



Silver City Minerals 10 Apr 12

SCI

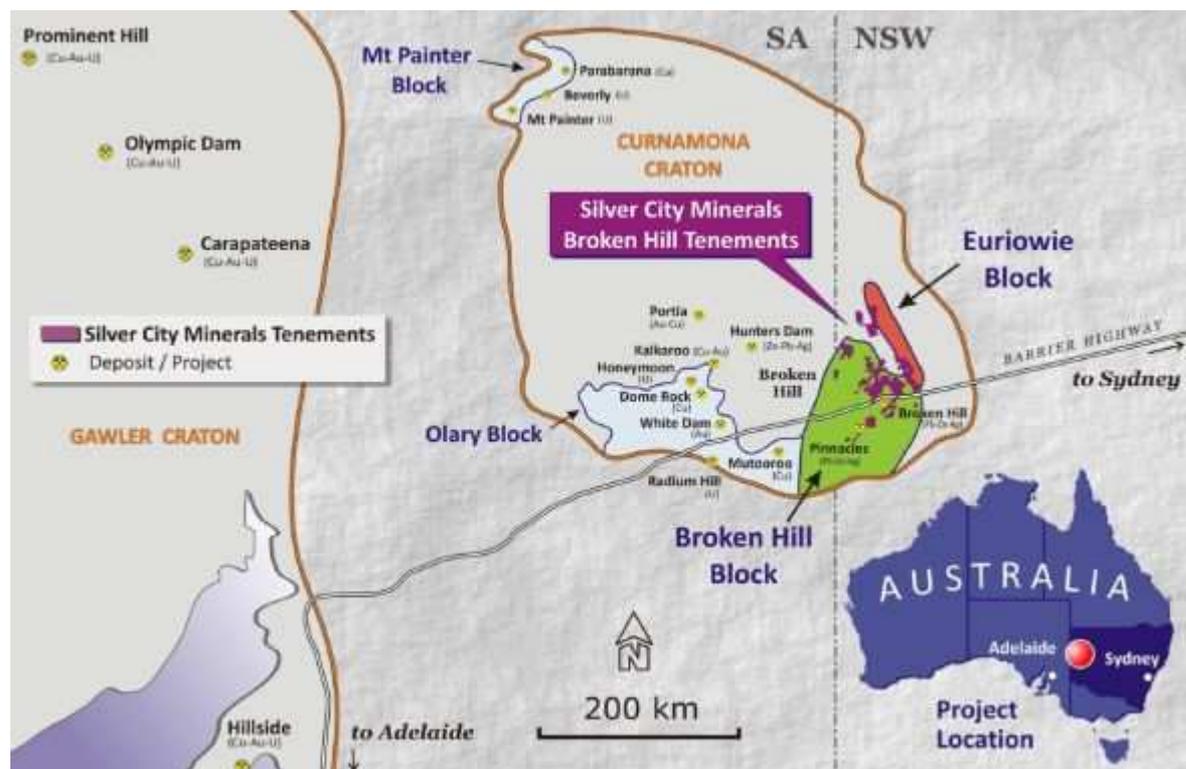
AUD \$0.14



B

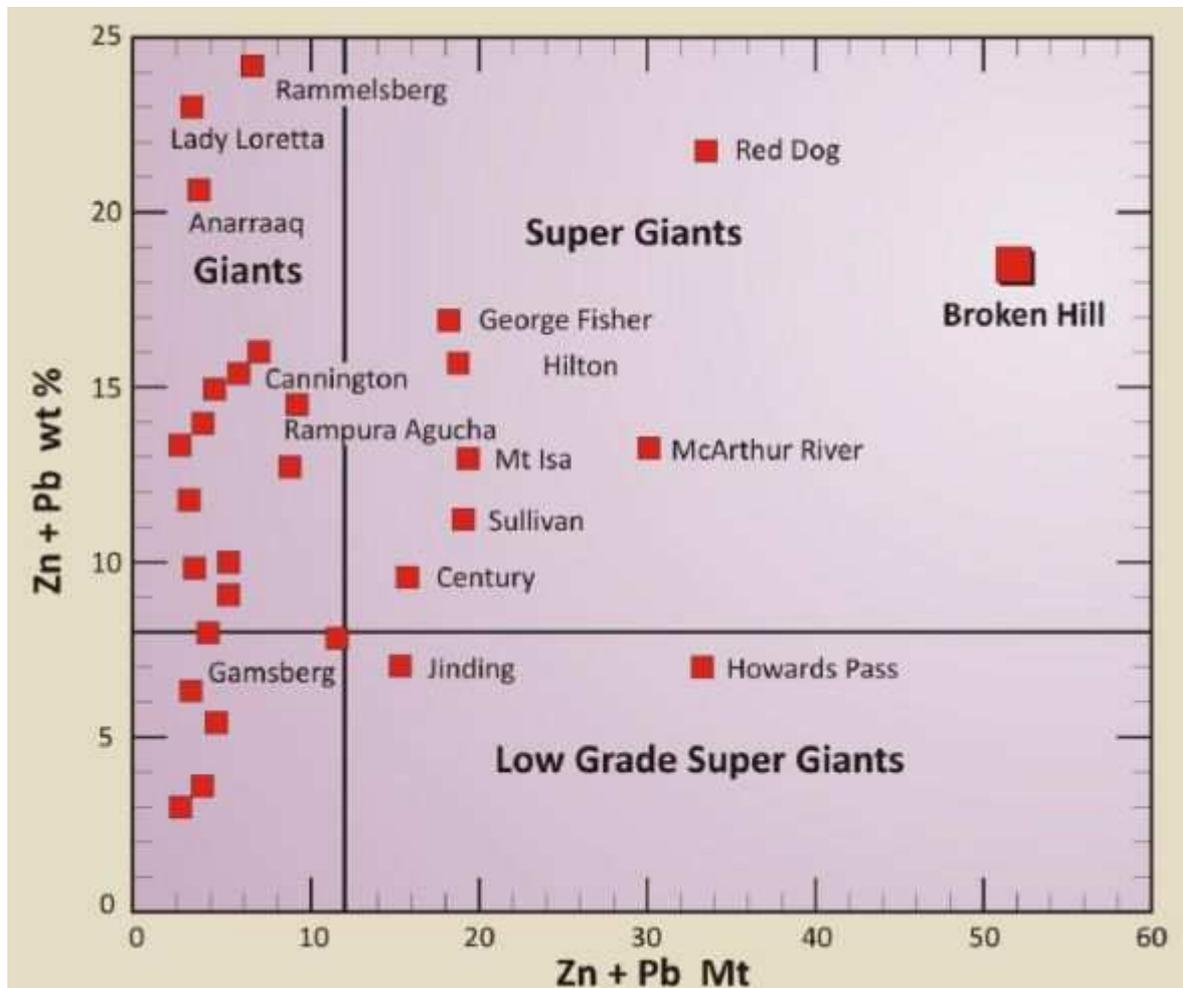
Silver-lead-zinc and Broken Hill! A mix to invest in

Silver City Minerals Ltd is exploring for base and precious metals on approximately 1,700 square kilometres of tenements located in the resource rich Broken Hill region of New South Wales. Silver City Minerals will focus on three key projects in Allendale, Razorback West and Apollyon Valley, with Allendale being its primary exploration focus. Apart from the three high priority projects, Silver City Minerals has several other projects in the region where drilling and early stage exploration is being conducted. The following figure shows a site map of Silver City Minerals Broken Hill tenements (not all the tenements are owned 100% by the company).



