

# SILVER CITY MINERALS LIMITED

## Quarterly Report

March

2017

### ASX Code: SCI

Issued Shares: 158.6M  
Unlisted Options: 29.7M  
Cash Balance: \$1.1M  
ABN: 68 130 933 309

### DIRECTORS

Bob Besley  
Chris Torrey  
Ian Plimer  
Greg Jones  
Josh Puckridge

### TOP SHAREHOLDERS

(At 23 April 2017)

|                          |       |
|--------------------------|-------|
| Variscan Mines Limited:  | 4.3%  |
| Kobia Holdings Pty Ltd:  | 3.5%  |
| Blu Bone Pty Ltd:        | 3.0%  |
| BNP Paribas Nominees     | 2.7%  |
| RHB Securities Singapore | 2.7%  |
| Top 20:                  | 35.5% |

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### HIGHLIGHTS

- The Company has embarked on a new business development initiative to acquire new projects. A pipeline of new projects has been assessed and continues to be sought out by the Company.
- Within its own tenure at Broken Hill the Company has begun to assess a copper-gold project with geological affinities to iron oxide copper-gold (IOCG) deposits in Queensland.
- Downhole electromagnetic surveys at Wilga Downs, Cobar suggest conductors coincident with magnetic anomalies remain to be tested by drilling.
- At Razorback West the southern drill holes host the most significant amounts of base metal sulphides (lead and zinc) and silver. The mineralised zone encountered in drilling displays good continuity and warrants further investigation. Step-out drilling in the area has been recommended.

### OUTLOOK

- Multiple new opportunities have been evaluated during the Quarter. The Company is optimistic that one or several of these will come to fruition in the future. The Company will keep the market updated on any new acquisitions.
- Wilga Downs magnetic and EM anomalies remain to be tested.
- Further drilling at Razorback West is being considered.
- A review of exploration data from within existing tenure at Broken Hill has identified a new copper-gold project. The Company will announce further details on completion of the review.

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## OPERATIONS

The Company remains committed to mineral exploration and project acquisition with the view to increasing shareholder value through resource development and production. To this end, while maintaining the exploration activities in Broken Hill and Cobar the Company has also been actively seeking out and assessing new projects.

Activities during the quarter focussed on the following:

- Results from downhole geophysical surveys at Razorback West, Broken Hill and Wilga Downs, Cobar.
- Results of a detailed geological assessment of Razorback West drilling.
- Assessment of new business opportunities with the evaluation of 20 new projects located predominantly within Australia.

### ***Razorback West***

#### *Geophysics*

Details of a drilling program partly funded by the NSW Government were outlined in the December 2016 Quarterly Report (Figure 3). As a follow-up to this three-hole program, the Company conducted downhole electromagnetic surveys to ascertain whether or not accumulations of conductive (and perhaps economic) sulphide bodies lie in close proximity to the holes.

In the two northern holes 16RB019 and 16RB021 where the conductive mineral pyrrhotite was noted in small, disseminated quantities, there was no significant downhole response in the EM survey. Despite the presence of this conductive mineral the data suggests that pyrrhotite grains are not interconnected and produce a poor conductor.

In the southern hole 16RB020, where base metal mineralisation was intersected (17 metres at 0.16% zinc and 0.19% lead from 166 metres), there was similarly a poor EM response in the downhole survey. The zinc sulphide mineral sphalerite is a poor conductor and the lead sulphide mineral galena, whilst conductive, occurs in very low concentrations. The mineralised intersection in this hole is located approximately 70 metres down dip from another intersection hosted in hole 12RB013 (66 metres at 0.17% Zn in hole 12RB013 from 39 metres, Figure 4). The abundance and continuity of mineralisation in this southern zone is encouraging and provides scope for follow-up drilling.

#### *Geology*

A review of all drilling from the project, including detailed logging of the recent holes was completed by Eaglehawk Geological Consulting Pty Ltd. The work concluded that the presence of pyrrhotite to the north and its absence in the south where base metals occur represented a typical zonation pattern in the Broken Hill district. Pyrrhotite forms as a distal “tail” to base metal mineralisation. The drilling also serves to confirm that the southern hole, 16RB020, is hosted within the prospective Freyers Metasediments, with the likely location of the even more prospective Hores Gneiss immediately to the west. The consultant recommends continued step-out drilling in this favourable southern zone.

