

SILVER CITY MINERALS LIMITED



Quarterly Report

March 2015

ASX Code: SCI

Issued Shares: 116.3M
Unlisted Options: 10.5M
Cash Balance: \$2.4
ABN: 68 130 933 309

DIRECTORS

Bob Besley
Chris Torrey
Ian Plimer
Greg Jones
Ian Hume

TOP SHAREHOLDERS

(At 8 April 2015)

Sentient Group: 17.74%
Variscan Mines: 12.47%
Top 20: 55.82%

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HIGHLIGHTS

Broken Hill, NSW (silver-lead-zinc)

High priority targets were identified in a comprehensive study of Broken Hill tenements. The focus is currently on the northern extension of the Broken Hill line-of-lode at Razorback West and the southern extension at Balaclava.

➤ Razorback West

Electromagnetic conductors provide new drill targets for massive lead-zinc sulphide deposit. Recent surveys show conductors are remarkably coincident with anomalous zones of zinc, lead and manganese in shallow RAB and RC drilling. The conductors could originate from zinc-rich sulphide mineralisation at depth. Best estimates suggest 120 metres to the top of the main conductor.

➤ Balaclava

New drill targets with potential for large lead-zinc-silver in sulphide zones have been outlined. The up-plunge, near-surface expression of hole 89BCLA007 which hosts an intersection of **10.1 metres of 6.83% zinc and 0.69% lead from 193.3 metres, including 5.7 metres at 11.9% zinc and 1.1% lead from 197.7 metres** provides an excellent target for follow-up drilling.

Taupo, New Zealand (gold-silver)

The Company is focussed on the discovery of high grade epithermal gold-silver deposits near Rotorua in New Zealand.

➤ Goldmine Hill

A large, symmetrically zoned hydrothermal alteration system has been mapped in the field. A central feeder zone is interpreted to extend along a large northeast-trending fault structure for over 3 kilometres and is 300 metres wide. Much of the prospective structure is obscured by a thin veneer of recent ash cover.

OUTLOOK

- At Broken Hill the Company plans to advance both Razorback and Balaclava targets to the drilling stage.
- In New Zealand analyses of rock chip samples from Goldmine Hill are pending.

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OPERATIONS

New South Wales Projects

Broken Hill (lead-zinc-silver)

In the December 2014 Quarterly Report the Company outlined three areas of focus within the Broken Hill district, namely the Razorback West Corridor, the Stephens Trig Corridor and Balaclava. Work during the quarter has included an electromagnetic survey over Razorback West to the north of Broken Hill and detailed geological evaluation of the Balaclava project to the south (Figure 1). A similarly detailed assessment of Stevens Trig has been initiated.

Razorback West Corridor (100% SCI)

This corridor is considered to be the northern extension of the Broken Hill “line-of-lode”, offset by a fault known as the Stephens Creek Shear. It extends for 12 kilometres and is approximately 3 kilometres wide and is mostly buried beneath a veneer of alluvium and soil in a valley with little more than 10-15% outcropping rock (Figure 2).

The Company has outlined a coincident lead-zinc-manganese geochemical, gravity and IP anomaly in the southern part of the corridor. This target zone is over 5 kilometres long and 1 kilometre wide. SCI initiated the first ever drilling in 2012 and to date has completed 18 holes. Drill holes have returned anomalous lead, zinc and manganese and have confirmed the favourable host-rock sequence for Broken Hill type mineralisation.

In order to focus on more significant accumulations of sulphide of the Broken Hill type, during the Quarter the Company undertook a moving loop electromagnetic survey over the entire area of geochemical and IP chargeability anomalism. This survey covered an area of 7.14 square kilometres and was designed to detect conductive sulphide accumulations. Results from this survey outline a weak conductor extending along strike for more than one kilometre (Figure 3).

Field data indicated a number of areas of conductivity within the moving loop survey which warranted followed up by fixed loop EM to better define the locations of the bedrock source. In one zone a possible conductor was identified. Due to the subtle nature of the response interpretation was difficult, but best estimations suggested the top to the conductor lies approximately 120 metres below surface.