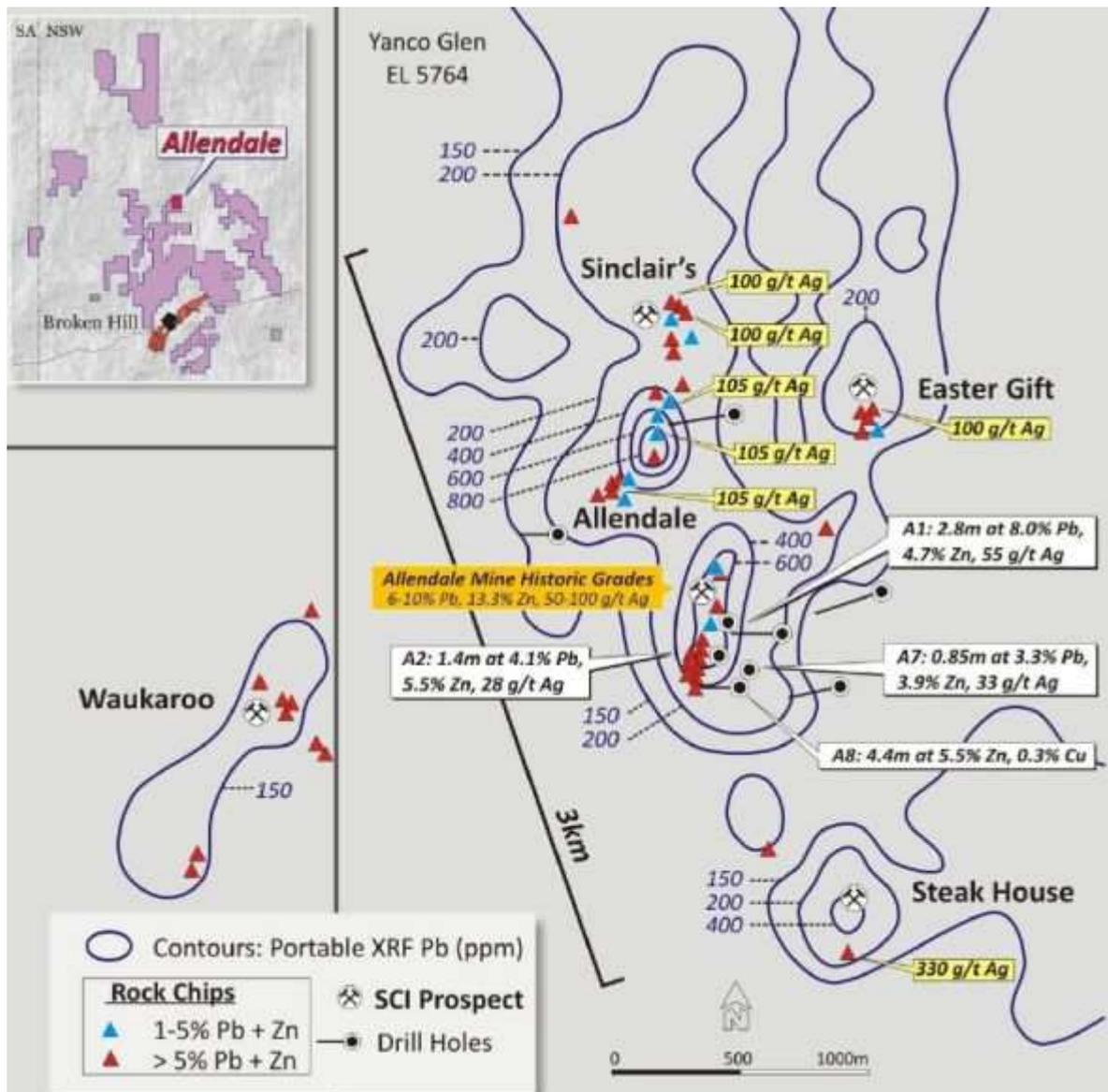
The Broken Hill district is an attractive region to explore in, as there is a long history of mining activity in a location well endowed with mineralisation. Native Title in the Broken Hill district has been extinguished and importantly, the region is well serviced with mining infrastructure and supporting services including a workforce.

Over the 125 years of continuous mining, Broken Hill has produced 300 million tonnes of ore with a grade averaging +20% of combined lead-zinc and 100 to 300 grams per tonne (g/t) silver. Broken Hill originally contained 28 million tonnes of lead, 24 million tonnes of zinc and one billion ounces of silver. The following figure shows the scale of Broken Hill compared to its peers (Zn is the symbol for zinc and Pb lead).