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## ***Wilga Downs***

### *Geophysics*

A downhole electromagnetic survey at Wilga Downs was conducted within hole 16WD02 and was modelled in conjunction with airborne magnetic data (Figure 5). The data can be modelled as two distinctive and separate plates, one located off-hole at 240m and the other off the end of the hole (blue lines in Figure 5). If this is the case then the northernmost plate coincides with the centre of a strong magnetic anomaly. This might represent massive copper and iron sulphides not yet tested by the hole.

Data can also be modelled as a broad zone of conductivity which might represent stringer and interconnected disseminated sulphides.

The downhole structural data obtained from the hole suggests it was drilled at an oblique angle to the dominant structural trend and may not have been an optimal test of the target. The centre of the magnetic anomaly and two others to the west and east have not been adequately tested by drilling. Further drilling is being considered.

## **BUSINESS DEVELOPMENT**

While Broken Hill remains of significant focus for the Company, the initial phase of exploration for near-surface, open pit ores has been completed, with the most prospective targets assessed. The next phase of exploration will probably require a step-change into more advanced and expensive geophysical and geochemical targeting technologies in the search for deeper ore bodies. To this end SCI is seeking the participation of larger explorers and mining companies as joint venture partners.

With this in mind the Company has embarked on an initiative to acquire new projects suited to its financial capacity and expertise. Already it has made application for new tenure in the Cobar district, close to one of the largest operating mines; the Endeavour Pb-Zn-Ag deposit.

At Broken Hill the Company has identified and is in the very early stages of evaluating a high grade copper-gold project located within its own tenure. This project has geological affinities to iron oxide copper-gold deposits (IOCG) located in the Mount Isa region of Queensland such as those which occur at Selwyn and Ernest Henry. The work is preliminary and the Company hopes to release more detailed information on this early next Quarter.

In addition, during the Quarter the Company has conducted evaluations of multiple new business opportunities on a broad range of projects in Australia and to a more limited extend overseas. In Australia the focus has been on Queensland, New South Wales and the Northern Territory. Commodities range from those required for new technologies; lithium, cobalt, graphite, platinum and rare earth elements, to the more traditional metals copper, gold, silver, lead and zinc.

The Company has undertaken detailed due diligence and entered into discussions with vendors on a number of these opportunities. At the time of writing, no contracts had been signed with respect to new acquisitions. Should this change the Company will immediately update the market.

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## CORPORATE

Net operating expenditure for the Quarter was \$333k. This included \$236k on projects held by the Company, \$106k on administration and \$10k expenditure on a tenement security deposit offset by \$9k received in interest income and \$10k received from JV and consulting income. Cash on hand at the end of the Quarter was approximately \$1.1 million.

## REPORTS

Data in this report has previously been submitted in the following Company Reports; ASX release 12 July 2012 and Quarterly Report December 2016.

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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. It recently entered into a farm-in and joint venture agreement with respect to the Wilga Downs project near Cobar.

### 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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## Annexure 1: Diagrams

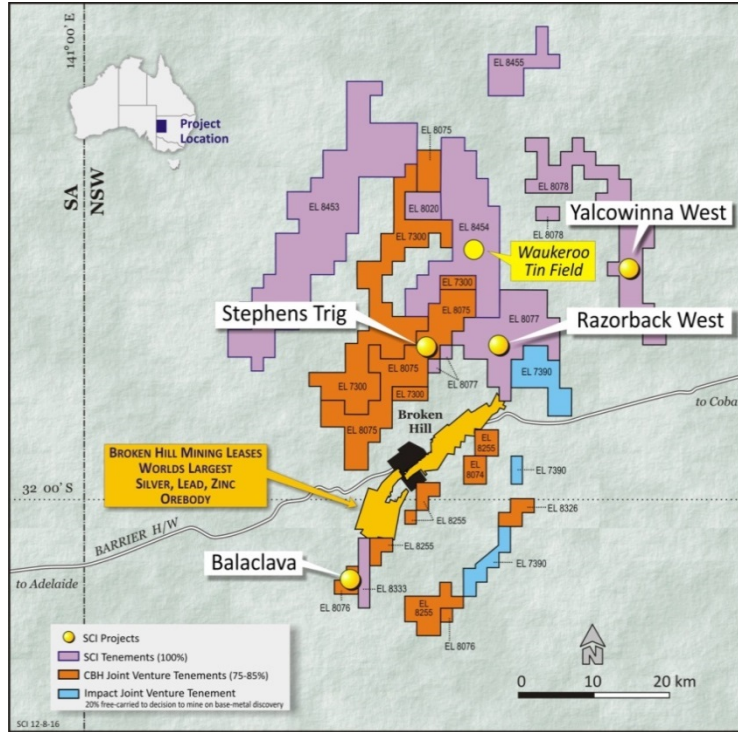


Figure 1. Silver City Minerals, Broken Hill tenements and location of current projects.

