SILVER CITY MINERALS LIMITED

Quarterly Report March 2012

ASX Code: SCI

Issued Shares: 98M
Listed Options: 29.2M
Unlisted Options: 19.8M
Cash Balance: $7.7M
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Ian Plimer
Greg Jones
Ian Hume

TOP SHAREHOLDERS

(At 18 April 2012)

Sentient Group	17.45%
PlatSearch NL	14.58%
Fitel Nominees	6.53%

TOP 20 SHAREHOLDERS
Hold 69.55%

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HIGHLIGHTS

- Design, preparation and permitting for a new phase of drilling at the Allendale lead-zinc-silver project. Fourteen new reverse circulation (RC) and diamond holes are planned for a total of 2000 metres. Silver City Minerals (SCI) considers this project to be a strong candidate for near-term resource definition and development.

- Completed preparation for drilling at Razorback West, Champion and the Umberumberka silver mine.

- Umberumberka drilling commenced late March with five reverse circulation holes completed for total of 489 metres. Results are pending.

- Gossans in a lode zone at Mt Brown returned rock chip samples with highly elevated lead, silver, copper and zinc over a one kilometre strike length. Evaluation of historic geophysical and geochemical surveys confirms potential of this project.

- Initiated ongoing compilations and investigations of historic exploration data for a number of Exploration Licences. New prospective areas have been identified and SCI anticipates follow-up ground work in Q2.

- Drilling results received for the Yellowstone Project completed in December 2011.
    - 4 metres at 1.5 g/t gold and 0.2% copper from 68 metres in hole YE009.
    - 4 metres at 54.2 g/t silver and 0.15% copper from 73 metres in hole YE010.

CORPORATE

Net operating expenditure for the Quarter was $499k. This included $366k on projects, $196k on administration and $50k for tenement bonds, offset by $113k in interest income. Cash on hand at the end of the Quarter was approximately $7.7 million.

Western Cape Resources Joint Venture

During the quarter the Company entered into a Farm-in and Joint Venture Agreement with Western Cape Resources Pty Ltd (WCR) with respect to Exploration Licence (EL) 7684 to the northwest of Broken Hill. Silver City Minerals (SCI) has the right to earn 51% equity in the EL by satisfying minimum statutory expenditure over a two year period. If after earning 51%, and if WCR chooses not to participate, SCI can earn up to 75% by taking a project to the completion of a feasibility study. SCI is committed to spend $20,000 before it can withdraw. The area is prospective for copper, silver, gold and molybdenum.

