

# SILVER CITY MINERALS LIMITED

## Quarterly Report

March 2014

### ASX Code: SCI

Issued Shares: 103.9M  
Listed Options: 29.2M  
Unlisted Options: 13.2M  
Cash Balance: \$3.9  
ABN: 68 130 933 309

### DIRECTORS

Bob Besley  
Chris Torrey  
Ian Plimer  
Greg Jones  
Ian Hume

### TOP SHAREHOLDERS

(At 11 April 2014)

Sentient Group: 17.74%  
PlatSearch NL: 12.47%  
Fitel Nominees: 5.99%  
Top 20: 58.27%

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### HIGHLIGHTS

Silver City Minerals Limited (ASX:SCI) is pleased to release its quarterly activity report for the period ended March 31, 2014.

#### Queensland

- Drilling to test for gold-copper mineralisation associated with strong induced polarisation (IP) anomalies beneath the Sellheim goldfield has commenced, with the first hole 14SH001 recently completed.
- Anomalies are thought to represent mineralisation and associated hydrothermal alteration related to igneous intrusions at depths of 100 to 200 metres below surface.
- 2000 metres of combined reverse circulation (RC) and diamond drilling planned in six holes. Drilling expected to take 6 to 8 weeks.
- Located in a well-endowed gold province with over 20 million ounces mined to date.

#### New South Wales

- Twenty nine discrete conductors identified in Versatile Time Domain Electromagnetic (VTEM) survey 10 kilometres northwest of Broken Hill.
- Geological mapping and sampling at Speedwell completed.

### OUTLOOK

- Initial results from the drilling at Sellheim should be available towards the end of April.
- Assessment of VTEM conductors with follow-up ground surveys is ongoing at Broken Hill.
- At Razorback West the Company is assessing the use of other geophysical techniques for targeting sulphide mineralisation, including ground electromagnetic (EM) and detailed gravity surveys.
- Continued assessment of base-metal and IP anomalies at Speedwell with rotary air blast (RAB) drilling scheduled.
- Continued assessment of regional datasets at Broken Hill as a means to identify prospective targets for future drilling.

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## OPERATIONS

### Queensland Projects

#### Sellheim

Work during the quarter has largely focussed on preparation for drilling at Sellheim.

The Company has rights to exploration and mining tenements in north Queensland through a farm-in and joint venture agreement with a private consortium (Figure 1). Recent geological and geophysical surveys at the Sellheim Project have highlighted the relationship between an eluvial goldfield, hydrothermally altered rocks, gold-anomalous rock chip samples and a series of large (up to 400 metres in diameter) and very strong IP anomalies. IP chargeabilities in excess of 100 millivolts/volt are indicative of significant sulphide mineralisation that 3D modelling suggests commences 100 to 200 metres below the surface (ASX Release 4 November 2013 and Quarterly Report December 2013).

The rocks which host the sulphide are not visible at surface but are likely to be igneous intrusions and hydrothermally altered fault structures associated with them. Rock chip sampling shows that gold in outcrops at surface is hosted in fractures and breccia zones. It is likely that these have tapped gold-bearing fluids derived from sulphide-rich igneous intrusions at depth, allowing gold to be mobilised and deposited at higher crustal levels. The SCI exploration team considers that these are the likely source of gold currently being mined in eluvial deposits at surface. The source intrusions likely contain gold, copper and perhaps molybdenum mineralisation. All geological, geochemical and geophysical features are consistent with a model for intrusion-related gold and copper deposits and as such they provide outstanding drill targets for SCI. These targets have not been tested by previous shallow drilling (Figures 2 and 3).

SCI has commenced an initial 2000 metres drilling program to assess these targets. One hole 14SH001 has been completed to date (Figure 3). Geological logging and assaying are ongoing and will be reported as information becomes available.

#### *Gold Province*

The Sellheim Project is located 140 kilometres southeast of Charters Towers in North Queensland and is part of a wider gold province centred on Charters Towers, which has historically produced in excess of 20 million ounces of gold (Figure 1). Sellheim lies close to or within the lower sequence of the Drummond Basin (300 to 350 million years old) and is intruded by younger granites (250 to 300 million years old). Both geological settings are considered favourable for gold mineralisation in North Queensland.

