4 November 2013

Silver City Identifies Strong IP Anomalies Beneath Eluvial Goldfield at Sellheim, Queensland

SCI completed an induced polarisation (IP) survey over 14 square kilometres focused on a north-east trending corridor of gold-bearing rocks thought to be the source of eluvial gold currently being mined at the Sellheim goldfield.

Discrete IP anomalies with extremely high chargeability responses in excess of 100 millivolts per volt (mV/V) have been identified in SCI’s recent geophysical survey. These results suggest source rocks containing abundant sulphide minerals.

Dimensions of anomalies are consistent with those of igneous intrusive bodies or hydrothermal alteration zones associated with them. These provide excellent drill targets for future exploration.

Anomalies lie beneath an eluvial gold field currently being mined at Sellheim from an area of approximately 1 square kilometre. Limited outcrop from within this goldfield comprises hydrothermally altered and fractured sedimentary rocks which host high grade gold mineralisation located in narrow shear zones and breccias. These are thought to be the source of eluvial gold.

3D inversion modelling of the IP survey data indicates that the anomalies extend from depth to within 100 to 200 metres of the surface.

Geological interpretation by SCI suggests that source rocks might be gold-enriched igneous intrusions similar to those which occur at gold deposits mined at Ravenswood, Mount Wright, Kidston, Mount Leyshon and Red Dome, all located in North Queensland.

Managing Director of Silver City Minerals commented: “We are highly encouraged by the presence of such strong IP responses from this gold-rich part of the project. We consider the gold in the eluvial field has travelled only short distances from its source and that it is derived from numerous shear zones and breccias which lie almost directly beneath the goldfield. Although we see high grade gold in fractures and breccias hosted in sediments at surface, geophysical modelling suggests the strongest parts of the IP anomalies lie 100 to 200 metres beneath these outcrops. Historic drilling has been too shallow to test these anomalies.”
"It is likely that the fractures and breccias have tapped gold-bearing fluids derived from sulphide-rich igneous intrusions at depth, allowing gold to be mobilised and deposited at higher crustal levels. It is Silver City’s intention to test these IP anomalies to determine if they are related to large gold-bearing intrusions trapped beneath largely impermeable fine sediments."

"This pressure-cooker geological environment, where gold-rich fluids derived from magma at depth are trapped beneath an impermeable cap, is ideal for the formation of intrusion-related gold deposits. These anomalies provide SCI with excellent drill targets."

Silver City Minerals Limited (ASX:SCI) is pleased to present results from recent work, including an IP survey conducted at its Sellheim joint venture project in North Queensland (Figure 1). During September SCI completed a survey over 14 square kilometres focussed on a north-east trending corridor of gold-bearing rocks thought to be the source of eluvial gold currently being mined at the Sellheim goldfield. The corridor extends for approximately 5 kilometres and is 200 to 500 metres wide. It is predominantly hosted in sedimentary rocks and lies parallel to and southeast of a contact between a tonalite intrusion and the sedimentary sequence (ASX Release 30 July 2013).

Work by SCI was designed to identify and characterise the likely source of the gold at Sellheim using IP, geological mapping and rock chip sampling.

Geology
The oldest rocks in the project area are fine siltstones and sandstones with localised fossiliferous marls. They strike generally east-west and dip to the south at 20 to 60 degrees. These are overlain by a sequence of coarse grained quartzo-feldspathic sandstones, grits and conglomerates. The sedimentary rocks are intruded to the west and north by younger quartz-bearing tonalite. The contact between the tonalite and the sediments is oriented generally northeast-southwest (Figure 2). East of this contact a number of small, finger-like porphyritic diorite stocks or dykes occur.

The southern part of the Mount Richardson ridge line is a mixed hydrothermal breccia complex which includes tourmaline-quartz breccias and gossanous sericite-quartz breccias both hosted in sediments.

Gold Mineralisation
Alluvial and eluvial gold has been mined from Sellheim 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 has 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 (Figure 2). 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 tourmaline veins hosted in sedimentary rocks (Figure 5). SCI considers this is eluvial gold located close to its hard rock source.

Historic sampling of limited outcrop in this area has consistently returned rock samples with highly elevated gold, silver, copper, molybdenum, bismuth, arsenic and lead (ASX Release 30 July 2013). Within the map area shown on Figure 3, 366 samples (including 125 recent SCI samples) have been collected. Of these 23% contain greater than 0.5 g/t gold, 15% contain greater than 1 g/t gold and 3.5% contain greater than 5 g/t gold. It would appear that many of the higher grade...
samples have been collected from a series of northwest-southeast oriented gossanous fractures or shear zones up to 4 metres wide. The fracture zones also locally host hydrothermally altered, gossanous and brecciated diorite. Sampling shows that gold is also hosted in calc-silicate (skarn) rocks which form as replacements of carbonate-rich sediments.

Of the 125 samples collected by SCI, seven returned values greater than 0.5 g/t gold. SCI sampling, more widespread, systematic and representative than historic sampling, confirmed that gold is largely restricted to fracture zones and gossanous quartz veins and that little gold occurs in the surrounding less fractured sedimentary sequences.

IP Survey
An offset pole-dipole survey configuration was completed and a 3D inversion model was created. 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 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 3). 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 350 metres wide. 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 4). 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, the breccia complex and in calc-silicate replacement zones. None of these appear to return chargeability 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 4; ASX Release 30 July 2013).