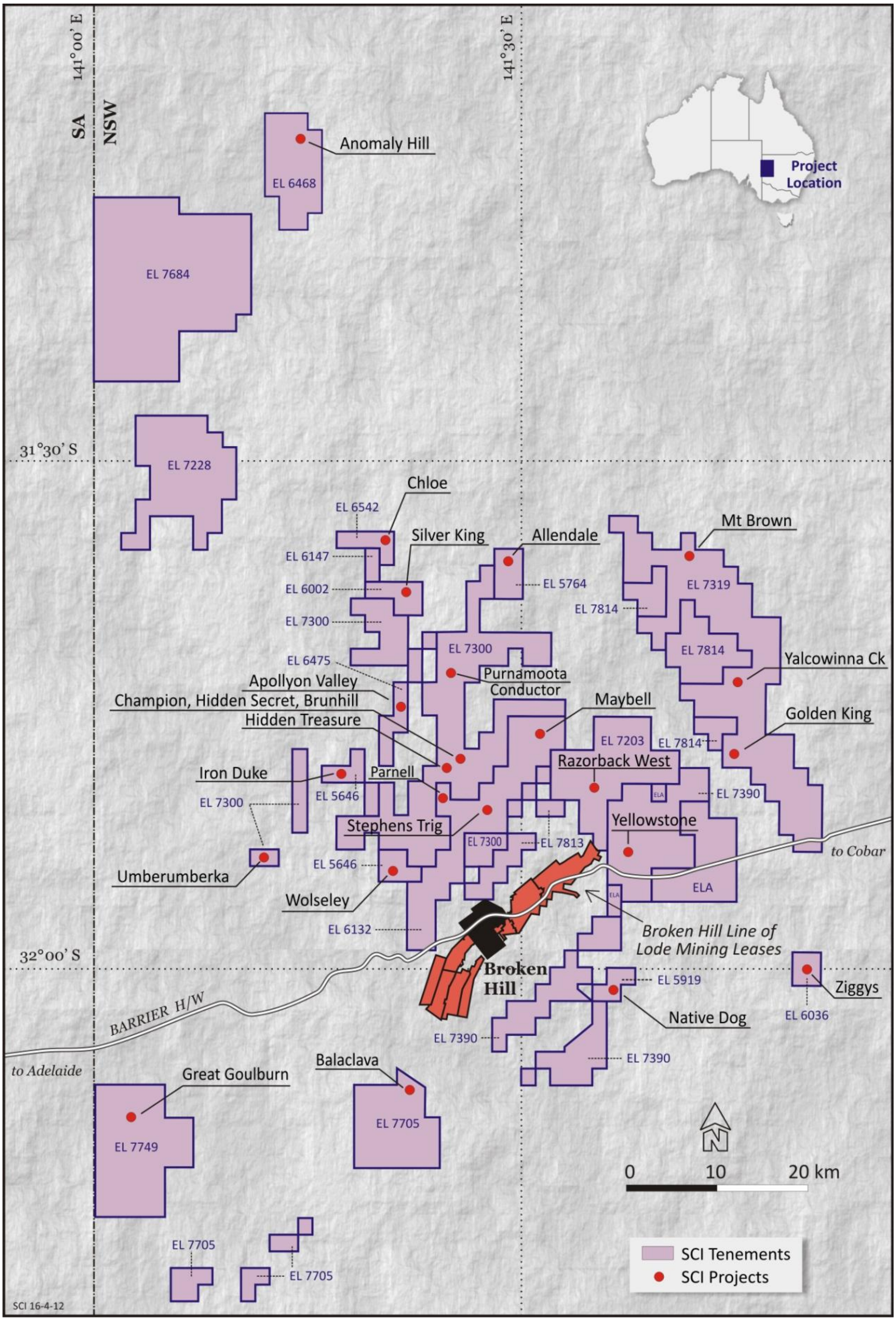

Figure 1. Silver City tenements and projects.

OPERATIONS

During the period SCI has focused on the design, preparation and permitting for a new campaign of drilling. The summer period and heavy rains precluded continued drilling during most of the quarter. Drilling commenced late in March at the Umberumberka silver mine and at the time of writing, holes at Champion and Razorback West had been initiated.

Yanco Glen (EL 5764)

Allendale

This project remains a strong candidate for near-term resource delineation and development. A second program of approximately fourteen drill holes is scheduled to commence early in the second quarter 2012. Results have been previously reported (ASX Releases 27 September and 13 December, 2011) and indicate multiple high grade sulphide intersections (Figure 2). Figure 3 shows the location of eight of the proposed holes in longitudinal section with respect to existing sulphide intersections. The remaining holes will test the zone along strike to the north and south. Significant results to date include the following:

- **10 metres at 4.1% lead, 12% zinc and 29.0 g/t silver** from 15 metres including **1 metre at 12% lead, 26.3% zinc and 80.1 g/t silver** from 15 metres and **2 metres at 6.4% lead, 27.4% zinc and 43.3 g/t silver** from 18 metres in hole RCAN002.
- **4 metres of 2.8% lead, 3.9% zinc and 20 g/t silver** from 61 metres, including **1 metre of 5.6% lead, 9.3% zinc and 40 g/t silver** from 61 metres and 5 metres of **3.5% lead, 5.8% zinc and 37 g/t silver** from 85 metres, including 2 metres at 7.4% lead, 10.3% zinc and 61 g/t silver from 85 metres in hole RCAN028.
- **2 metres at 8.4% lead, 11.5% zinc and 39.2 g/t silver** from 47 metres in hole RCAN011.