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## **New South Wales Projects - Broken Hill**

### **Aragon (EL 7300) and Willyama (EL 8075)**

#### *VTEM survey*

A helicopter-borne VTEM survey was conducted over the southern parts of these adjacent tenements in the previous quarter (Figure 4). A total of 29 conductors were identified. Each returned a strong geophysical response and is scheduled for initial follow-up (Figure 5). A number of conductors form groups which indicate strike continuity to conductive rocks. Three groups stand out with respect to intensity of response; these are Limestone, Newfold and Acacia Vale. The Newfold conductor corresponds to an area of alteration and pyritic rocks, however there is little surface geochemistry to suggest Broken Hill type (BHT) mineralisation. In contrast Acacia Vale hosts outcrops of BHT "lode rocks" including quartz-gahnite horizons. A program of soil geochemical sampling is planned. Limestone is yet to be assessed.

#### *Speedwell*

This project area has been investigated by the Company over the past year by shallow auger drilling and limited rock chip sampling. It comprises a broad open valley with minor small topographic rises where outcrops and rock debris (float) occur. There is an historic mine shaft in the project area where selected dump material has returned high grade mineralisation (12.5% lead, 3.6% zinc and 65.9 g/t silver; June Quarterly Report 2013). SCI was attracted to the area by historic RAB geochemistry and IP survey responses. Lead, zinc and silver were anomalous as was IP chargeability, suggestive of sulphide mineralisation.

During the quarter detailed geological mapping was completed in conjunction with rock chip sampling. The purpose of the work was to attempt to better characterise the geology. This has shown that the rock sequence is rich in amphibolite and quartz-gahnite. The quartz-gahnite rocks are locally gossanous indicative of significant sulphide content. Despite poor outcrop, the new geological mapping and geochemical sampling has shown a major fold closure in the northern part of the project area. With respect to potential for BHT mineralisation this is encouraging because base-metal and silver mineralisation is commonly focused in the noses of folds or parasitic fold structures.

In order to outline the extent of gossanous quartz-gahnite rocks and more accurately define the fold structure the Company will conduct more RAB drilling and continue with geological mapping.

#### *Other Broken Hill Projects*

SCI continues to assess its projects in the Broken Hill district and has a number which are scheduled for follow-up work (Table 1).

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**Table 1 Other Broken Hill projects**

Project	Description	Status
<b>Dora</b> Ag-Pb-Zn	EM conductor coincident with tight fold nose and old mine workings considered to be a prospective setting.	Drill ready
<b>Razorback West</b> Ag-Pb-Zn	Large 5km long coincident RAB (Pb-Zn-Mn), IP and gravity anomaly. Drilling to date indicates favourable stratigraphic horizons with minor lead intersected. Project largely under a veneer of alluvial and soil cover.	Ground EM and magnetic surveys required.
<b>Balaclava</b> Ag-Pb-Zn	Historic silver-base metal intersections in drill holes with no new interpretation or follow-up. SCI field team suggest alternative structural interpretation.	Ground XRF geochemical survey, detailed geological mapping and ground magnetics required.
<b>Native Dog</b> Ag-Pb-Zn	Extensive lead-in soil anomaly (+3 km in strike), anomalous IP, anomalous rock chip samples.	Seeking third party funding for continued drilling.
<b>Mt Brown</b> Ag-Pb-Zn (Cu)	Anomalous but low grade, broad intersections of base metals in drilling. Zones of elevated Cu geochemistry remain untested.	Further detailed XRF geochemistry and auger soil sampling beneath alluvial cover in zones of Cu anomalism.
<b>Yalcowinna West</b> Ag-Pb-Zn	Anomalous Zn-Pb in RAB holes under soil cover	Ground magnetics survey and infill RAB required.
<b>Allendale</b> Ag-Pb-Zn	Numerous base metal intersections in SCI drilling. Highly sheared and complex structure. No resource at this time. Mineralisation interpreted to respond to VTEM.	Review of geophysics in the surrounding area
<b>Parnell</b> Ag-Pb-Zn	RAB geochemical anomalies with narrow base metal intersections. Potential for fold nose closures.	Requires more RAB drilling and geological mapping.
<b>Goldfinger</b> Ag-Pb-Zn	New project for SCI. Discrete Falcon gravity anomaly within favourable rock sequences.	Historic data review.

