

# SILVER CITY MINERALS LIMITED



## Quarterly Report

June 2011

### ASX Code: SCI

Issued Shares: 98M  
Unlisted Options: 8.7M  
Cash Balance: \$10.4M  
ABN 68 130 933 309

### DIRECTORS

Bob Besley  
Chris Torrey  
Ian Plimer  
Greg Jones

### TOP SHAREHOLDERS

Sentient Group 15.4%  
PlatSearch NL 14.5%  
Fitel Nominees 5.7%

TOP 20 SHAREHOLDERS  
hold 67.3%

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### HIGHLIGHTS

- Silver City Minerals Limited (SCI or the Company) was admitted to the Official List of the ASX on 4 July 2011 and commenced trading on 6 July 2011. The Company raised \$9,813,500 through a successful Initial Public Offering (IPO) in a period of poor global market conditions.
- The Company is a mineral explorer with a geographic focus on one of the world's most well-endowed metallogenic provinces; Broken Hill in western New South Wales, Australia. The success of the listing is largely attributed to the quality of the projects and the management team.
- Pre-IPO project planning and site preparation allowed for the early start-up of drilling at the Allendale zinc-lead-silver project in July 2011. At the time of writing over 400 metres out of a total of 3200 metres of RC drilling had already been completed.
- Another five projects are scheduled for drilling after the completion of the Allendale program. In order of schedule these are Maybell, Golden King, Razorback West, Stephens Trig and Yellowstone.
- In addition to IPO funding, the Company received \$0.44 million in R&D tax offsets.

### CORPORATE

Activities during the Quarter were focussed on the submission of the Prospectus and promotion and co-ordination of the Initial Public Offering (IPO). These culminated in the successful admission to the ASX early in July. A total of \$9,813,500 was raised through the issue of 49,067,500 shares at an issue price of \$0.20 per share.

Total expenditure for the Quarter was \$442,579. This includes \$157,933 on projects, \$117,603 on administration and \$160,718 on fundraising activities. Cash on hand at the end of the Quarter was approximately \$10.4 million.

An active research and development program looking at supergene silver mineralisation and Broken Hill-type mineralisation under cover saw the return of \$443,297 in tax offset allowances.

### OPERATIONS

During the period SCI began to prepare for a significant campaign of exploration which is anticipated to include over 20,000 metres of drilling in the coming year. In addition field-based geological, geophysical and geochemical surveys were undertaken at the Apollyon Valley, Iron Duke, Umberumberka, Anomaly Hill and Mt Brown projects.