Euriowie (EL 7319)

This licence hosts a number of projects including *Golden King and Mount Brown.* Golden King was drilled last year and returned intersections containing appreciable copper (ASX Release 9 January, 2012) including:

- **22 metres at 0.61% copper** from 85 metres, including 2 metres at 1.30% copper from 93 metres in hole RCGK005.
- **12 metres at 0.41% copper** from 73 metres in hole RCGK006.
- **12 metres at 1.34% copper** from 32 metres including **4 metres at 3.37% copper** from 33m in hole RCGK007.

These holes indicate the presence of a steeply dipping zone of appreciable copper mineralisation in the western part of the prospect extending over a strike length of at least 120 metres and varying between approximately 10 and 20 metres in true thickness.

Mount Brown was geologically mapped in detail and a program of rock chip sampling was completed (ASX Release 3 April, 2012) and integrated with historic induced polarisation (IP) geophysical surveys and XRF soil surveys (Figure 4). The integrated data suggests the presence of a strongly mineralised structural corridor which extends for a kilometre along strike and which hosts gossanous lode rocks. The corridor is some 70 metres wide in places and hosts individual gossan horizons up to three metres thick. While the host rock sequence displays many of the characteristics of Broken Hill type (BHT) mineralisation with lodes comprising part of the host stratigraphy, the mineralised lodes appear to be enriched in lead and copper. Copper is not a major component of classic BHT mineralisation.

At both Golden King and Mount Brown mineralisation is intimately associated with magnetic minerals; pyrrhotite and magnetite respectively. Both projects are considered by SCI to be highly prospective with respect to copper, lead, zinc, gold and silver mineralisation. As a prelude to drilling, ground magnetic surveys are planned in order to outline the lodes in more detail and to determine if they persist along strike in areas covered by soil and alluvium.

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 5).

During the Quarter the Company initiated a drilling program and completed five RC holes for a total of 489 metres. Two of these tested the down plunge potential of a western shoot, two tested up-plunge potential and one tested shallow strike continuity. Results are pending.

Champion

The Champion Prospect contains BHT style, folded gahnite quartz lode rocks which outcrop over a distance of 500 metres. These have been incompletely tested by four historic drill holes, none of which intersected lode widths as seen at surface. Three shallow holes for a total of 231 metres were completed by SCI in order to test for the presence of thicker zones in the hinge of a fold. Lode rocks have been intersected in all SCI holes. Interpretation is in progress and results are pending.

Yellowstone (EL 7390)

Yellowstone

The Company completed an induced polarisation (IP) survey and soil geochemical sampling program to cover anomalous rocks within the Yellowstone Shear Zone. This work identified several chargeability anomalies that were tested in conjunction with geological and geochemical targets. Drilling encountered pyrite (iron sulphide) mineralisation in holes 09, 10, 12 and 13. Hole 11 was abandoned at 6 metres. Significant results are as follows (ASX Release 10 February 2012):

- 4 metres at 1.5 g/t gold and 0.2% copper from 68 metres in hole YE009.
- 4 metres at 54.2 g/t silver and 0.15% copper from 73 metres in hole YE010.

Further investigations of untested IP anomalies are scheduled for the following quarter.

Drilling Schedule

The Company has booked a reverse circulation drill rig capable of drilling to depths of between 200 and 250 metres. It is anticipated that this rig will be used primarily at Allendale and will commence work late in April or early May. In the interim SCI has secured the services of a smaller rig capable of drilling to depths of up to 100 metres. This rig commenced work in late March and has completed a total of 842 metres in 10 holes at three project areas; Umberumberka, Champion and Razorback West.