It is the view of the SCI Board that these anomalies provide excellent drill targets with respect to the intrusion-related gold deposit (IRGD) model outlined in Figure 6.

Joint Venture Agreement
The Company can earn up to 80% equity in the project from a private consortium by spending $3 million over four years, making staged cash payments totalling $400,000 and issuing 3 million SCI shares (ASX Release 30 July 2013). The Company is required to spend a minimum of $200,000 before it can withdraw.

Professor Ian Plimer, an independent non-executive director of SCI, holds an interest in the private consortium. SCI's introduction to the project, all contract negotiations and board discussions were at arm's length to the exclusion of Professor Plimer.

Note: JORC compliance notes are included in Appendix 1.
ABOUT Silver City Minerals Limited
Silver City Minerals Limited (SCI) is a base and precious metal explorer with a strong focus 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. The Company considers this to be a unique exploration opportunity to be undertaken in conjunction with its programs at Broken Hill. The Company is currently waiting for final results from an airborne VTEM survey completed at Broken Hill in August.

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
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COMPETENT PERSON

The information in this report that relates to Exploration Results is based on information compiled by Chris 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 which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a “Competent Person” as defined by the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Torrey consents to the inclusion in this Report of the matters based on this information in the form and context in which it appears.
Figure 1. Location of the Sellheim Project. The district has an historic endowment in the order of 30 million ounces of gold.
Figure 2. Plan of geology of the Sellheim project showing the location and extent of the eluvial/alluvial goldfield.

Figure 3. 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 2. 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 1g/t.
Figure 4. IP chargeability cross-sections (locations shown on Figure 3) showing the size and intensity of the anomalies.
Figure 5. Gossan vein with visible gold from eluvial goldfield.

Figure 6. Intrusion-related Gold Model.
### APPENDIX 1

Table 1 JORC Requirements

Section 1 Sampling Techniques and Data

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<thead>
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<th>Criteria</th>
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| **Sampling techniques**   | • Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.  
  • Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.  
  • Aspects of the determination of mineralisation that are Material to the Public Report.  
  • In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. | • Rock chip samples were collected either as continuous, linear intervals over outcrops or as visually representative chip samples collected over an area of outcrop between 2 and 10 metres in diameter.  
  • Samples were selected from areas of fracture, abundant iron oxide content and/or as representative samples of specific rock types.  
  • Sample size was 2 to 4 kilograms.  
  • No field duplicates were collected. |
| **Quality of assay data and laboratory tests** | • The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.  
  • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.  
  • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision | • Laboratory preparation method involved crush and pulverization to achieve 85% passing 75 microns or better. Standard analytical method is an aqua regia digestion and ICP for 35 elements (ALSGlobal Code ME-ICP41; www.alsglobal.com). Gold by 50g charge fire assay with atomic adsorption (AA) finish (ALSGlobal Code AA26).  
  • No standards or blanks were applied. |
## Criteria | JORC Code explanation | Commentary
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**Location of data points** | • Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.  
• Specification of the grid system used.  
• Quality and adequacy of topographic control. | • Rock chip sample co-ordinates are measured by handheld GPS. Datum MGA94 Zone 55.

**Sample security** | • The measures taken to ensure sample security. | • Samples were delivered to the laboratory by Silver City staff

### Section 2 Reporting of Exploration Results
(Criteria listed in the preceding section also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
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**Mineral tenement and land tenure status** | • Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.  
• The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. | • MLs 10328, 10269 and 10270 and EPMs 13499 and 15778 subject to farm-in and joint venture agreement (ASX Release 30 July 2013).  
• Portions of the tenements are subject to claim QC98/10 the Jangga People.  
• No known impediments for future exploration and development.

**Exploration done by other parties** | • Acknowledgment and appraisal of exploration by other parties. | • Referred to in ASX Release 30 July 2013. Outlines SCI view on the nature and effectiveness of historic drilling and rock chip sampling. No drilling has been undertaken by SCI.

**Geology** | • Deposit type, geological setting and style of mineralisation. | • Intrusion-related gold deposit

**Diagrams** | • Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional. | • See Figures
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<td><strong>Balanced reporting</strong></td>
<td>• Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</td>
<td>• All rock chip sample locations are shown on Figure x and classified as either less than or greater than or equal to 1 g/t gold. This gives an overall view of samples collected by all explorers.</td>
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<td><strong>Other substantive exploration data</strong></td>
<td>• Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</td>
<td>• An Offset pole-dipoles (OPD) IP survey was undertaken. It utilized a group of 16 OPD IP arrays covering an area 3.1km x 4.6km. Work was conducted by Search Exploration Services Pty. Ltd. using a 50kVA transmitter. The full survey comprised 8 contiguous rows of 2x OPD arrays (spreads). Each spread consisted of a central transmitter line with 24 electrode locations with receiver lines on both sides spaced 200 metres from the transmitter line. Receiver and transmitter electrodes were separated by 100m with 100m receiver dipoles. The data were edited for quality control. Values where the receiver may have been close to an equipotential line (approximately 5% of readings) were deleted and duplicate readings were averaged. This process resulted in a total of 11,470 independent IP and resistivity readings. The data were modelled using the Res3DInv-X64 inversion modelling package. Results are described in text.</td>
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<td><strong>Further work</strong></td>
<td>• The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</td>
<td>• The Company will conduct further geological mapping and rock chip sampling. Drilling of IP anomalies is proposed but no detailed drill plan has been considered by the SCI board to date.</td>
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