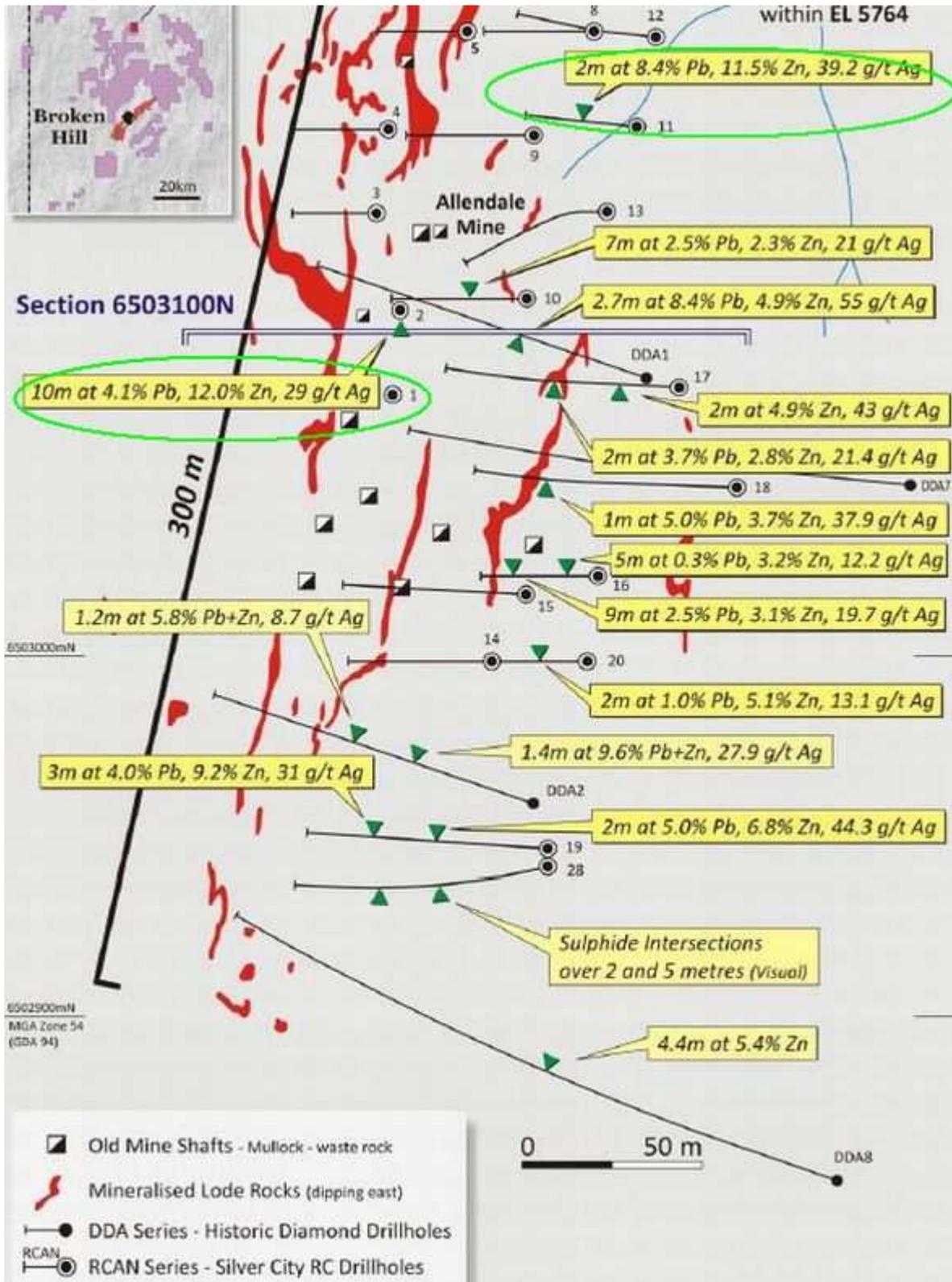
Exploration over 2012 will involve the company drilling 8,700 metres over the current drill season programme. The main focus will be on the Allendale project site where 3,000 metres will be drilled. The programme also includes drilling at Razorback West and Apollyon Valley with 1,600 metres on each and Golden King with 1,000 metres. The balance of the programme will be spread across Stephens Trig, Umberumberka and a number of other early stage high priority prospects.

The Allendale silver-lead-zinc project (Silver City Minerals interest 30% farming in to 75%) is a three kilometre long soil based mineralised anomaly. CBH Resources is in joint venture with Silver City Minerals at Allendale. A schematic of the Allendale project is shown in the following figure (Ag is the symbol for silver).



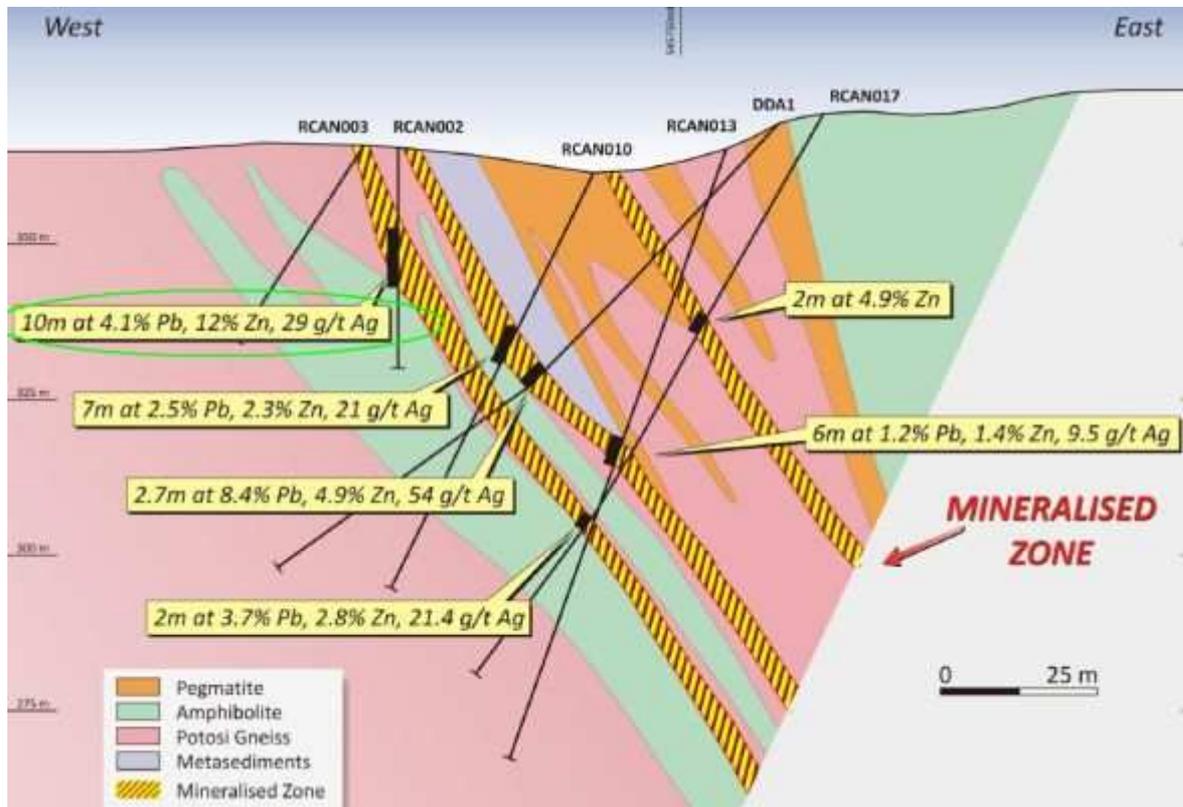
A high grade historic mine was certainly a tell-tale sign that the Allendale tenement hosted a subsurface silver-lead-zinc mineralised system. Subsequent surface activities including rock chip and soil sampling reinforced the prospective nature of the tenement.

Surface success was followed with drilling success, when a first pass drill programme was completed at Allendale in 2011. The following figure shows the locations of past drilling activity and the results.



Two of the better results have been highlighted in the above figure. These results are outstanding given they have come from a first pass of drilling. With only 300 metres of the three kilometre strike having been explored, we fully understand the company's impatience's at wanting to get back-in and drill.