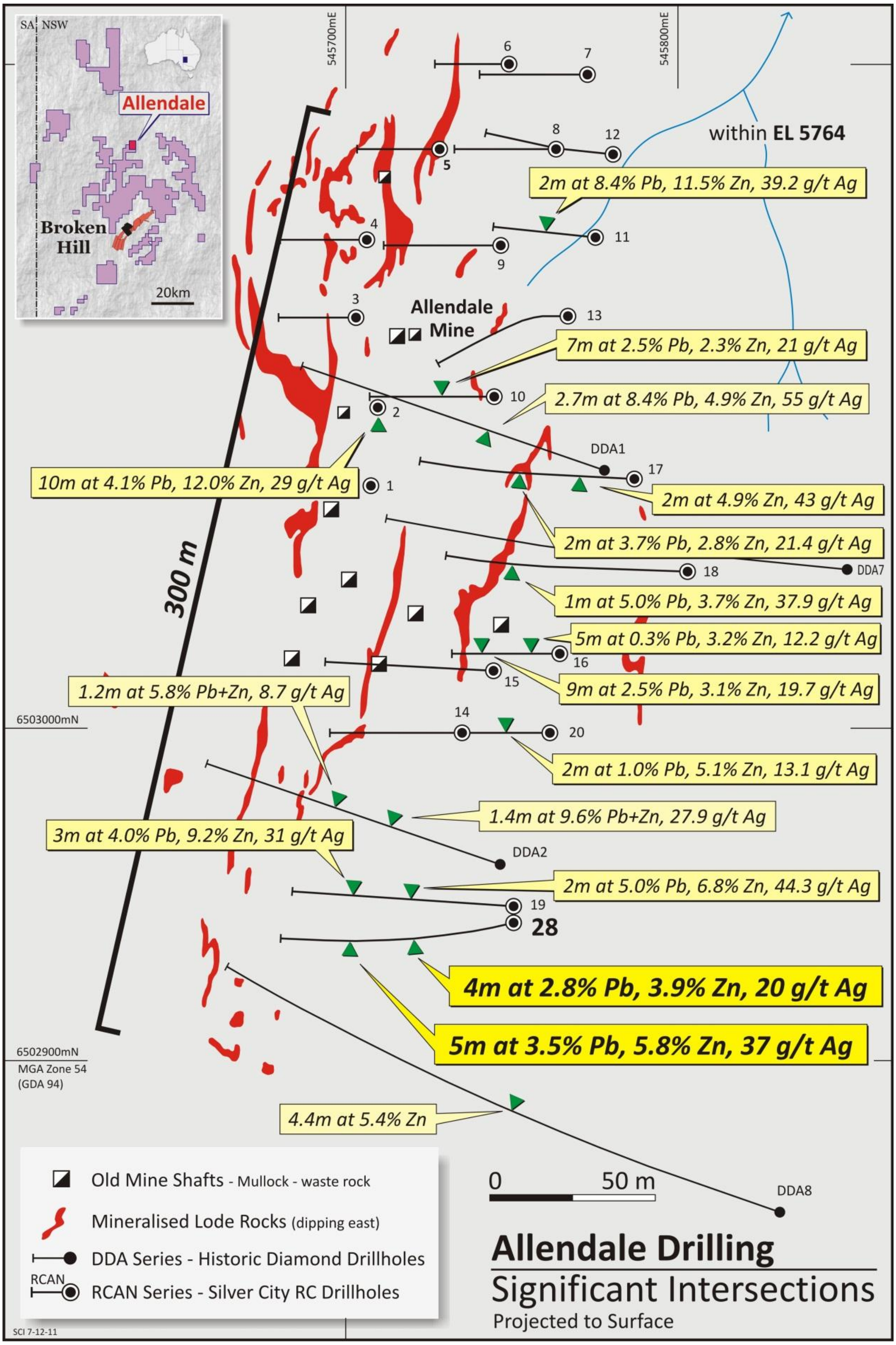

Figure 2. Allendale significant drillhole intersections.