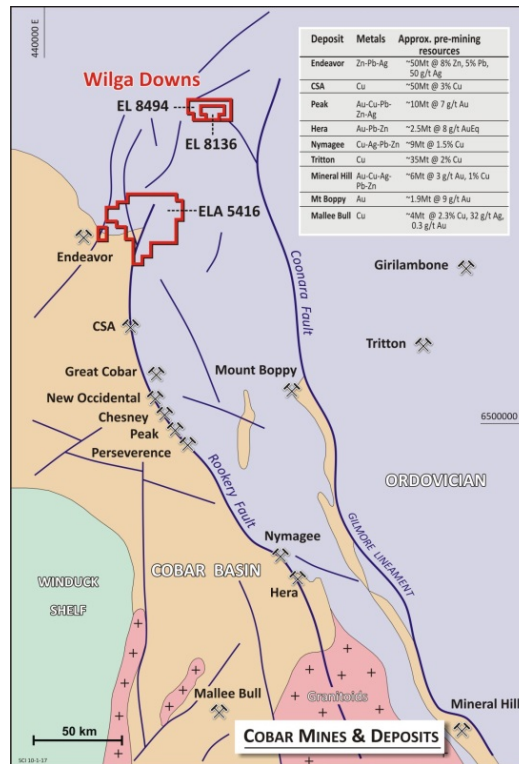


Figure 2. Location of mines and mineral deposits in the Cobar District. Diagram shows the Joint Venture Tenement (EL8136), a new 100% Silver City tenement (EL 8494) and a new EL application (ELA 5416).

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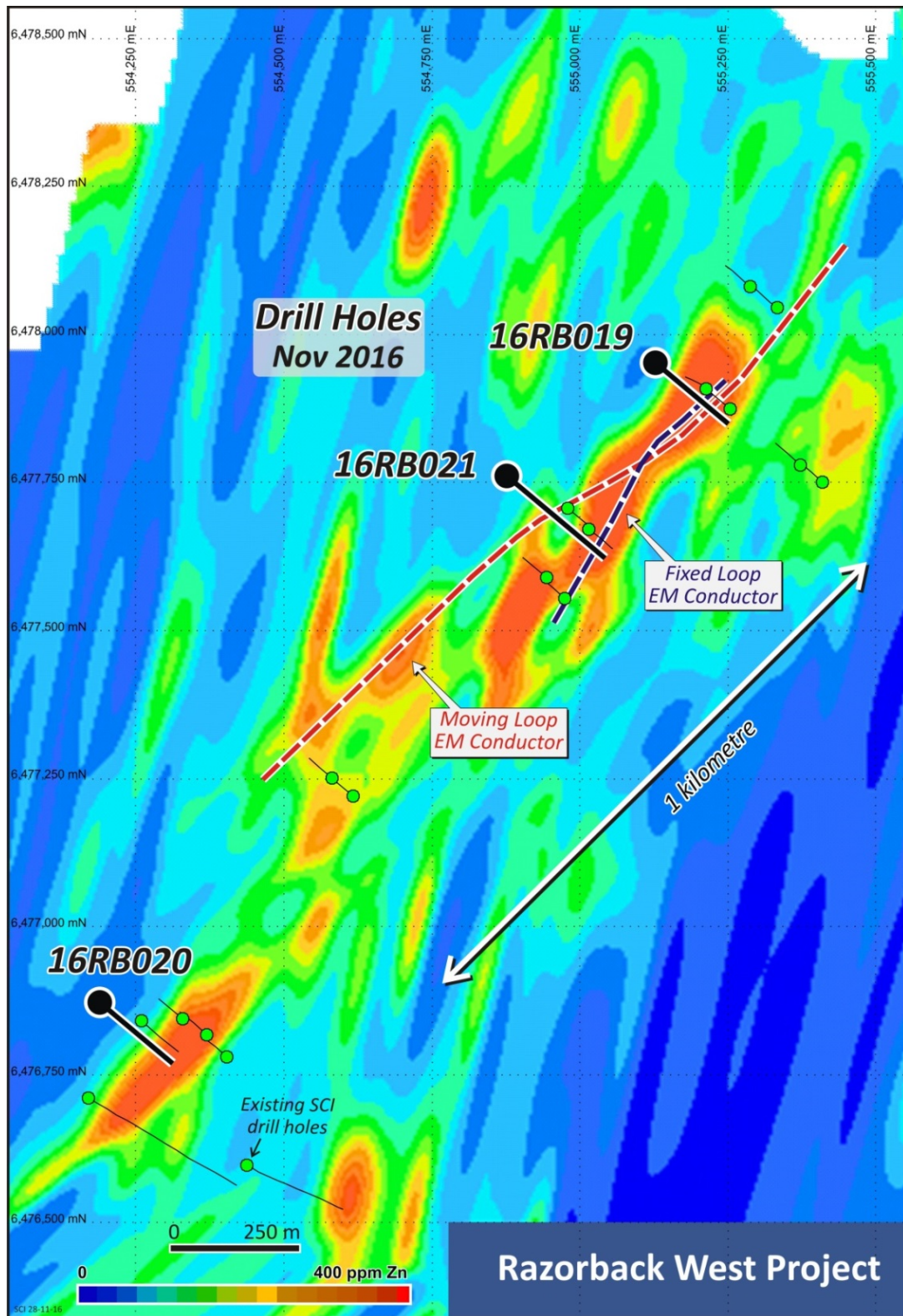