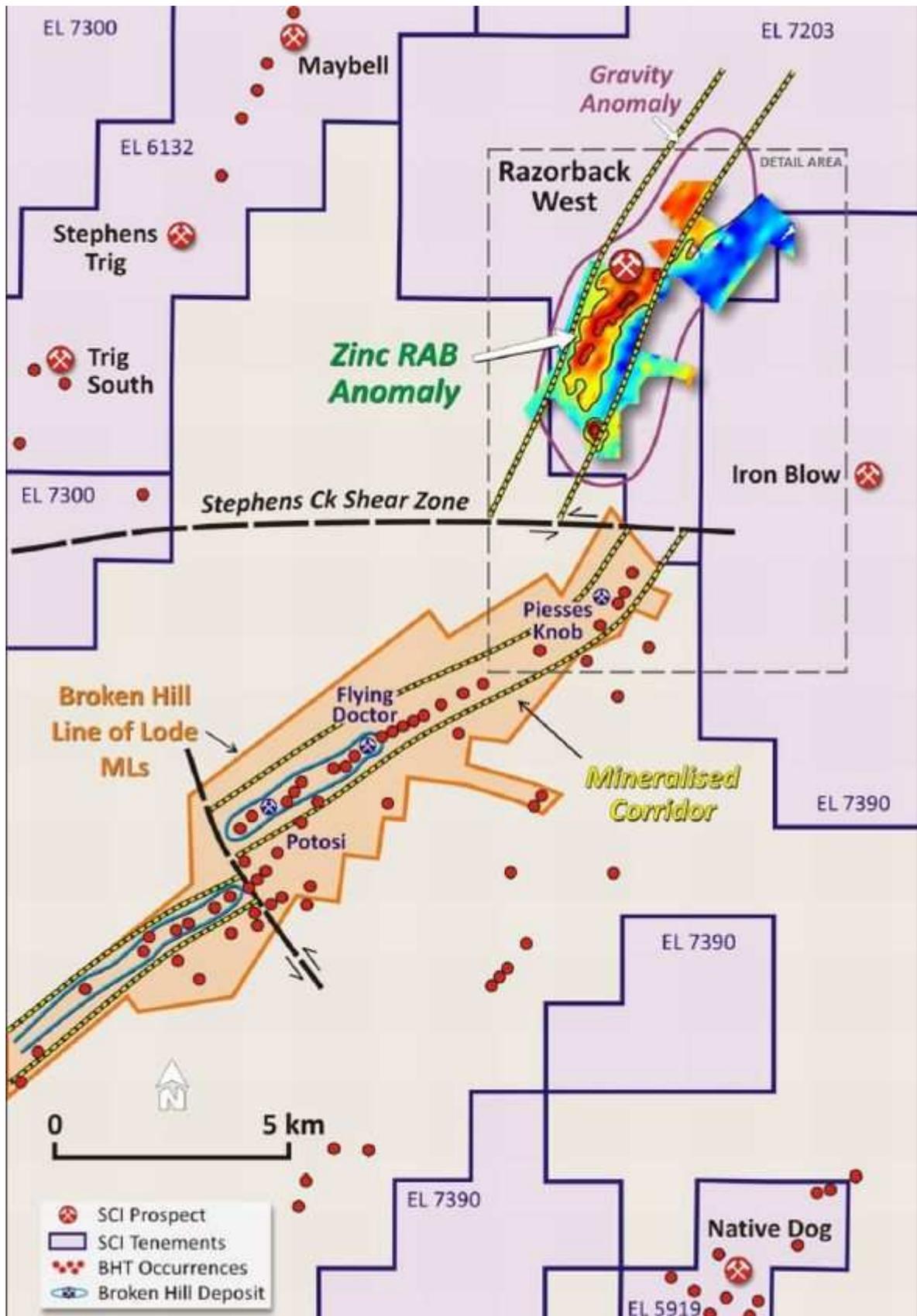
In the current drill programme for Allendale, the company will focus on exploring for the deeper extensions of the mineralised ore body and for extensions further along strike. **The mineralised ore body remains open at depth and along strike.** The following figure shows a concept schematic of part of the Allendale deposit with the previously highlighted intercept also highlighted (the cross section corresponds with the above figure at section 6503100N).



A key goal of the current drilling will be to define the outline of the Allendale resource. A total of 14 drill holes are planned for Allendale, with drilling to be completed by end June 2012, barring weather delays.

We certainly are of the view that Allendale has the potential to be a major silver-lead-zinc deposit. We do however remind Members that exploration potential and outcomes may vary considerably, and hence the project should be considered inherently risky.

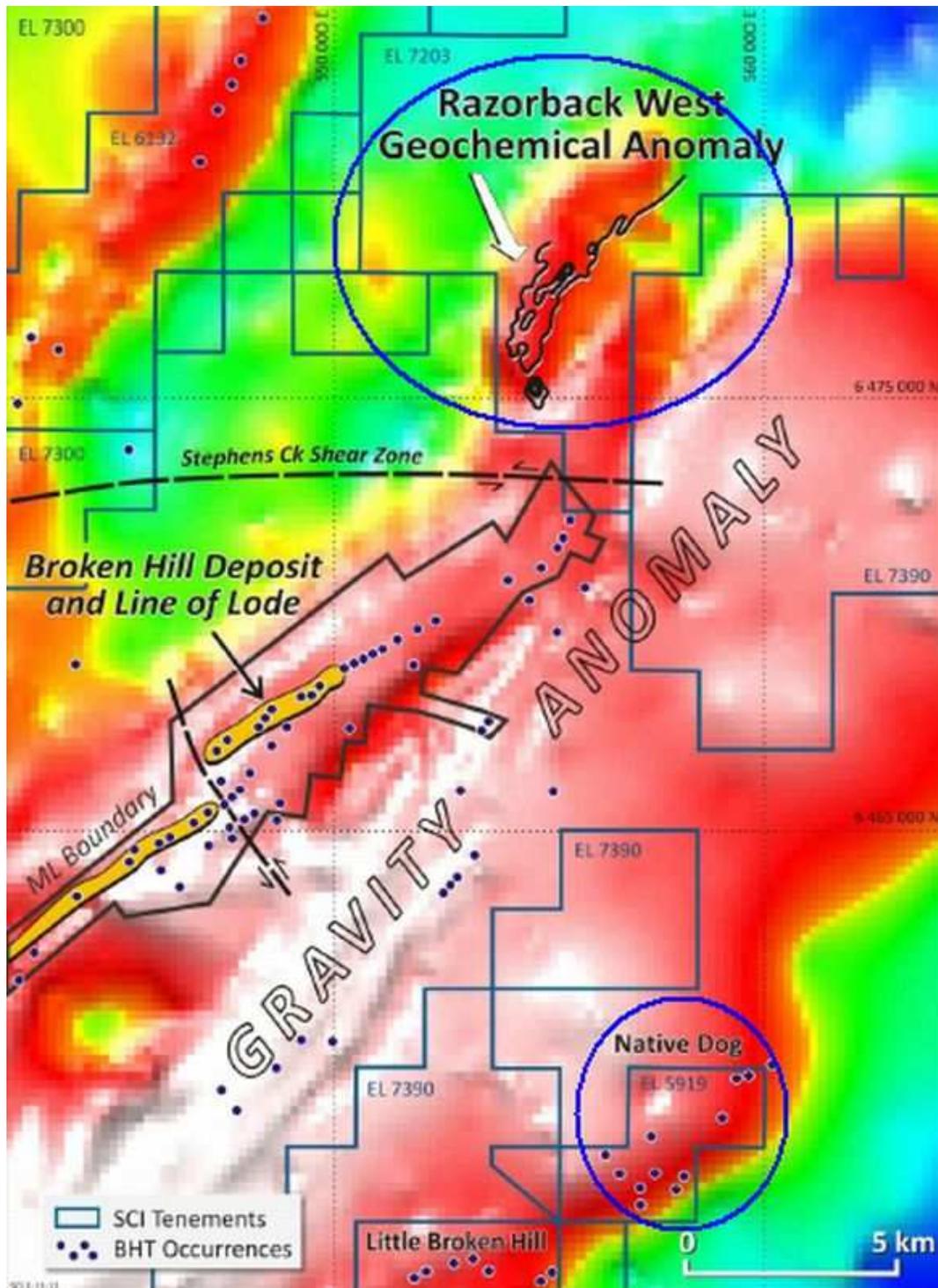
The Razorback West lead-zinc project is a large coincident gravity and geochemical anomaly that has the potential to be the northern extension to the Broken Hill Line of Lode. The following figure shows the Razorback West tenement.