## CORPORATE

On 11 March 2014 the Company announced that it had arranged a placement of new shares to its major shareholders Sentient Global Resources Fund and Fitel Nominees ("Placement") for a total value of \$419,700 represented by the issue of 5,911,268 ordinary shares at an issue price of 7.1 cents per share. At the same time the Company also announced a share purchase plan ("SPP") to provide existing eligible shareholders with the opportunity to apply for up to A\$15,000 worth of Silver City ordinary shares at the same discount price as the placement (7.1 cents per share). The SPP closed on 7 April 2014 and raised \$877,500 represented by the issue of 12,359,105 ordinary shares at an issue price of 7.1 cents per share.

The purpose of the Placement and SPP is to fund a drilling programme to test a large intrusion-related gold-copper target generated by the Company at Sellheim in Queensland and for working capital purposes.

Net operating expenditure for the Quarter was \$403k. This included \$281k on projects, \$200k on administration and offset by \$61k received in interest income and net tenement refunds of \$17k. Cash on hand at the end of the Quarter was approximately \$3.9 million.

While SCI remains well funded to progress exploration programs at Broken Hill and Sellheim, the Company will continue to assess expenditure to ensure that existing cash reserves are well managed.

# SILVER CITY MINERALS LIMITED



## SILVER CITY MINERALS LIMITED

**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 of prospects moving toward the drill assessment stage. The Company continues to seek out quality projects for exploration and development and has ventured to North Queensland where it has entered into a Farm-in and Joint Venture Agreement with a private consortium to explore for large intrusion-related gold deposits.