The responsive fixed loop survey covered an area of approximately 400 by 400 metres. In plan, a subtle conductor has a close spatial relationship with the peak zinc anomaly outlined in shallow RAB holes (Figure 3). Further, when reviewed in cross-sections with respect to Silver City RC holes, the conductor shows a similar relationship to steeply dipping zones of elevated lead, zinc and manganese (Figures 4). Alteration minerals, especially fine grained garnet and locally blue quartz are associated with elevated geochemistry. These zones of garnetiferous rock with elevated mineralisation are 35 to 50 metres wide and lie directly above the interpreted EM anomaly.

Drill Targets

The fact that the conductors are remarkably coincident with elevated zinc, lead and manganese suggests some causal link. The Broken Hill deposit immediately to the southeast, hosts abundant zinc and lead in sulphide ores within an envelope of geochemically anomalous manganese-rich garnet, garnet sandstone and blue quartz-bearing rock sequences. Shallow RC drilling to date at Razorback West outlines part of a similarly anomalous alteration envelope. The EM anomaly lying

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untested at depth beneath the existing drill holes could be responding to a significant accumulation of zinc-rich (sphalerite-rich) mineralisation and can be tested by deeper drilling (Figure 6).

Balaclava (75% SCI, 25% CBH Resources)

Like Razorback West in the north, Balaclava is thought to be located within the southern extension of the Broken Hill “line-of-lode” corridor. Results of a previous RAB program combined with geological interpretation outline a sequence of tightly folded rocks hosting abundant alteration minerals as well as anomalous lead-zinc mineralisation.

Lead-zinc geochemical anomalies extend in a generally northwest orientation in a series of narrow elongate zones. The largest extends for 2 kilometres and encompasses lode rocks, the prospective Potosi Gneiss and a number of old mine shafts (Figures 7).

A cross-section of historic drilling shows that mineralisation and alteration in lode rocks can be traced down dip from old near-surface mine workings in four separate, steeply dipping zones (Figure 8). A shallow SCI RAB hole in one of these zones encountered a previously unknown gossan which returned **9 metres at 0.48% zinc, 0.61% lead, 0.27% copper and 0.45 ppm silver** from 2 metres downhole (Figure 9).

In a longitudinal section extending for over 500 metres in a northwest direction an envelope of mineralisation and lode rocks can be traced down-plunge from surface at an angle of 25 to 40 degrees (Figure 9). This plunge direction and angle fits well with surface geology and the orientation of the axes of small-scale folds in the area. This suggests mobilisation of sulphide minerals into the noses of folded rock sequences during geological deformation. At Broken Hill orebodies are thicker and often higher grade in the nose position of folded rocks (for example Figure 6).

Drill Targets

The Company is encouraged by historic hole 89BCLA007 returning **10.1 metres of 6.83% zinc and 0.69% lead from 193.3 metres, including 5.7 metres at 11.9% zinc and 1.1% lead from 197.7 metres**. Mineralised positions up-plunge from this hole remain untested by drilling.

SCI has obtained data from historic electromagnetic surveys and has identified two significant conductors that have never been drilled (Figure 7). These may represent sulphide-rich bodies at depth and also require drill evaluation.

New Zealand Projects

Taupo (gold-silver)

Goldmine Hill (100% SCI)

This project is focussed on the discovery of high grade epithermal gold-silver deposits near Rotorua in New Zealand.

Gold was first reported from the area in 1924. Follow-up rock chip analyses of quartz material by the Inspector of Mines returned a sample with just over 4 pennyweights per ton gold and 2 ounces per ton silver or in today's measures approximately **6 grams per tonne and 62 grams per tonnes** respectively. Five of the seven samples collected in that reconnaissance survey returned over 3 g/t gold. Locally, and in New Zealand Geological Survey reports the area from which these samples were collected is known as Goldmine Hill.

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Previous explorers have identified areas of very strong hydrothermal alteration in a dacite intrusion but the source of gold mineralisation remains obscured by a thin mantle of very young, unconsolidated volcanic ash. The only indications of the nature of the mineralised and altered rock occur in erosional windows through the thin ash cover. The alteration that is seen is typical of that associated with low sulphidation epithermal gold-silver deposits in the Hauraki Goldfield to the north. The Hauraki field has produced in excess of 11 million ounces of gold.