The identified anomaly at Razorback West is geologically similar to the Broken Hill deposit. Razorback West is located on the western shoulder and has the same gravity signature as the

Broken Hill deposit. Some 90% of the five kilometre long Razorback West anomaly lay under thin over burden cover.

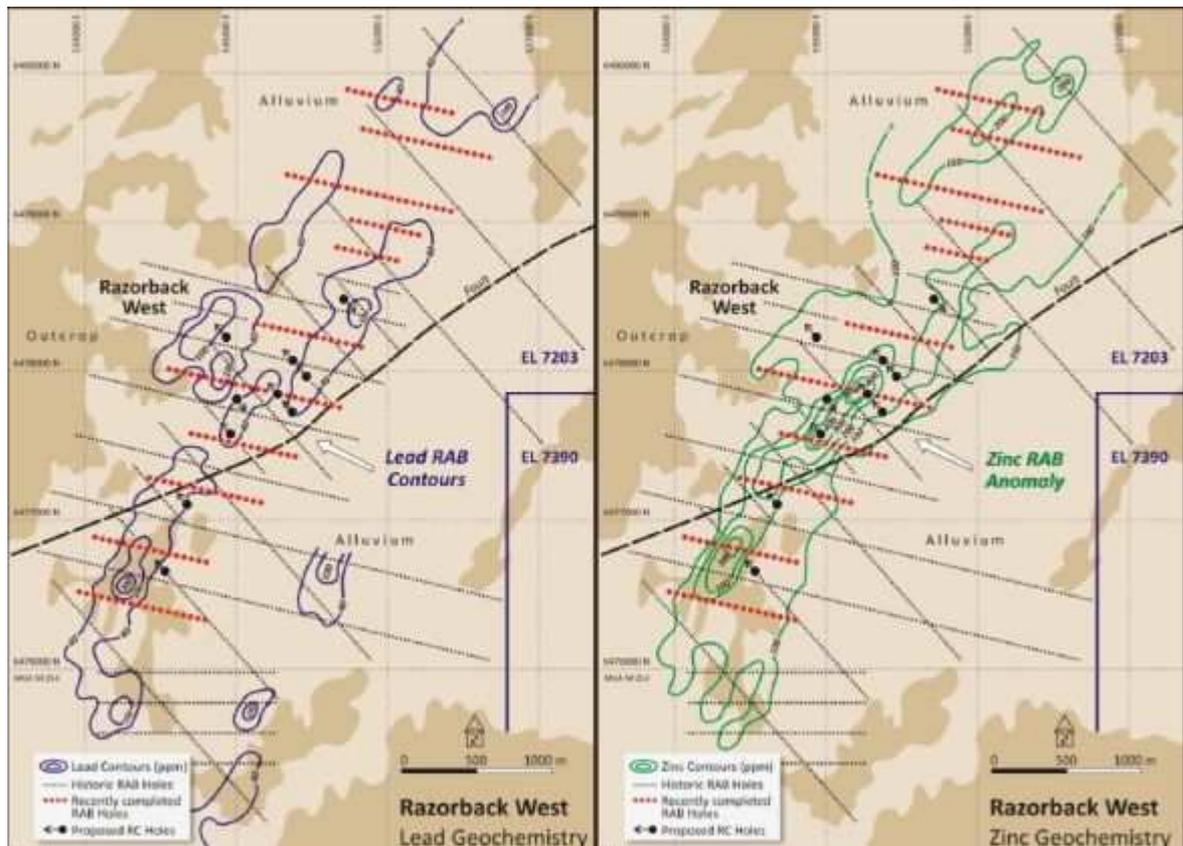
On the eastern edge is a high priority target in the Native Dog project (Silver City Minerals interest 30% farming in to 75%). The following figure shows the gravity signature of the Broken Hill area including both Razorback West and Native Dog projects (highlighted).



As Members can see from the above figure Native Dog is located on the opposite shoulder to the Broken Hill deposit. **Native Dog and the nearby Little Broken Hill project (not a Silver**

City Minerals asset) have been found to host extensive "Broken Hill Type" mineralised ore. The Native Dog project could be a real sleeper that the company has yet to fully exploit.