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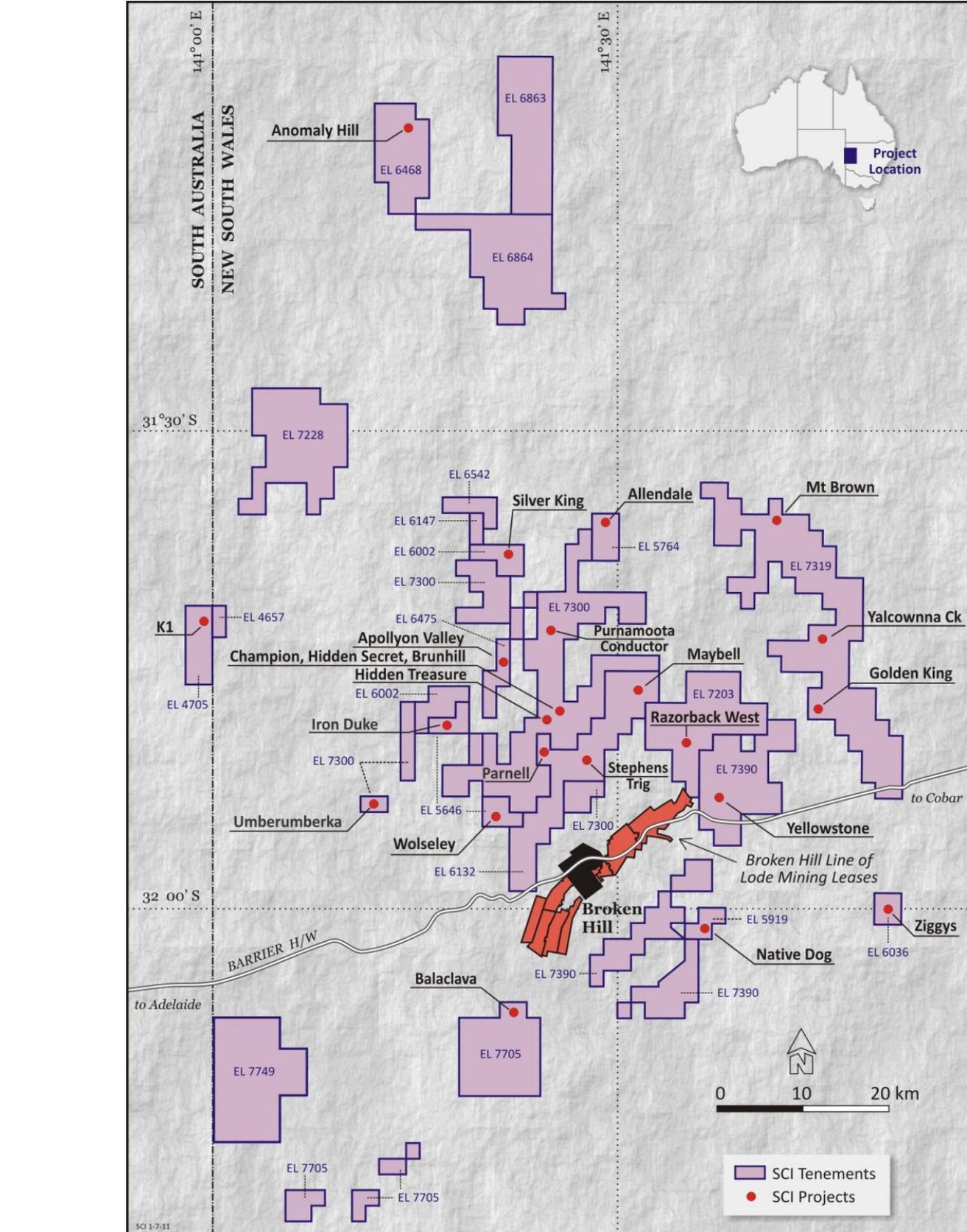


Figure 1. Silver City Minerals Limited Tenements and Project Locations.

# SILVER CITY MINERALS LIMITED



## **Yanco Glen (EL 5764)**

### *Allendale Project*

During the Quarter access and drill platforms were established in advance of the first phase of drilling at Allendale. The drilling has been designed to test beneath the historic Allendale Mine and build on the established area of mineralisation defined by previous exploration and mining activity. The program will comprise approximately 34 holes for a total of approximately 3,200 metres.

Geological survey records indicate prior to 1990, this mine produced approximately 20,000 tonnes of massive sulphide rock with grades similar those at the Broken Hill deposit (in the order of 10 to 20% combined lead and zinc, and 50 to 100 g/t silver). The original mineralisation at Allendale was mined from four distinct lodes, each between 1.2 metres and 4.6 metres thick. These hosted coarse galena (lead sulphide), sphalerite (zinc sulphide) and minor chalcopyrite (copper sulphide).

Five widely-spaced (100 to 150 metres apart) diamond drill holes were drilled between 1969 and 1990. Four of these encountered mineralisation in the Central Lode and returned downhole intersections of lead-zinc-silver mineralisation. These holes indicate a zone of potential sulphide mineralisation approximately 150 metres long and up to 200 metres deep open at depth and along strike. Silver City plans to test the top 100 metres of this zone with more detailed drilling in order to establish continuity of the lode between existing holes and potential along strike.

Drilling commenced immediately after the IPO was finalised and at the time of writing in excess of 400 metres of reverse circulation percussion drilling had been completed in 9 holes.

## **Apollyon Valley (EL 6475)**

This tenement partly overlies a major fault zone known as the Apollyon Valley Shear Zone which is locally up to 750 metres wide. Previous systematic soil surveys throughout the district using portable XRF analysers show that the fault is anomalous in lead, zinc and arsenic for over 23 kilometres along strike. Airborne radiometric data show it is anomalous in uranium and seismic data show that it extends to mid-crustal levels.