The purpose of the initial SCI field work was to locate and comprehensively map and sample rocks within these important erosional windows. Work was completed during February and March this year.

The dacite rock (Puhipuhi Dacite) is about 150,000 to 160,000 years old, has a generally circular distribution (in plan) and is about 3 kilometres in diameter. It represents the eroded intrusive plug and associated extrusive rocks from an ancient volcano. It lies on the southeastern margin of the caldera of the much larger Okataina Volcanic Centre and is transgressed by northeast trending faults which are the extensions and/or precursors of the Tarawera Volcanic fissure.

Silver City geologists have been able to build an interpretive picture of the mineralised alteration system (Figure 10). Field and mineralogical studies show a faulted and symmetrically zoned alteration distribution within the dacite, focussed on a northeast-trending belt of advanced argillic alteration which is approximately 3000 metres long and 300 metres wide. Peripheral to and probably sourced from a feeder zone beneath this belt are a number of silica-pyrite rich hydrothermal explosion breccias. Rocks to the northwest and southeast of the belt display progressively weaker alteration away from the belt.

Geophysical data indicate magnetite, normally ubiquitous in the fresh dacite, is completely destroyed within the belt suggestive of a major up-flow zone where hot hydrothermal fluids have completely destroyed primary minerals, including magnetite, in the dacite. This is a typical setting for epithermal gold-silver deposits. An interpretive cross-section based on the available data shows the likely position of gold deposition in this environment (Figure 10).

The Company is highly encouraged by the geological work to date and at the time of writing was awaiting analyses of rock chip samples collected during the program.

CORPORATE

Net operating expenditure for the Quarter was \$412k. This included \$324k on projects, \$154k on administration, offset by \$40k received in income and \$26k received from JV and consulting income. Cash on hand at the end of the Quarter was approximately \$2.4 million.

PREVIOUS DOCUMENTS IN RELATION TO THE REPORT

1. Quarterly Report December 2014
2. ASX Release 12 July 2012.
3. Quarterly Report September 2013
4. ASX Release 20 March 2015.
5. New Zealand Ministry of Economic Development: Crown Minerals (now New Zealand Petroleum and Minerals), Mineral Reports Series MR 689

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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 of prospects moving toward the drill assessment stage. It is also exploring for high grade gold and silver in an epithermal system near Rotorua, New Zealand.

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". 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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ANNEXURE 1 Diagrams