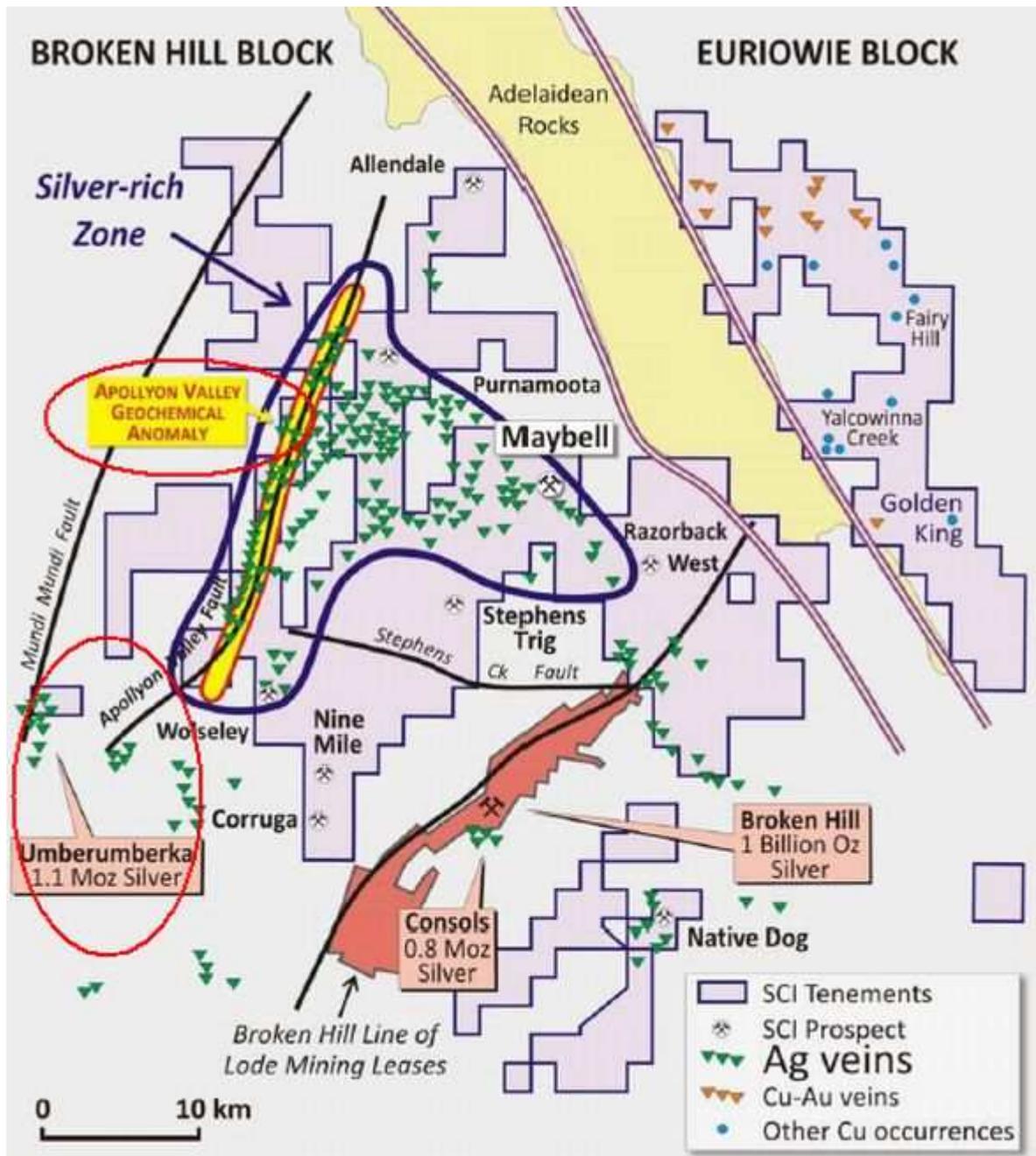
Previous exploration, including rotary air blast and auger drilling at Razorback West has detected a lead and zinc signature. Razorback West could also host silver mineralisation, a prospect that has yet to be fully investigated by the company. The extent of the signature outlines for both lead and zinc are shown in the following figure.



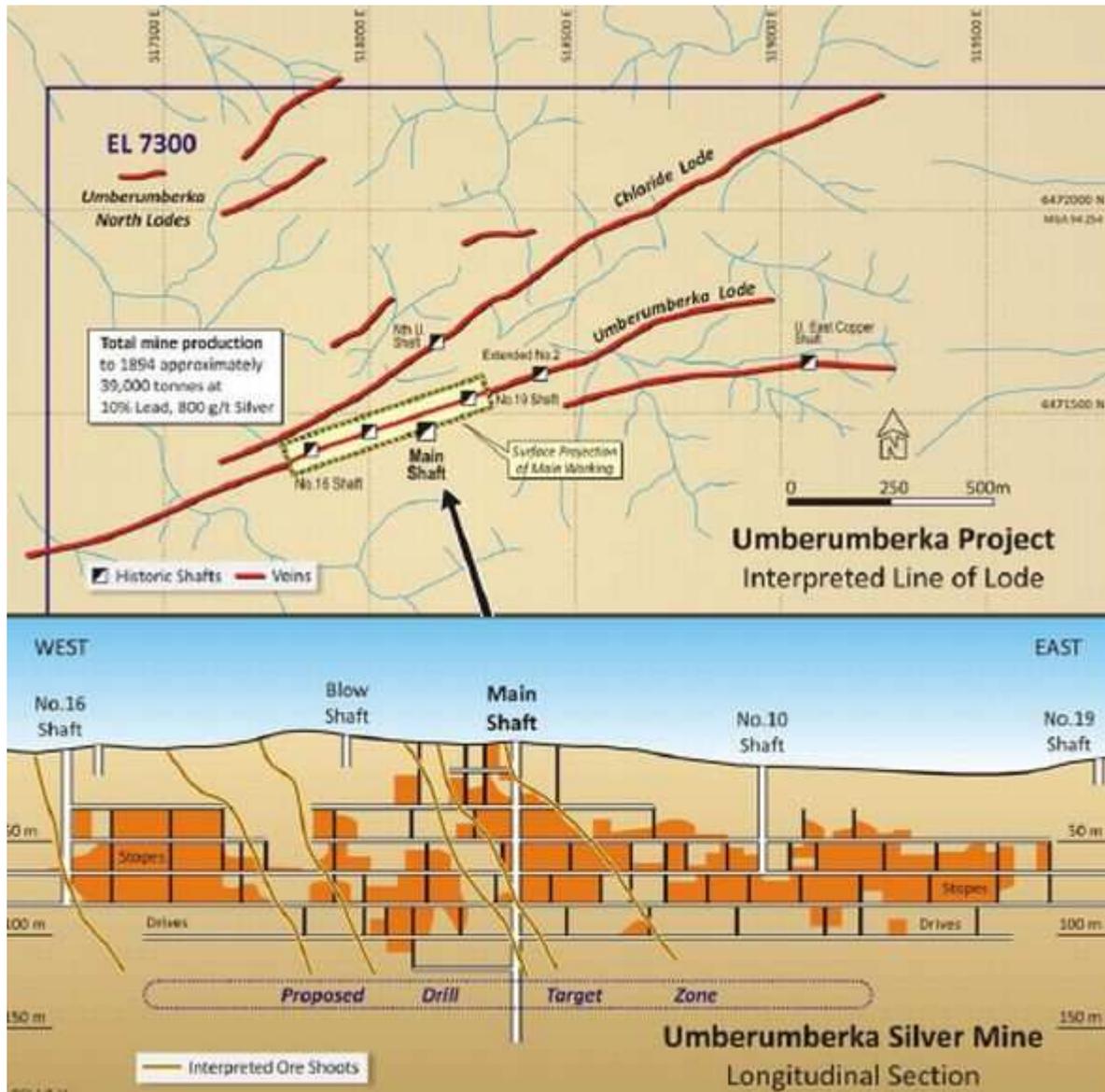
The current programme of follow-up drilling at Razorback will involve up to ten holes to explore for deeper extensions of the surface mineralisation. The locations of the proposed drill holes are shown in the above figure.

Exploration is in its infancy at Razorback, but the broad presences of both lead and zinc could reflect a Broken Hill type of deposit. Again, we remind Members that expectation and outcome may vary considerable and hence the project carries with it a high risk. We do however look forward to the results from the deeper drill programme.

The Umberumberka and Apollyon Valley projects (Silver City Minerals interest in both is 30% farming in to 75%) are in a region with a rich history of silver mining. CBH Resources is in joint venture with Silver City Minerals for both the Umberumberka and Apollyon Valley projects. The following figure shows the Umberumberka and Apollyon Valley project tenements.