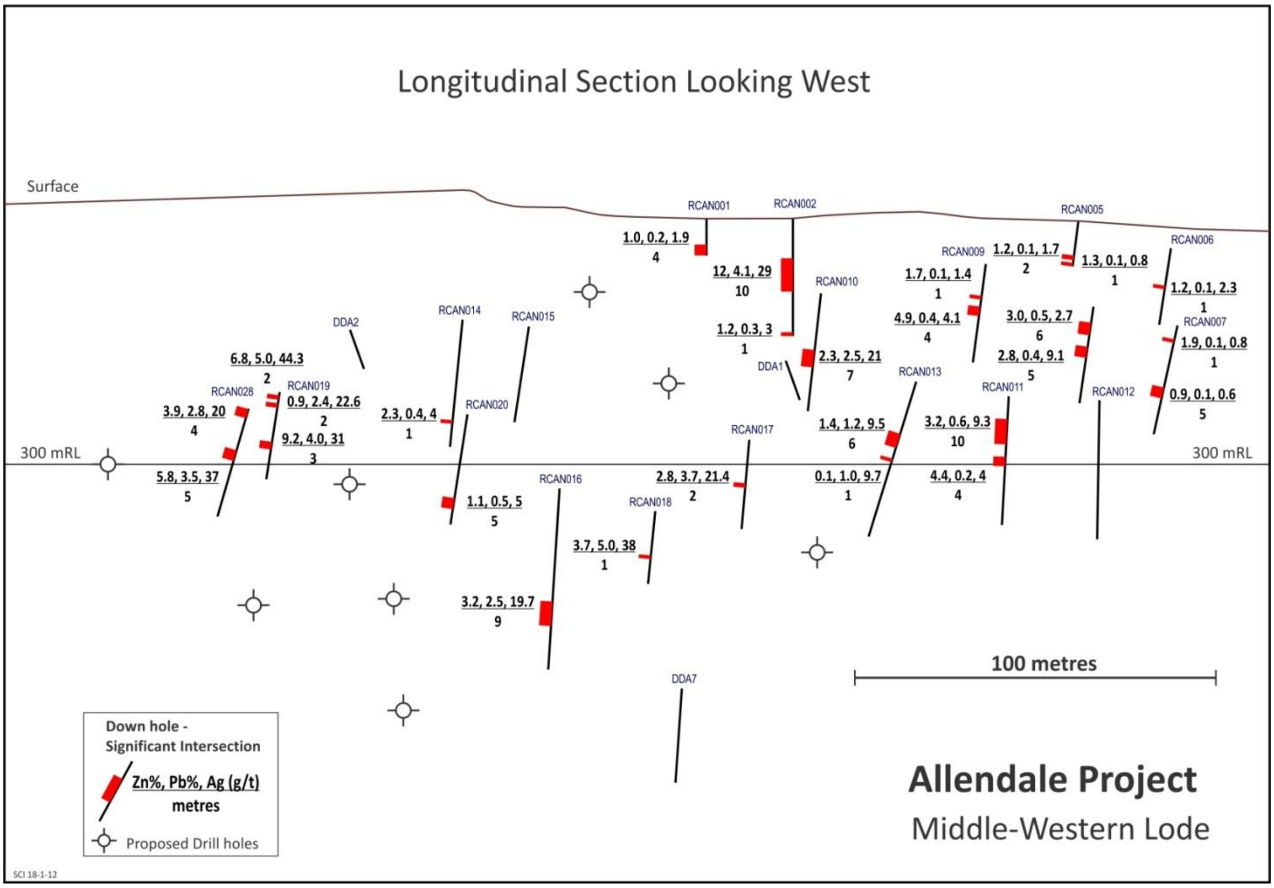

Figure 3. Longitudinal section of the Middle-Western Lode at Allendale showing significant drillhole intersections and proposed drilling.