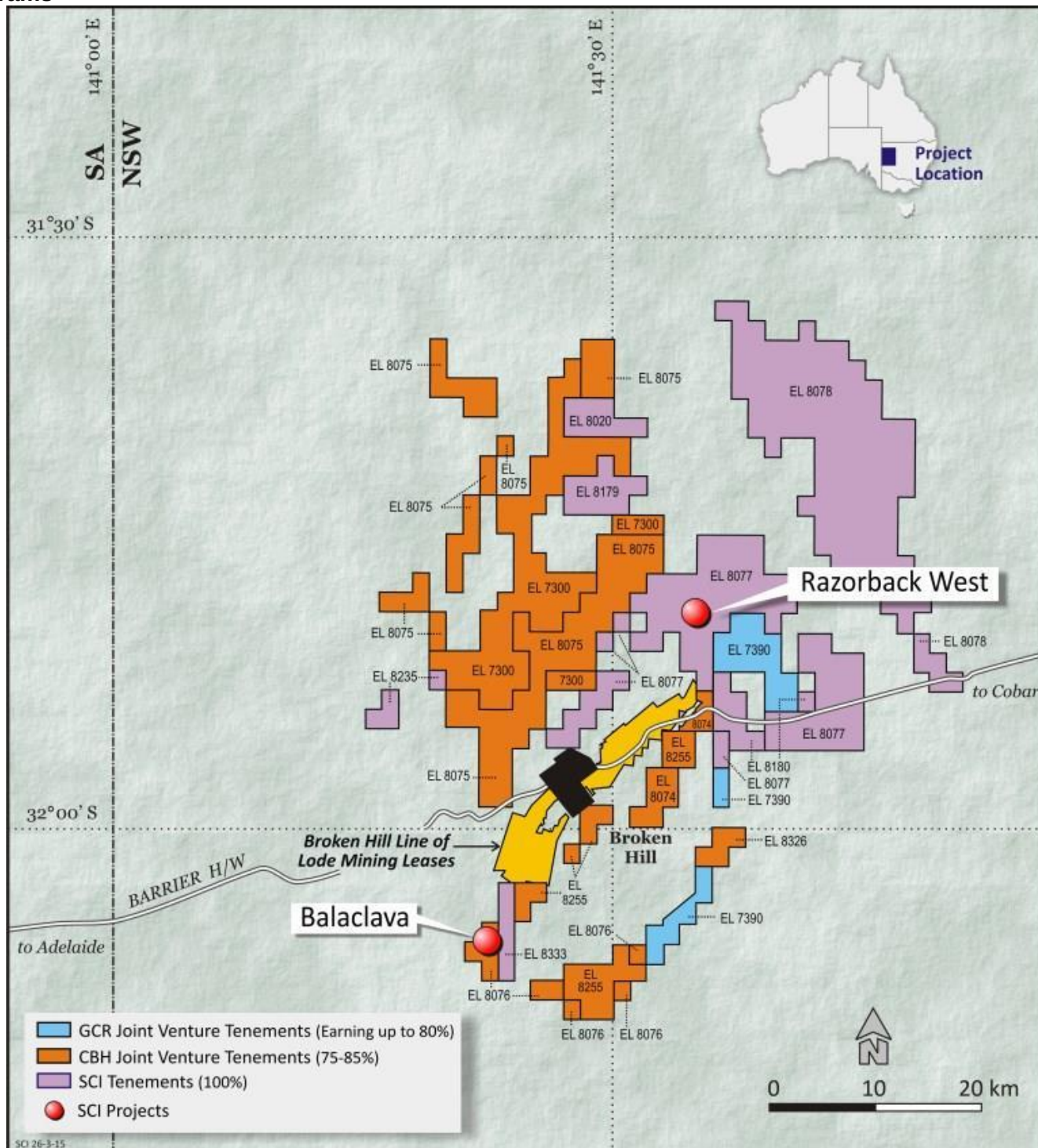


Figure 1. Silver City Tenements and areas of focussed exploration.

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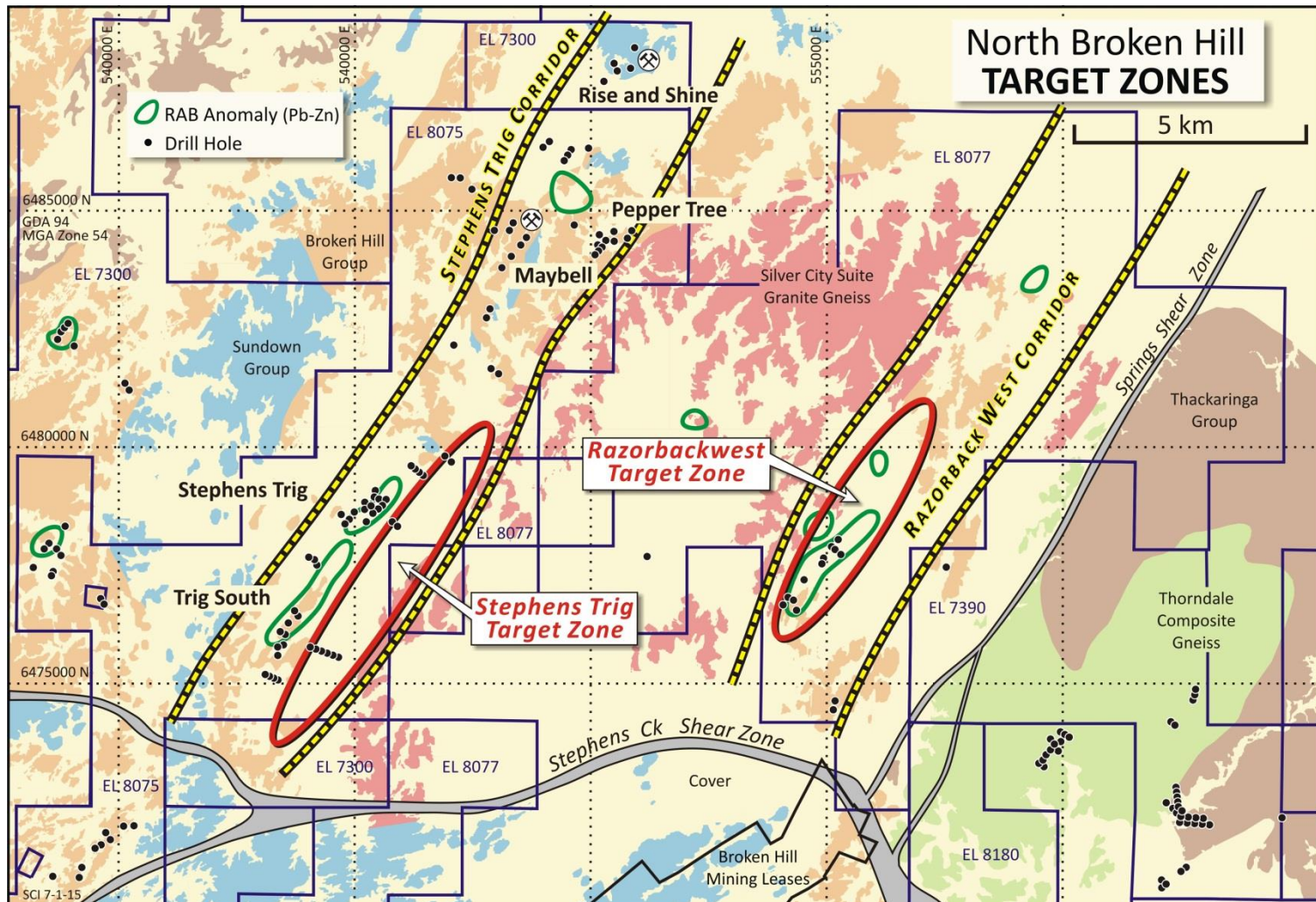


