

# SILVER CITY MINERALS LIMITED

## Quarterly Report

March 2016

### ASX Code: SCI

Issued Shares: 116.3M  
Unlisted Options: 10.5M  
Cash Balance: \$1.1 million  
ABN: 68 130 933 309

### DIRECTORS

Bob Besley  
Chris Torrey  
Ian Plimer  
Greg Jones  
Ian Hume

### TOP SHAREHOLDERS

(At 6 April 2016)  
Sentient Group: 17.74%  
Variscan Mines: 12.47%  
Top 20: 55.54%

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### HIGHLIGHTS

#### Broken Hill, NSW (silver-lead-zinc)

- The focus of the Company continues to be Broken Hill.
- Completed RAB drilling of three projects Acacia Vale, Razorback West and Yalcowinna West.
- New mineralised zone beneath alluvial cover at Yalcowinna West extends for 900 metres and is approximately 100 metres wide. Analytical results still pending but BHT "lode" rocks and minerals encountered with gossan in a number of holes.
- Environmental permits and access agreements in place for drilling at Stephens Trig and Razorback West.

### OUTLOOK

- RAB results for Acacia Vale, Razorback West and Yalcowinna West anticipated early in May.
- Drilling to test open-pit potential of Stephens Trig is scheduled late April.
- It is likely that the new Yalcowinna West target will require RC drill testing; final results are pending.
- Drilling to test EM and geological targets at Razorback West. Funding application to NSW Government for co-operative drilling submitted. Under government timetable drilling could commence in July 2016 if the application successful.
- Electromagnetic surveys at Balaclava.

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## OPERATIONS

### **New South Wales Projects**

#### **Broken Hill (lead-zinc-silver)**

Work during the Quarter focused on an early rotary airblast (RAB) drilling program designed to test a number of targets within three exploration licences (ASX Release 6 April 2016). It was decided that the Company would undertake this work prior to reverse circulation (RC) drilling at Stephens Trig. It is hoped that RAB data will generate more targets for RC drilling which could be tested as an adjunct to the work at Stephens Trig. At this early stage it is likely that the new Yalcowinna West target will require first pass RC drilling.

#### ***Stephens Trig (EL 8075)***

Work by SCI shows that the up-plunge positions of the E2 and Main lodes from surface to a depth of 100 metres have not been sufficiently tested by drilling. Preliminary economic modelling of up-plunge, hypothetical lodes has been sufficient to suggest that, if grades and thicknesses are consistent with other intersections, there is potential for open pit ore.

This project, located only 12 kilometres north of Broken Hill is potentially amenable to low cost open pit mining. Ore-grade material from this zone could be trucked to one of two beneficiation mills currently operating at Broken Hill.

Environmental permits and access agreements are in place and the Company plans to drill-test the concept with five shallow RC holes in late April.

#### ***Acacia Vale (EL 7300)***

Twenty RAB holes were completed in order to test versatile time domain electromagnetic anomalies (VTEM) under alluvial cover at Acacia Vale. Analytical results are pending.

#### ***Razorback West (EL 8077)***

One hundred and thirty RAB holes were drilled on the western margin of the Razorback West project area to test induced polarisation chargeability anomalies and lead geochemical anomalies beneath alluvial cover. Results are pending.

Environmental permits and access agreements are now in place to commence drilling to test coincident zinc and electromagnetic targets. An application to Round 2 of the New Frontiers Cooperative Drilling Program to test these targets has been submitted. If successful the Company anticipates approximately 900 metres of drilling in July.

#### ***Yalcowinna West (EL 8078)***

Sixty four RAB holes were completed to follow-up strong zinc anomalies outlined in previous programs. While results are pending, drilling reports indicate the presence of gossans, blue quartz and gahnite (a zinc aluminium oxide mineral) in a number of holes. These features are typical of "lode" rocks and minerals associated with Broken Hill-type (BHT) zinc-lead-silver ores at Broken Hill.

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This new work, coupled with previous RAB and geological data, suggests a zone of zinc-rich mineralisation reflected in RAB anomalism, might extend for 900 metres in a generally north-south orientation and may have a width of 100 metres. It is likely that this zone will require first-pass RC drilling.

## ***Balacava (EL 8076)***

A new interpretation which combines our recent drilling and historic drill data suggests the presence of the upper parts of the Broken Hill Group stratigraphy located 400 to 500 metres to the north of our recent targets. The upper parts of this geological sequence host many of the significant ore shoots at Broken Hill. Coincident with this area is an undrilled, late-time, fixed loop Sirotem (electromagnetic) anomaly suggestive of sulphide at 100 to 150 metres depth. Unfortunately the old geophysical data is poorly located using historic survey methods. In order to re-establish the exact location of this a new modern ground electromagnetic survey is required. Planning for this work is underway.

## ***Note on Ownership***

Of the projects listed above Stephens Trig and Acacia Vale are in joint venture with CBH Resources Limited (75% SCI, 25% CBH) where SCI carries CBH to commencement of a Definitive Feasibility Study. Balacava is also part of a CBH joint venture where CBH contributes its 25% share of exploration.