### **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". Christopher 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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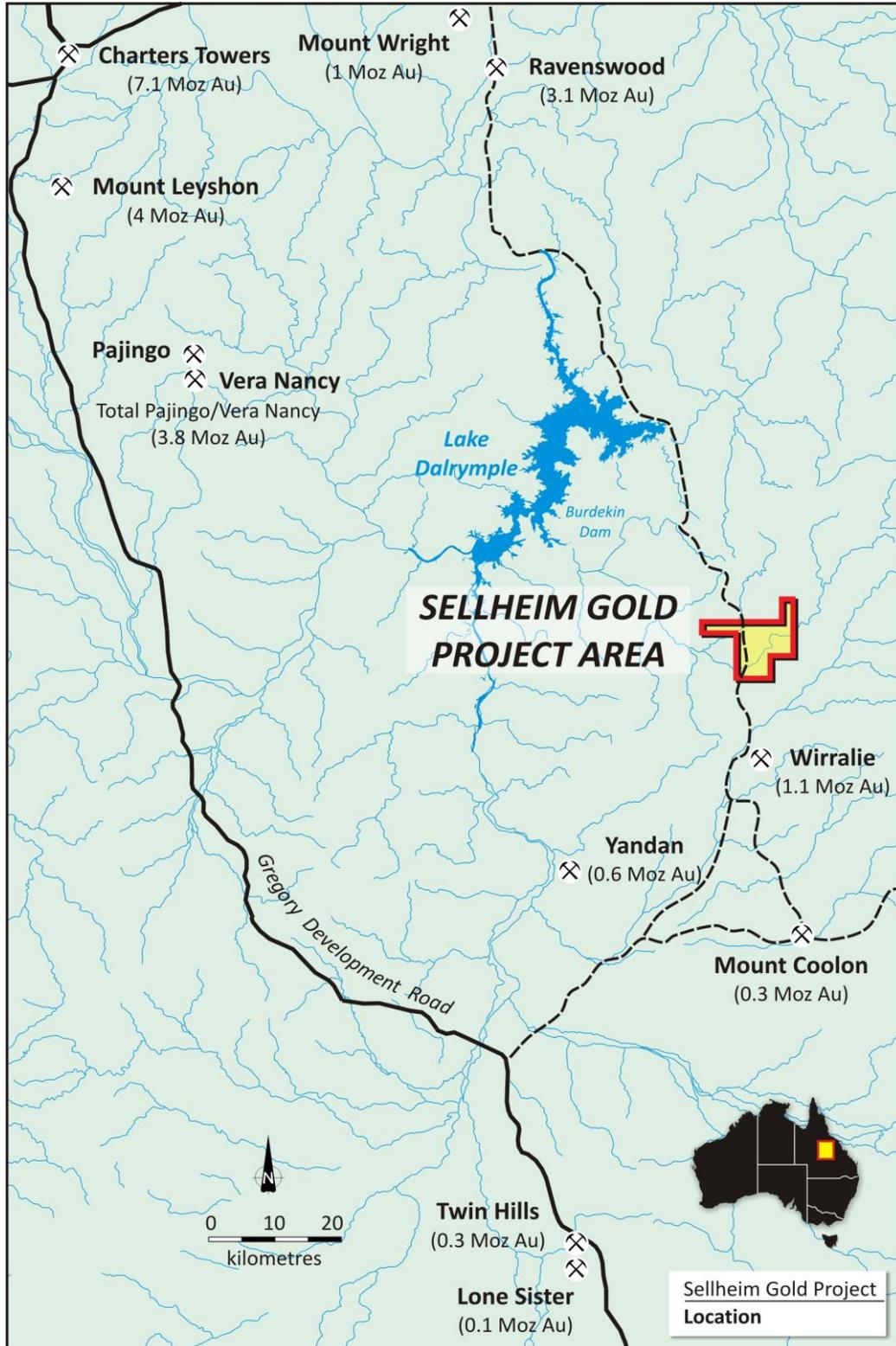


Figure 1. Location of the Sellheim Gold Project

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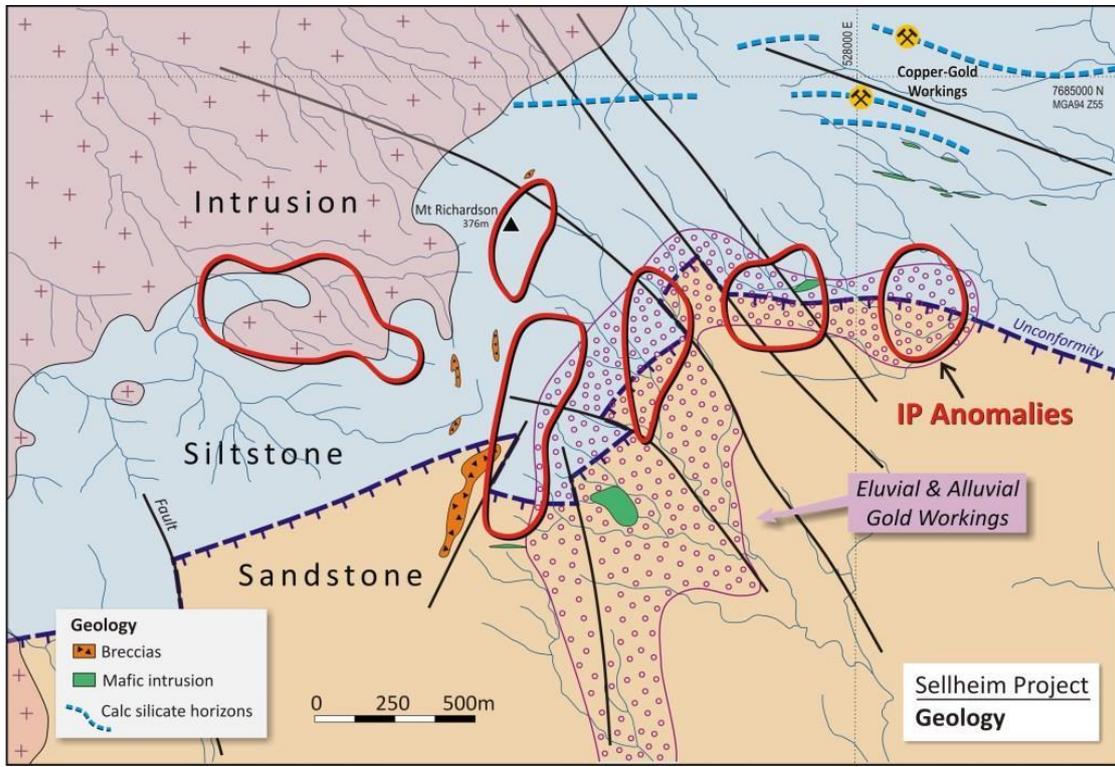