Some 235 silver veins have been recorded across the Umberumberka and Apollyon Valley project tenements. The focus of near-term exploration will be on the old Umberumberka Silver mine and surrounding zone. The following figure shows the Umberumberka tenement and schematic of the old underground mine.

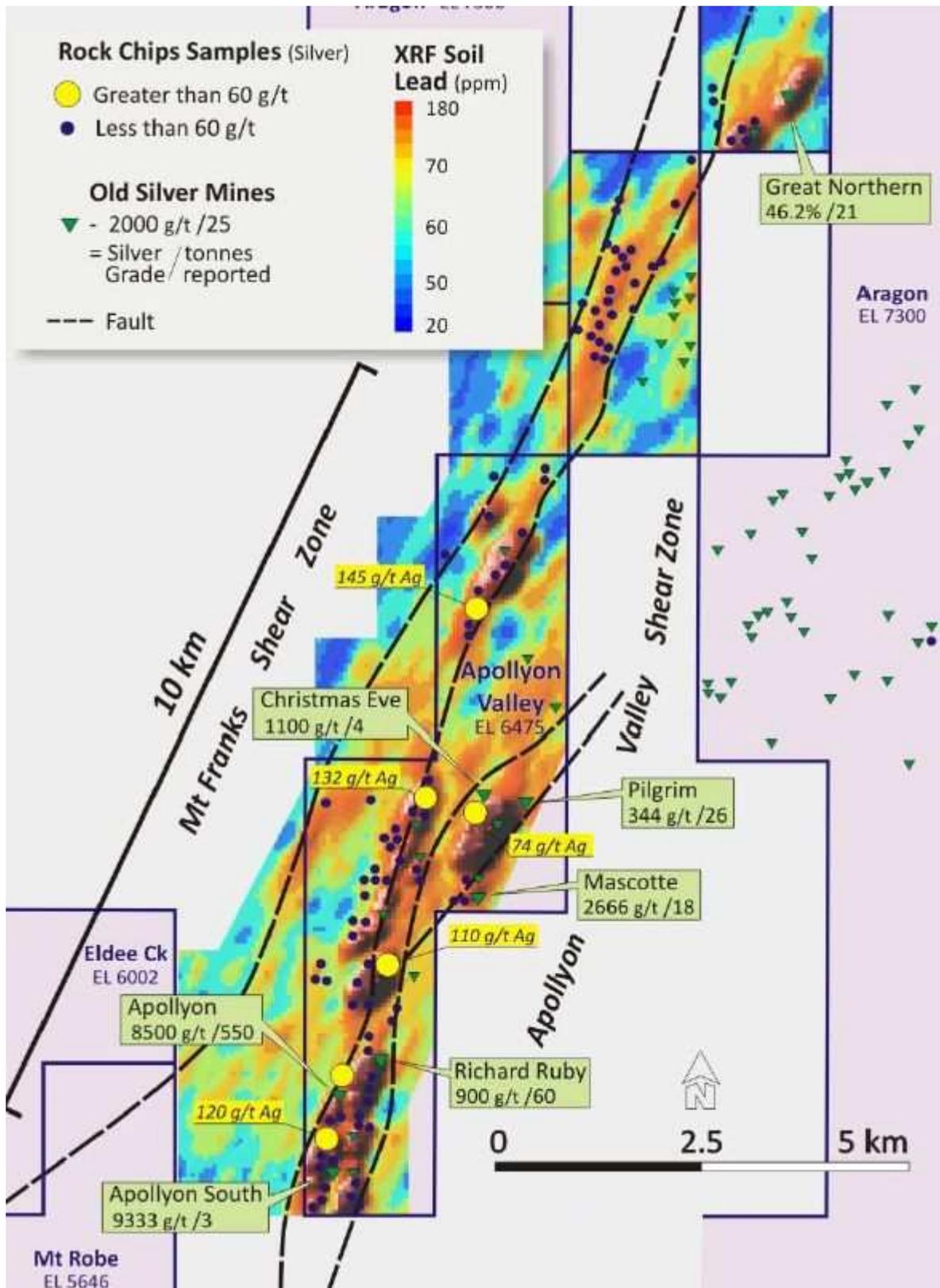


The main Umberumberka lode extends for 300 to 400 metres along strike and to approximately 100 metres in depth. The strike has an interpreted length of some 1.5 kilometres. Mineralised veins are reported to be some 30 metres in length and range between one to three metres in width.

Production from the old mine was in the order of 39,000 tonnes of 10% lead and 800g/t silver.

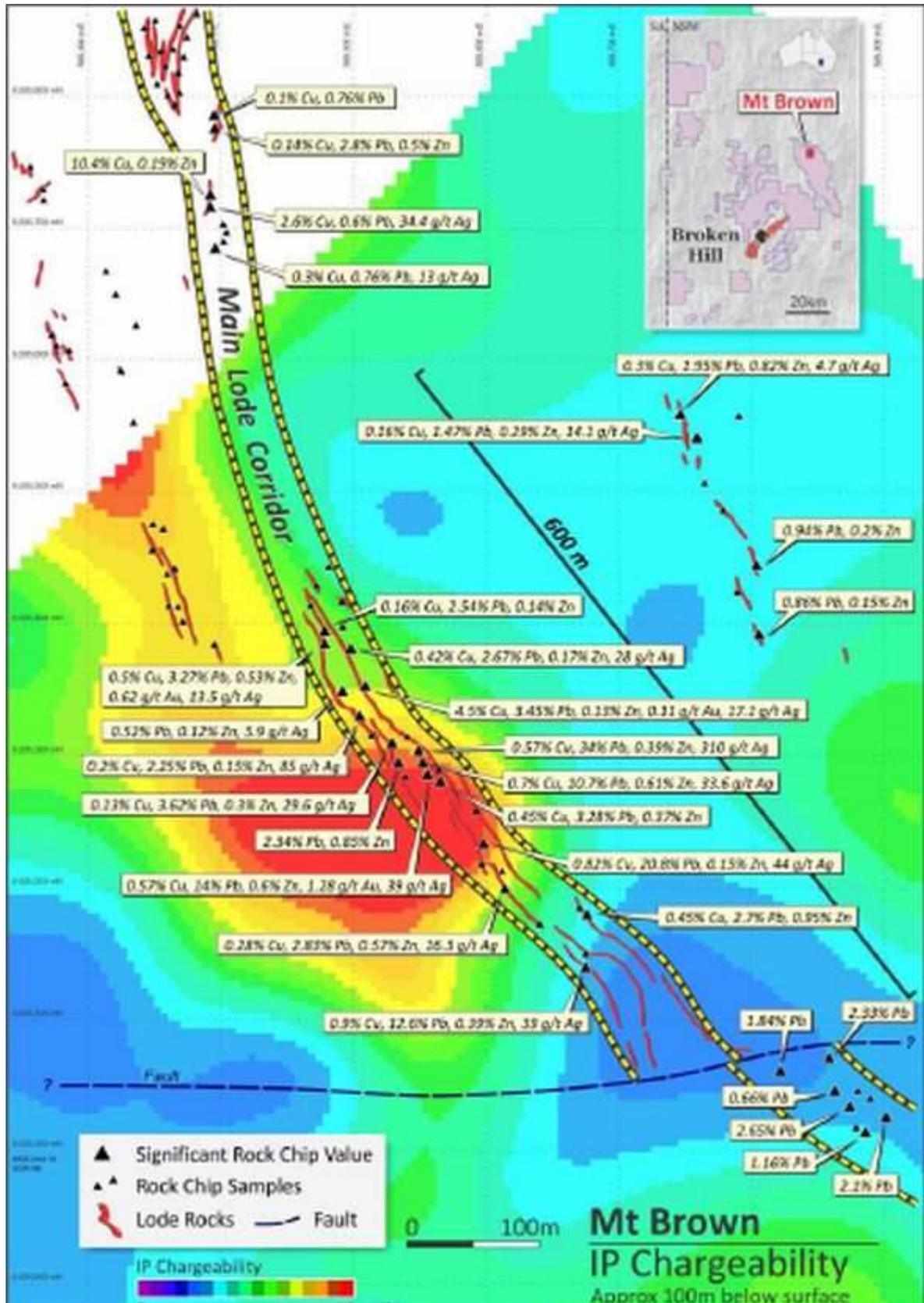
The current drill programme will include five holes to explore the continuation and grade of the silver mineralisation beneath the mine floor and along strike. We will monitor with great interest the results from drilling at Umberumberka as these come to hand.