Razorback West and Yalcowinna West are 100% SCI.

## **CORPORATE**

Net operating expenditure for the Quarter was \$261k. This included \$143k on projects, \$156k on administration, offset by \$11k received in interest income, \$7k received from JV and consulting income and \$20k received for tenement security deposit refunds. Cash on hand at the end of the Quarter was approximately \$1.1 million. The company continues to review and implement reductions in operating costs to maximise funds available for exploration and other opportunities.

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**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.

### **Caution Regarding Forward Looking Information**

This document contains forward looking statements concerning Silver City Minerals Limited. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Silver City's beliefs, opinions and estimates of Silver City Minerals as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future development.

### **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". Mr. Torrey consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.



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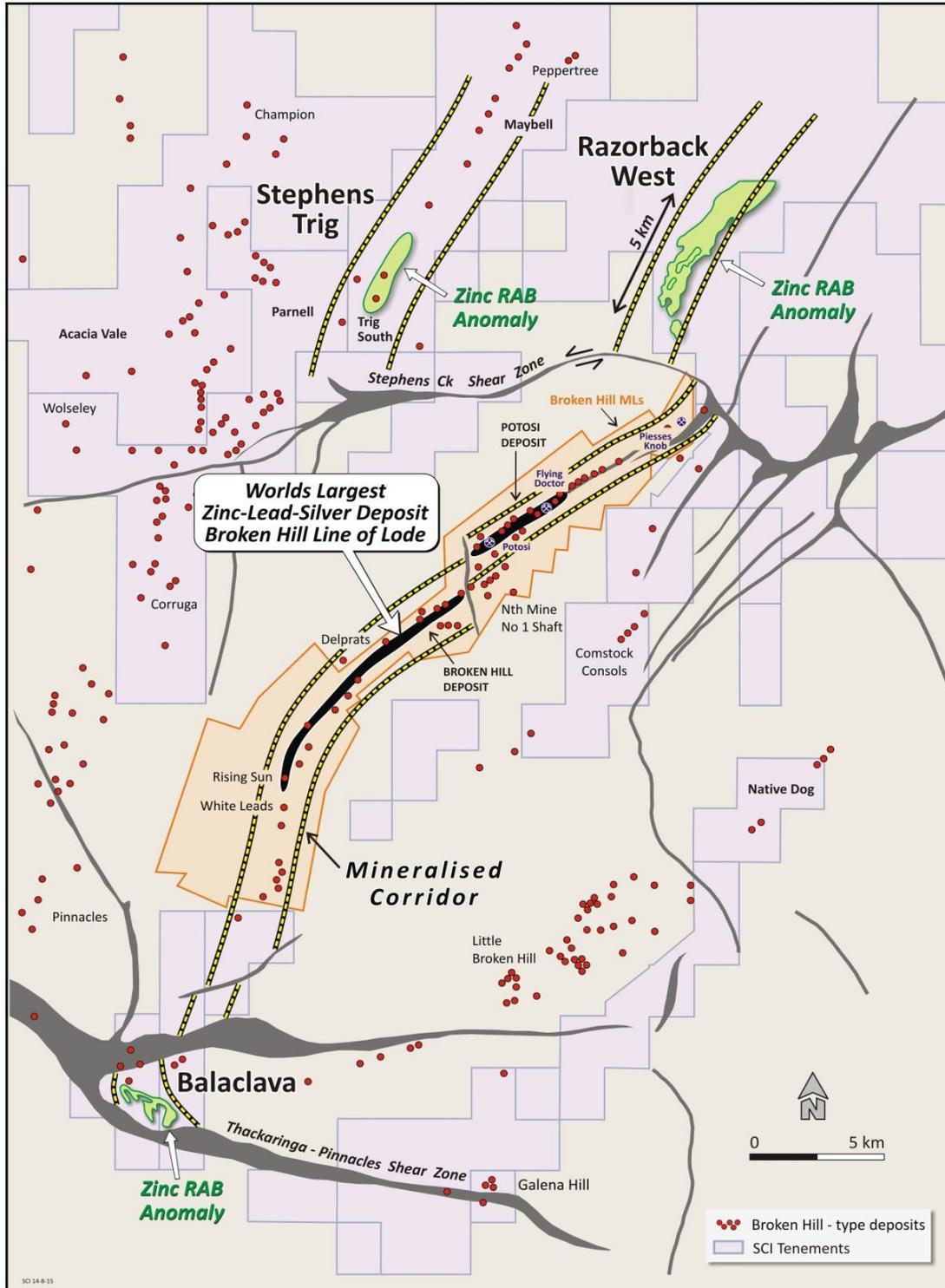


Figure 2. Broken Hill, showing the location and surface projection of the supergiant Broken Hill Deposit. Diagram shows the relationship of the deposit to SCI tenements and specifically to the location of Razorback West to the north and Balaclava to the south. Interpretations suggest Stephens Trig and Razorback West might lie within the same stratigraphic horizon each on the limb of a large antiform.