Figure 2. Local geology showing relationship of IP anomalies (modelled at 200 metres below surface) to the eluvial/alluvial goldfield and a contact between two rock types.

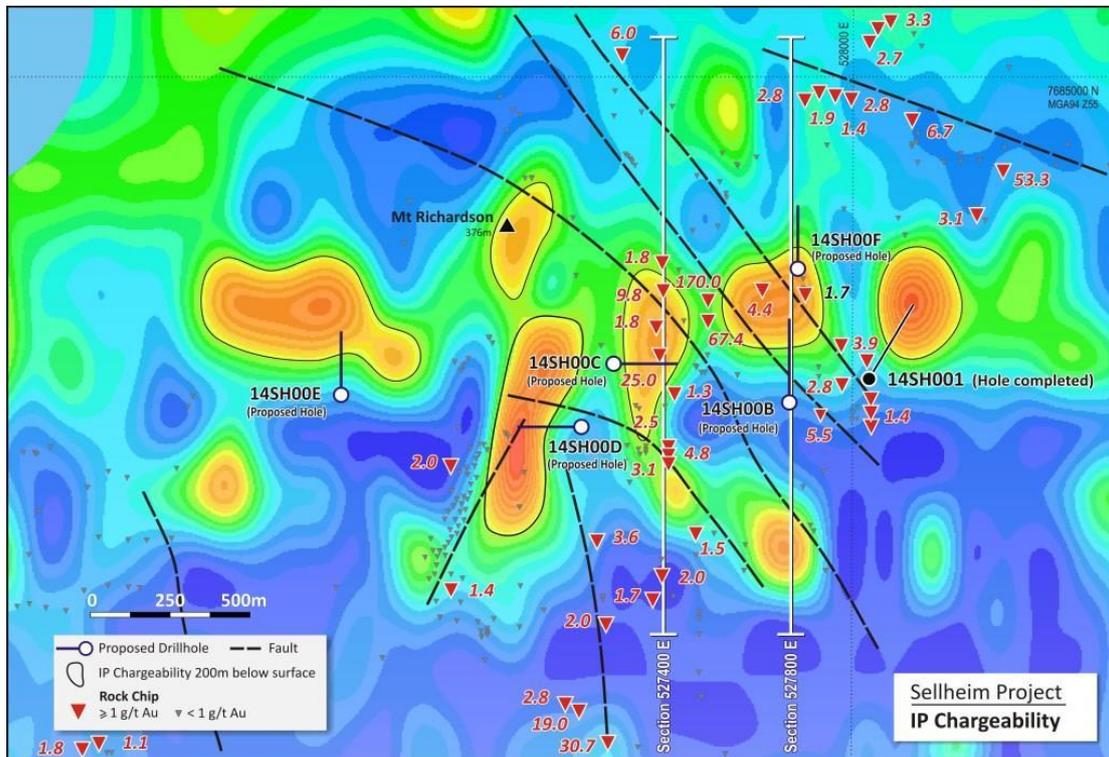


Figure 3. Same map area as Figure 2 showing IP chargeability and the relationship to elevated gold in surface rock chip samples. Completed and proposed holes are shown.