Figure 2. North Broken Hill target zones. Diagram shows outcropping rock types and areas of alluvial and soil cover (pale yellow). The prospective Stephens Trig and Razorback West corridors trend in a northeast direction and lie to the north of the Stephens Creek Shear Zone. The Broken Hill orebodies are located to the south of the shear zone within the Broken Hill Mining Leases. The Target Zones outlined in red are areas of focussed exploration by SCI.

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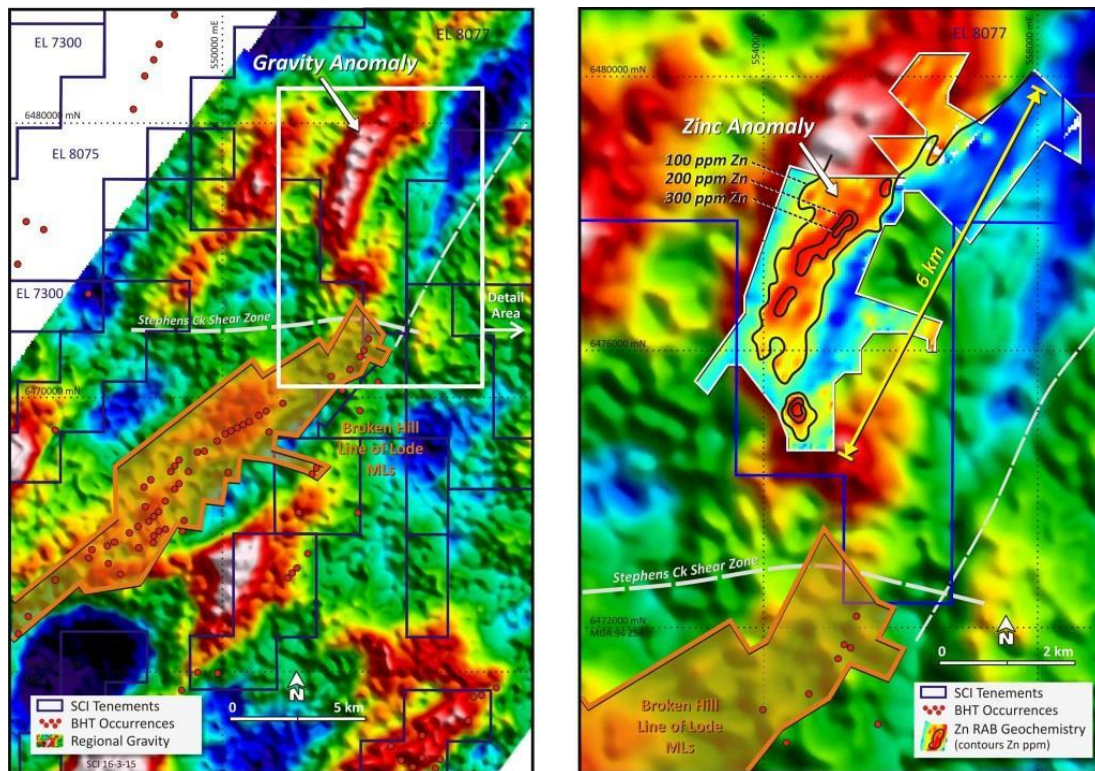


