g/t gold. The suite was also anomalous in silver (to 81.7 g/t), arsenic (greater than 1%), copper (to 0.56%), molybdenum (to 34 ppm), lead (to 5.2%) and zinc (to 1.24%).

While the old workings are close by, the anomaly does not host any previous mine dumps or workings. The presence of highly anomalous gold warrants more detailed follow-up sampling and geological mapping by SCI.

SILVER CITY MINERALS LIMITED

Christopher Torrey
Managing Director

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 the Managing Director and CEO 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 Exploration Licences and Mineral Claims 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	Managing Director
Greg Jones	Non-Executive Director
Robert J Waring	Non-Executive Director
Justin Clyne	Company Secretary

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