Figure 3. Shows the RAB zinc anomaly (colour image) and drill hole locations.

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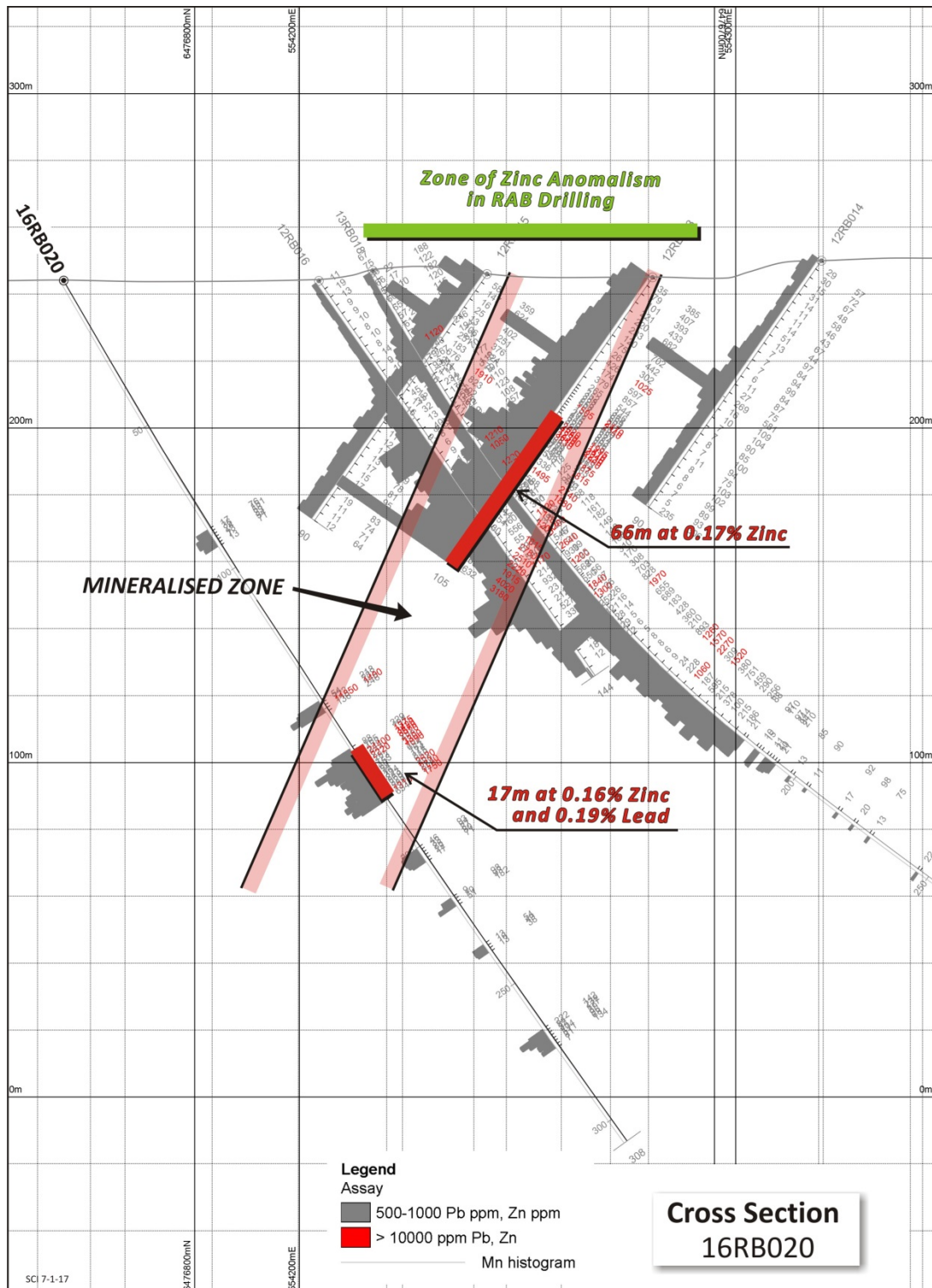