Figure 3. On left gravity image with Broken Hill “line-of-lode” mining lease superimposed, showing significant gravity anomaly to the north of the Stephens Creek Shear Zone. Image on right is an enlarged view of that gravity anomaly with the SCI RAB zinc anomaly superimposed.

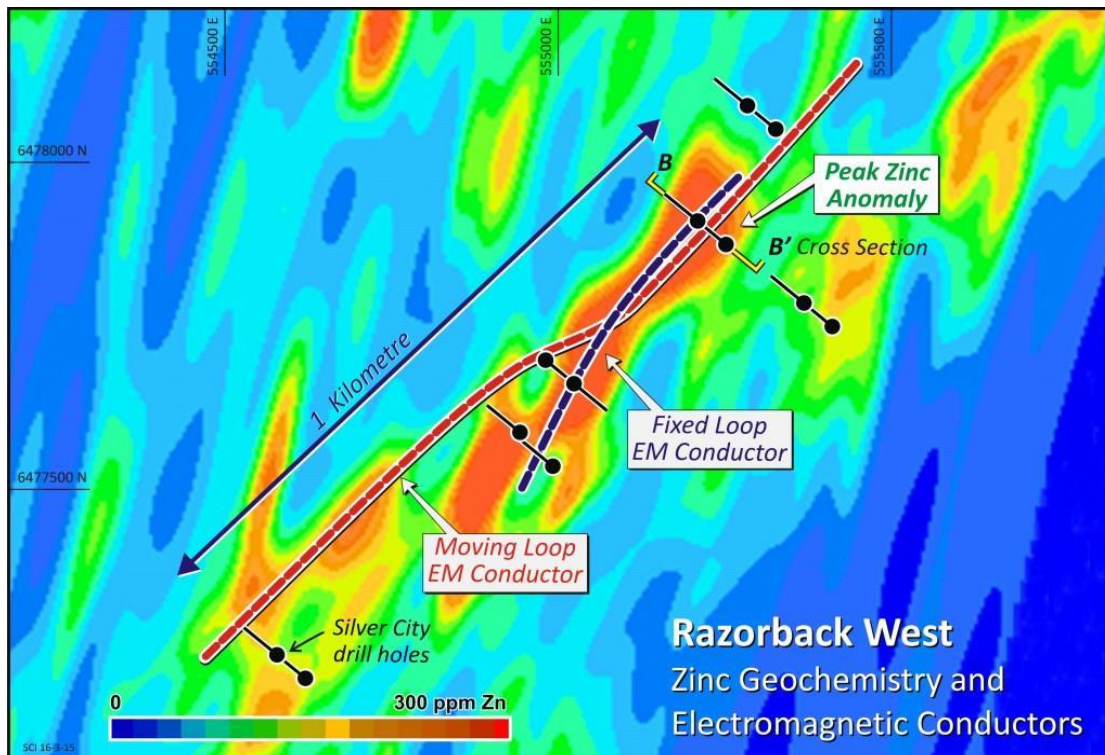


Figure 4. Shows the RAB zinc anomaly from Figure 3 in detail and the positions of the moving and fixed loop electromagnetic conductors outline in the recent survey. SCI drill hole locations are shown.