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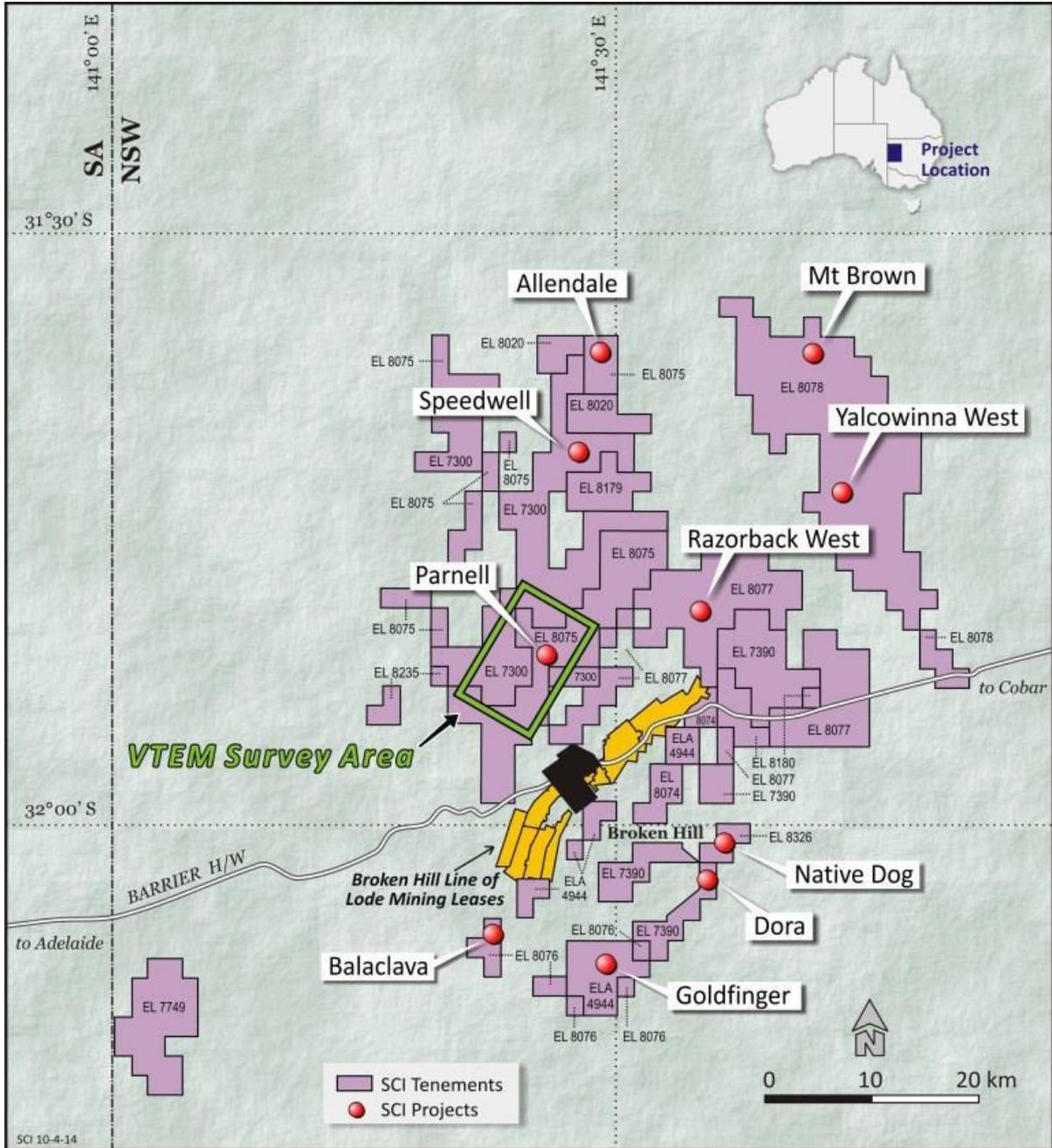


Figure 4. Broken Hill exploration tenements.