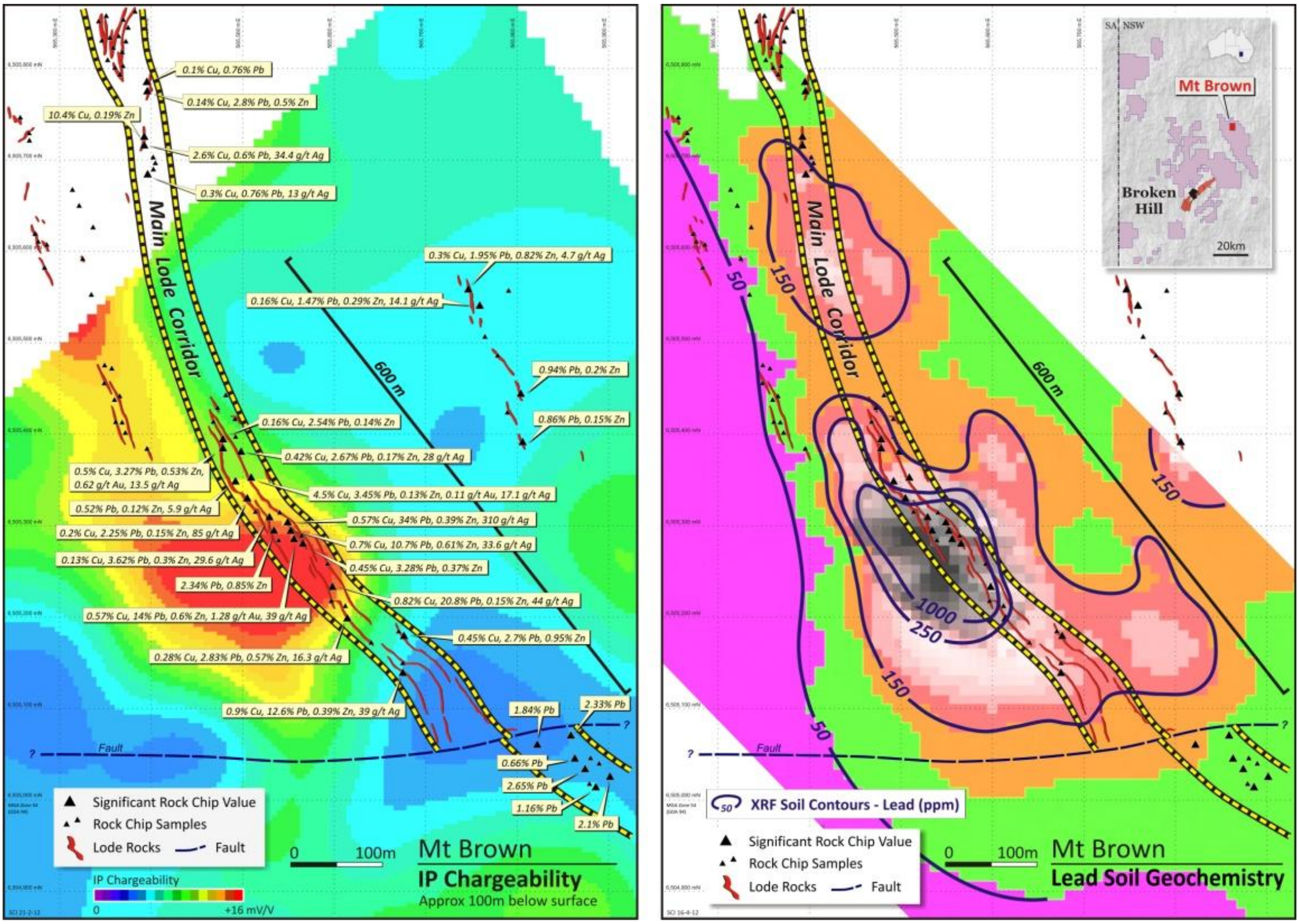

Figure 4. Mount Brown project. Diagrams show the extent of prospective lode rock horizons, IP chargeability, lead-in-soil geochemical anomalies and rock chip sample assays.