Within and locally close to the margin of this shear zone are numerous old silver mines which, while historically small in size, returned high grade silver from clusters of oxidized veins. Silver-bearing galena (lead sulphide) veins occur at depth. In the southern part of the tenement strong lead anomalies defined by soil surveys extend for over 10m kilometres along strike and encompass many of the old silver mines (Figure 2.) No systematic rock chip sampling or drilling has been undertaken within these anomalies to assess them for their silver potential.

During the Quarter SCI initiated a geological mapping program in order to accurately define the distribution of the silver veins prior to detailed sampling of these and the surrounding rocks.

The Company considers that there is potential for supergene silver resources above and in close proximity to the high grade veins.

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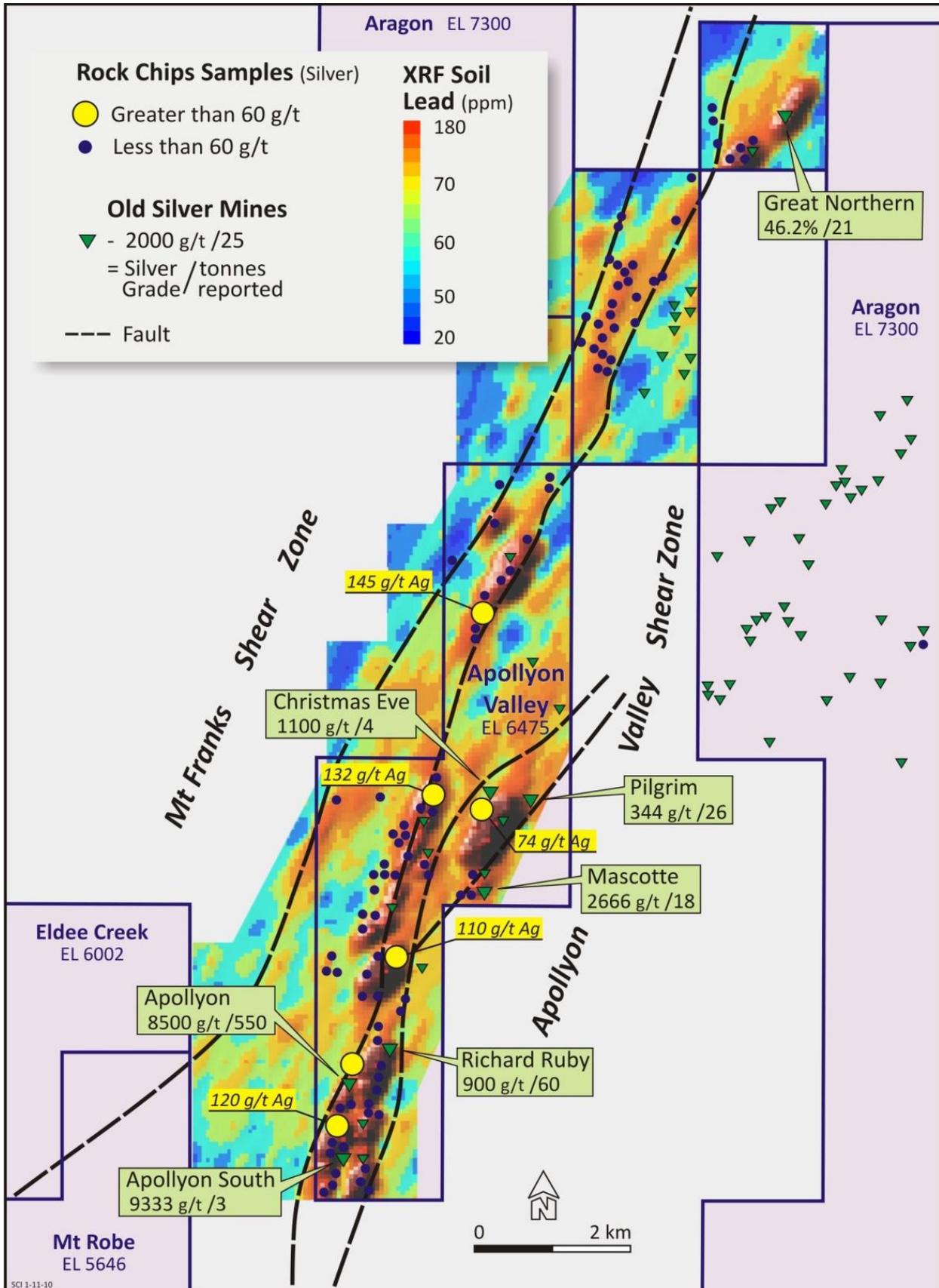