Figure 4. Cross Section 16RB020 shows a broad, steeply west-dipping zone of lead and zinc mineralisation.

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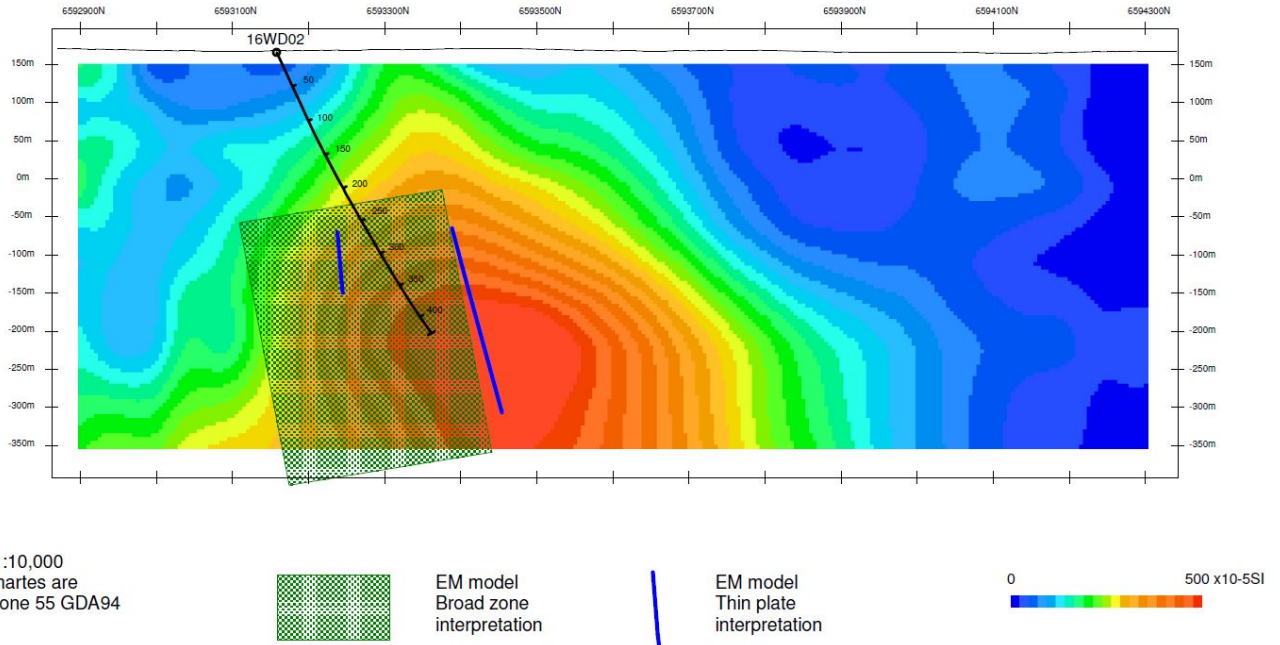


Figure 5. Wilga Downs cross-section showing the magnetic model and the two alternative EM models. If the thin plate model is correct a conductive unit lies within the strongest part of the magnetic anomaly and may represent copper and iron sulphide accumulations.