

JUNIOR SET TO SHINE AT BROKEN HILL

Silver City Minerals has the right address, expertise and potential for a major zinc discovery next to the world's largest silver, lead and zinc deposit. **Ngairé McDiarmid** reports

BROKEN HILL IN western New South Wales was the starting point for global mining giant BHP Billiton. It is also the starting point for Silver City Minerals, which controls about 1200sqkm of tenements around the landmark mining town.

The Broken Hill Deposit hosts the world's largest accumulation of silver, lead and zinc which has been mined for more than 130 years.

The historic deposit was given a new lease of life by Perilya in 2002, mining about 15 million tonnes of ore and shipping 800,000 tonnes of zinc metal and 450,000t of lead in its first eight years of operation.

The line of lode is also being mined by CBH Resources, which has an annual production target of 34,000 tonnes of zinc metal in concentrate, 28,000 tonnes of lead metal in concentrate and 1.1 million ounces of silver in the lead concentrate.

But little exploration has been

done to the north and south of this behemoth, which is where Silver City stepped in with a clear purpose of finding a new major zinc deposit.

The company has accumulated under-explored tenements around the Broken Hill deposit because, as managing director Chris Torrey points out, the rocks hosting the enormous deposit don't change at the boundary of a mining lease.

"We're looking for another Broken Hill in a district with a monster orebody," he explains.

"But if we find just 1% of that, we'll still have a sizeable deposit – it's amazing."

The company's focus on zinc ties in perfectly with a forecast production shortfall, as demand continues to grow by about 4% a year, and two major zinc mines – MMG's Century mine in Queensland, and Verdanta Resources' Lisheen mine in Ireland – prepare to shut down.

"It's a metal that's consumed and

it can't be recycled easily," Torrey explains.

"More than 50% of zinc is used in galvanising steel – and it does have other applications – but what is really interesting is that it's not readily recyclable.

"We're a mineral explorer and we're optimistic that there'll be pressure on zinc prices in the coming 18 months.

"Broken Hill is renowned for its high grade lead and zinc and silver ores, and a new high grade discovery would certainly go a long way to filling that demand."

Silver City's top three prospects are Razorback West, to the north of the Broken Hill line of lode, Stephens Trig to the west and Balaclava to the south, where diamond drilling was underway to test zinc sulphide mineralisation at the time of going to press.

Torrey said people often mistakenly believed the area around Broken Hill was a mature province and had no more ore to reveal.

"Even though the area to the north of Broken Hill was mapped as the same rock sequence, it was largely hidden under soil and alluvial cover," Torrey said.

"It was only 10-15km along strike from Broken Hill there hadn't been any drill holes put in until we got here.

"Our drilling has certainly revealed the right rocks so now we've got to persist and use bit of science and keep drilling because it looks like it's going to be a very important zinc discovery."

Silver City's expertise on the ground is thanks to the wisdom on the board and the knowledge of its joint venture partner, CBH Resources.

The view from Nine Mile station at Silver City's promising Razorback West zinc project.





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CHRIS TORREY
SILVER CITY MINERALS
MANAGING DIRECTOR

About half of Silver City’s tenements are in a joint venture with CBH, which is mining the main lode in the centre of Broken Hill at its Rasp Mine.

There is a wealth of local experience on the board – chairman Bob Besley founded CBH Resources, and non-executive director Ian Plimer has worked in and around Broken Hill since 1968.

“He is the leading expert on the Broken Hill deposit,” Torrey said.

He also acknowledged the expertise of geologists Barney Stevens and Wolfgang Leyh, who were instrumental in putting together Silver City.

“To have this wealth of local insight and expertise throughout the company is absolutely wonderful,” he said.

Silver City also valued its great working relationships with landowners in the district.

“We really appreciate the amazing relationships with the folks out here on the land, it’s one of the critical factors about operating here,” Torrey said.

Razorback West (100%) is Silver City’s favourite prospect for several reasons, firstly thanks to its outstanding belt of anomalism.

“We have a gravity anomaly coincident with an induced polarisation and coincident with geochemical anomalies that run for 5km that are from 200m-500m wide,” Torrey said.

“We drilled lot of shallow RAB holes and took samples of the bedrock underneath the alluvium and that’s how we found zinc.”

Selective rock chip sampling has also returned 1.5% lead and high grade silver at 358gpt.

Torrey said the company was using the tantalising geophysical and geochemical data to generate new targets which he hoped to drill within six months.

“Here we have a really large zinc, lead and manganese anomaly just up the road from the world’s largest anomaly and we just have to have a go,” he said.

To the west, the Stephens Trig Corridor has revealed intersections of 6m at 11.8% zinc, 3.8% lead and 13gpt silver.

“We think there’s a spectacular zone there from old drill results, they suggest potentially a near-surface, high grade zinc resource,” Torrey said.

The Balaclava prospect (Silver City 75%; CBH 25%) is believed to be the southern extension of the Broken Hill line of lode.

A drilling program was underway when Resourcestocks spoke with Torrey but a previous drilling highlight at Balaclava included 10.1m of 6.8% zinc and 0.7% lead.

“We’ve got the right partner,” Torrey said.

“CBH is extremely interested in us making a discovery, especially near surface, that we could bring in and put through their mill.

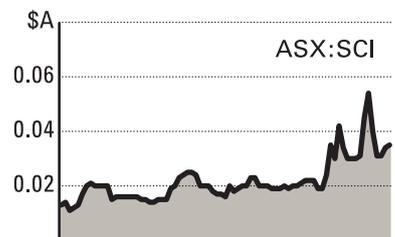
“So we are right next to a world-class deposit, zinc is forecast to be in demand and we have the right partner and expertise in the district,” Torrey said.

“Our team really understands what the conditions are for this type of mineralisation and we’ve honed that over a period of time.

“We’re in absolute elephant country and we’re looking for a monster – but if we found just 1% of the Broken Hill deposit it could generate an awful lot of money.” **RS**

Silver City Minerals is breathing new life into the historic Broken Hill region.

SILVER CITY MINERALS AT A GLANCE



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MARKET CAPITALISATION

\$4.1 million (at press time)

QUOTED SHARES ON ISSUE

116.3 million

MAJOR SHAREHOLDERS

The Sentient Group – 17.7%
Variscan Mines Limited – 12.5%
HSBC Custody Nominees – 4.8%
UOB Kay Hian Private Limited – 3.7%
RHB Securities Singapore PTE Ltd – 3.7%