Figure 2. Apollyon Valley showing lead anomalies in soils, historic silver mine grades and production and first pass rock chip sampling.

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## **Euriowie (EL 7319)**

### *Mount Brown*

A detailed geological and geochemical sampling program initiated earlier in the year was resumed after delays caused by heavy rains in the district. The Mount Brown prospect hosts brecciated massive sulphide gossans which outcrop intermittently over a 1.5 kilometres strike length. Historic rock chip sampling indicates anomalism in lead, zinc, copper, gold and silver.

## **Mount Robe (EL 5646)**

### *Iron Duke*

Iron Duke comprises a number of small historic workings (late 1800's) where iron oxides were extracted and used as flux at the main Broken Hill mine. These are of interest as they comprise a mixture of hematite, limonite and magnetite. Locally outcrops of magnetite-matrix breccia occur. These are partly underlain by a magnetic anomaly, defined by airborne magnetic surveys, which is 900 metres long and 500 metres wide.

The prospect has the potential to host Iron Oxide Copper-Gold (IOCG) mineralisation. A detailed ground magnetic survey was completed during the Quarter in order to more clearly define geological structures within the anomaly which is largely under cover. Assessment of this survey is ongoing. It is anticipated that detailed geochemical sampling of surface outcrops will follow in order to define drill targets.

## **Aragon (EL 7300)**

### *Umberumberka*

This tenement hosts the historic Umberumberka Silver mine. Geological survey records indicate that historic production was in the order of 39,000 tonnes at grade of approximately 10% lead and 800 g/t silver. The Main Umberumberka Lode has been interpreted to extend for 1.5 kilometres in strike. The Chloride Lode which lies to the north has a strike length of 2 kilometres and converges with the Umberumberka Lode close to the location of the main workings (Figure 3).

Old mine plans show that main workings located on the Umberumberka Lode extend for about 300 metres along strike and to approximately 100 metres depth. Ore shoots within the workings were reported to be about 30 metres long and vein widths varied from less than 1 to 3 metres. The vein structure dipped 65 degrees to the southwest.

It is evident from historic data that a large amount of silver (in the order of 1 million ounces) was extracted from a small volume of rock. Silver City Minerals plans to investigate whether there are extensions to the historic ore zones, or if there are undiscovered ore shoots within the known vein structure.

During the Quarter the Company undertook detailed geological mapping of the veins in order map out the distribution of the mineralised structures.