The Apollyon Valley is a ten kilometre long strike potentially high grade silver deposit with a strong lead association. The following figure shows the surface signature of the Apollyon Valley tenement.



The focus of the company will be on a 20 kilometre geochemical anomaly which hosts as many as 50 old silver mines. Plans to drill the region are being evaluated.

Recent surface exploration on the Mt Brown tenement (Silver City Minerals interest 92%) has returned some very encouraging results. The following figure shows an induced polarisation image of the Mt Brown tenement.

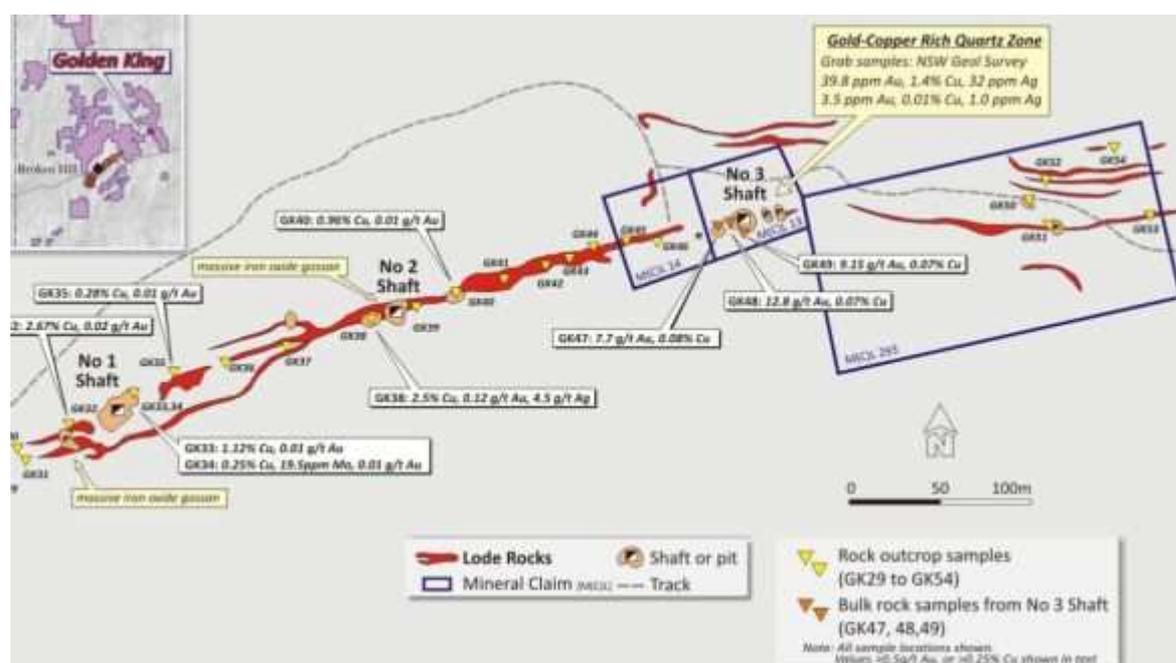


Rock chip samples taken from the Mt Brown tenement are very encouraging and in our view suggest the potential emergence of a base metals deposit of lead, silver, copper and zinc. The main lode has a strike of approximately one kilometre and a width that varies between ten to 70 metres.

Some 67 rock samples were collected from the Mt Brown main lode corridor, of which around 31% of the samples contained greater than 2% lead. The better samples taken across the tenement included a sample containing 34% lead, one containing 310g/t silver, one containing 10.4% copper and a sample containing 0.95% zinc.

The next step in exploring Mt Brown will be to conduct a ground magnetic survey of the tenement to trace the extent of the lode mineralisation as a prelude to determining high priority drill targets. We will monitor future exploration at the Mt Brown tenement with great interest.

The Golden King project (Silver City Minerals interest 92%) is a gold-copper project hosting old mine workings that produced a small quantity of very high grade gold and copper. The following figure shows the Golden King tenement.



Mapping of the tenement shows multiple lodes in a corridor ranging from 20 metres to 50 metres wide and over 800 metres in length. Recent drill results along the western strike have intersected a copper rich mineralised structure. The results have certainly been encouraging. Further exploration at Golden King will include a ground magnetic survey to assess the full extent of the mineralised zone to determine high priority drill targets.

At the company's last required reporting date of 31 December 2011, cash on hand was A\$8.3 million. The company estimated a cash burn of A\$770,000 for the March 2012 Quarter activities. We consider the company has sufficient resources to undertake its current work schedule, and will report activities to 31 March 2012 toward the later part of April.



From a charting perspective the broader term trend is down, however more encouragingly, prices appear to have found support at the 11.5 cents level. In the near term, we would target a move towards the 50 day moving average of 14.2 cents. A convincing break above this level on strong volume would mark an important low formed, and thus would likely lead to further gains over the broader term horizon.

We consider the Silver City Minerals Board and senior management have the appropriate resource experience, especially local to deliver on a busy programme. While the Broken Hill region has the necessary infrastructure including processing circuits that may offer capital cost offsets.

Silver City Minerals is a highly speculative junior explorer, holding tenements in a pedigree resource region of Australia. Early results from exploration to date across a numbers of the company's tenements are highly encouraging, and further successes are likely to see a re-rating ensue. Accordingly we recommend the shares as a high risk buy to all Members.