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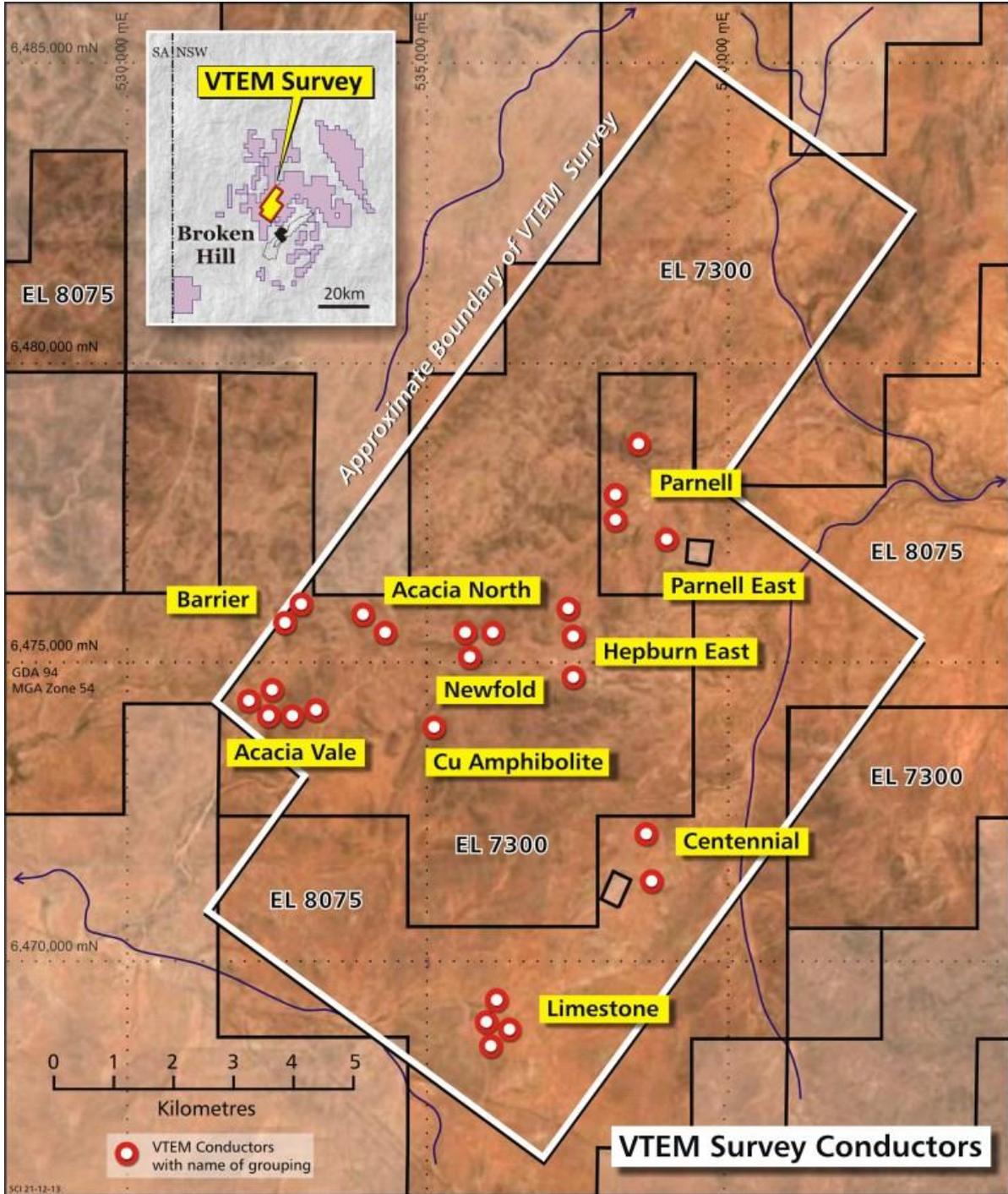


Figure 5. VTEM survey, Broken Hill.