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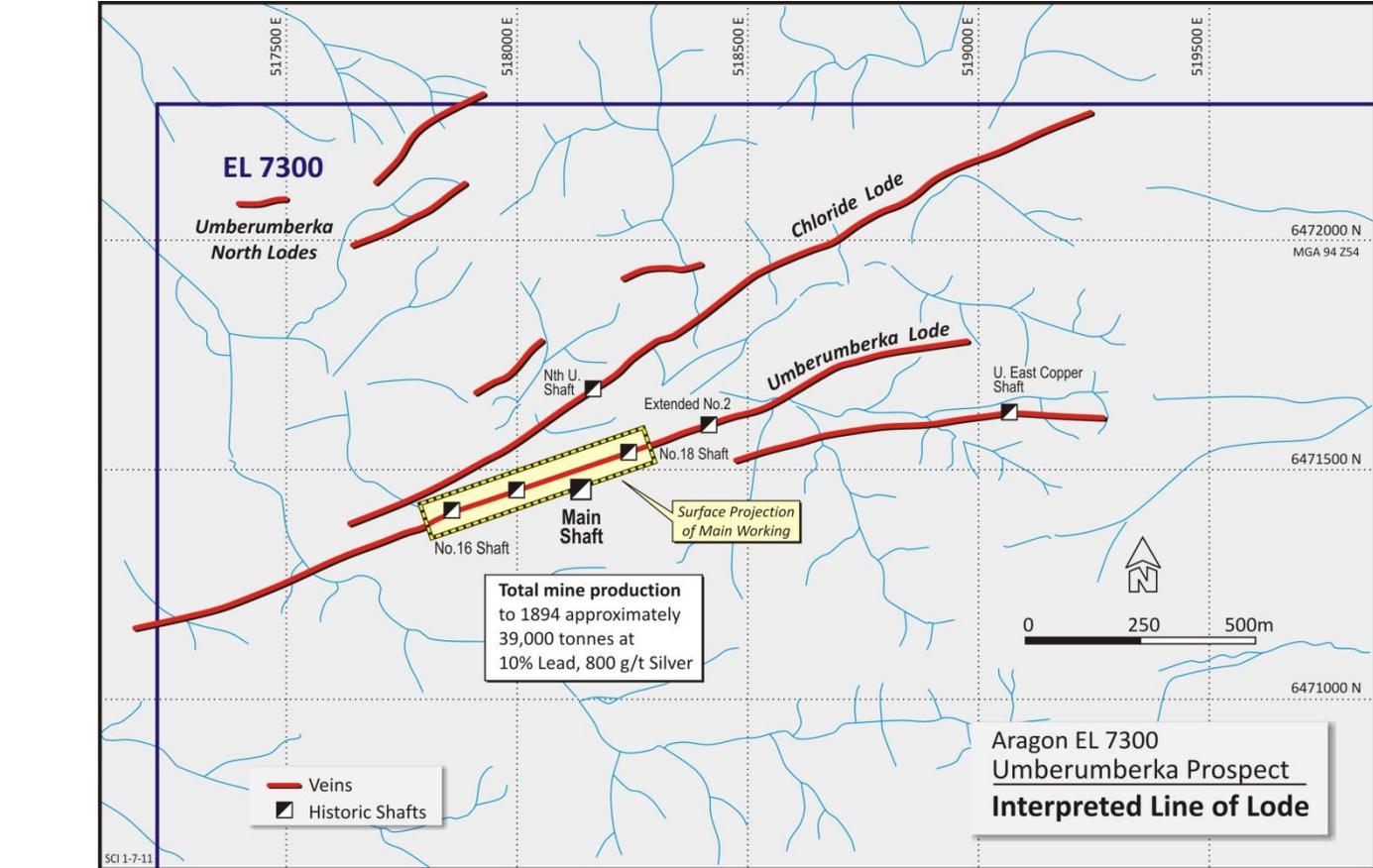


Figure 3. Umberumberka Silver Mine

## Woolwoolahra (EL 6468)

### *Anomaly Hill*

This project hosts sedimentary rocks underlain and intruded by a granite. It was first identified as an airborne radiometric feature being anomalous in uranium. The rocks are clay altered and locally iron rich. First pass sampling has indicated weak anomalism in a variety of elements including copper, lead, bismuth, molybdenum and tellurium. These suggest an intrusion related style of mineralisation.

During the Quarter the company undertook a RAB drilling program to assess bedrock geochemistry in more detail. The survey included 202 holes for a total of 1115 metres of drilling. Analytical results are pending.

## Drilling Schedule

As outlined in the Prospectus, the Company has a number of “drill-ready” targets for which it has both environmental permits and land access agreements in place. These include Allendale (outlined above), Maybell, Golden King, Stephens Trig, Razorback West and Yellowstone. It is anticipated that the first phase of drilling on each of these will be completed by late November 2011. For further information on these please refer to the Company website and Prospectus ([www.silvercityminerals.com.au](http://www.silvercityminerals.com.au)).

# SILVER CITY MINERALS LIMITED



## 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 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 rights to Exploration Licences and Mineral Claims through 100% ownership and various Sale and Joint Venture agreements. It has a portfolio of highly prospective ground with drill-ready targets focused on high grade silver, gold and base-metals, and a pipeline of prospects moving toward the drill assessment stage.