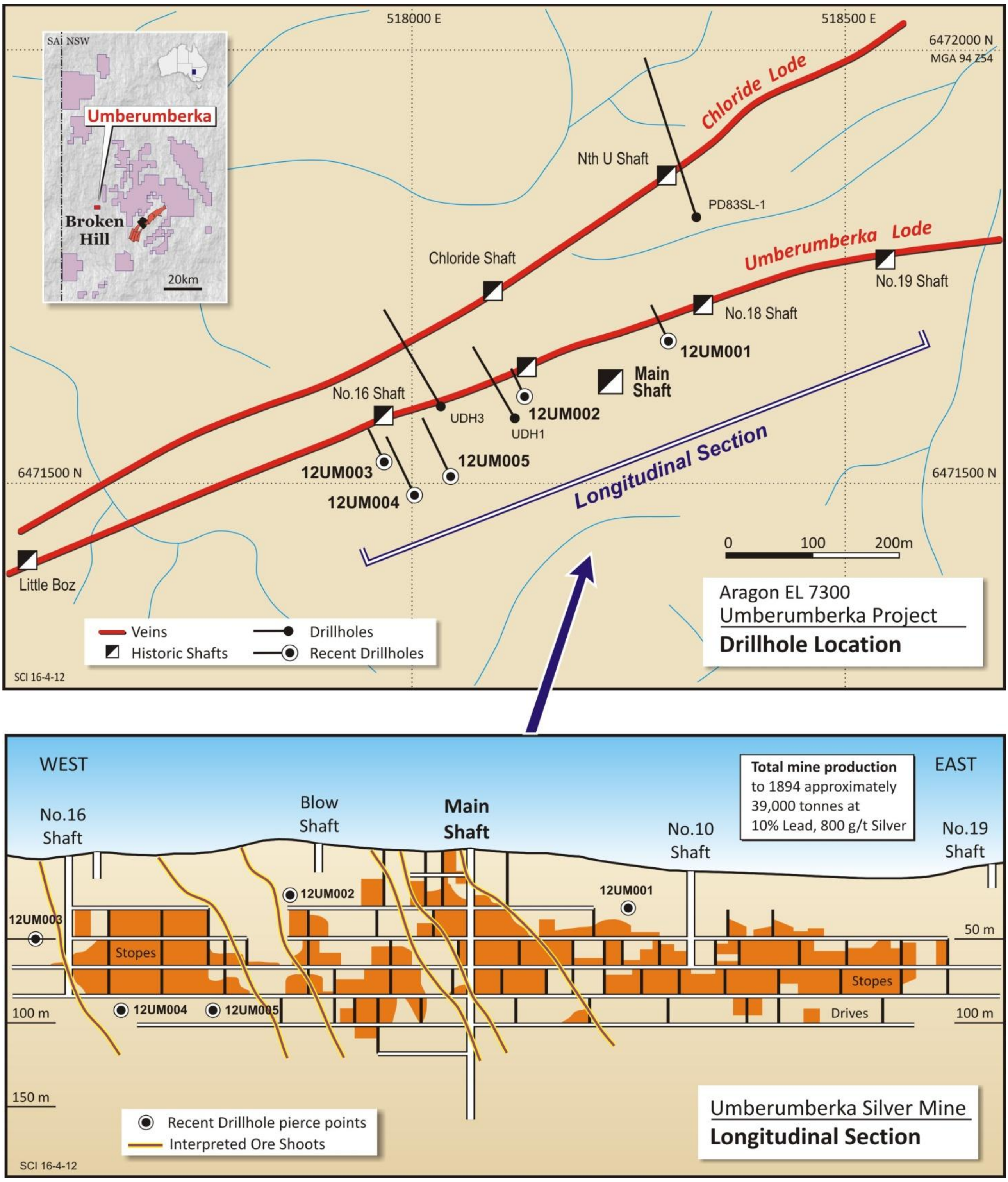

Figure 5. Umberumberka silver mine plan and longitudinal section showing extent of vein structures, old stope plans and the location of five reverse circulation holes completed by SCI.

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 (BSc, MSc, RPGeo.) who is a member of the Australian Institute of Geoscientists. Mr Torrey is the Managing Director and full-time employee of Silver City Minerals Limited. Mr Torrey 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 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.