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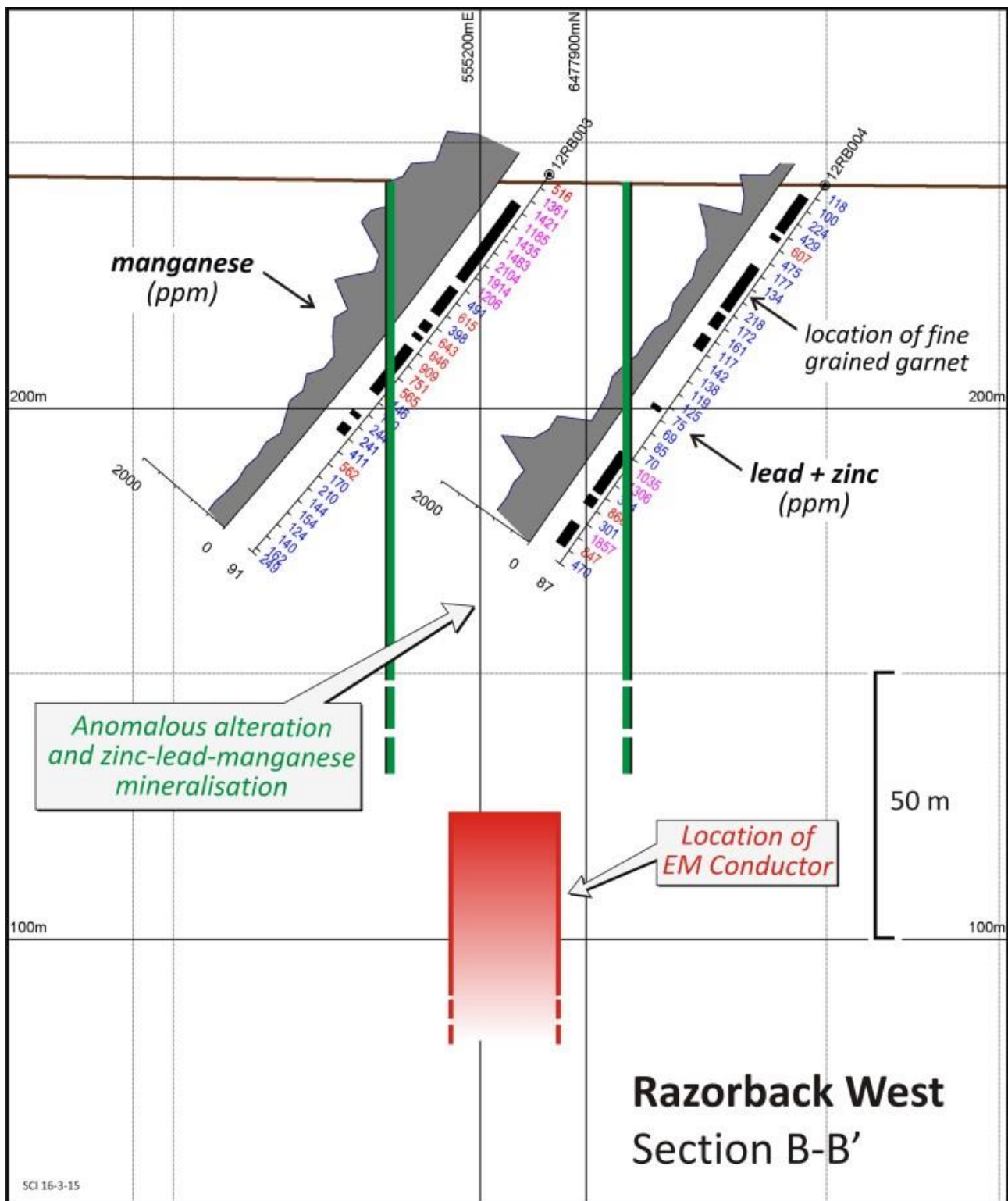


Figure 5. Cross-section B-B' from Figure 4 showing shallow reverse circulation drill holes completed in 2012. Zones of elevated zinc, lead and manganese are shown as is their relationship to the alteration mineral garnet. The EM conductor shown in Figure 4 is modelled at 120 metres below surface, and directly below the anomalous geochemistry in the RC holes. Existing drill holes do not test this conductor.

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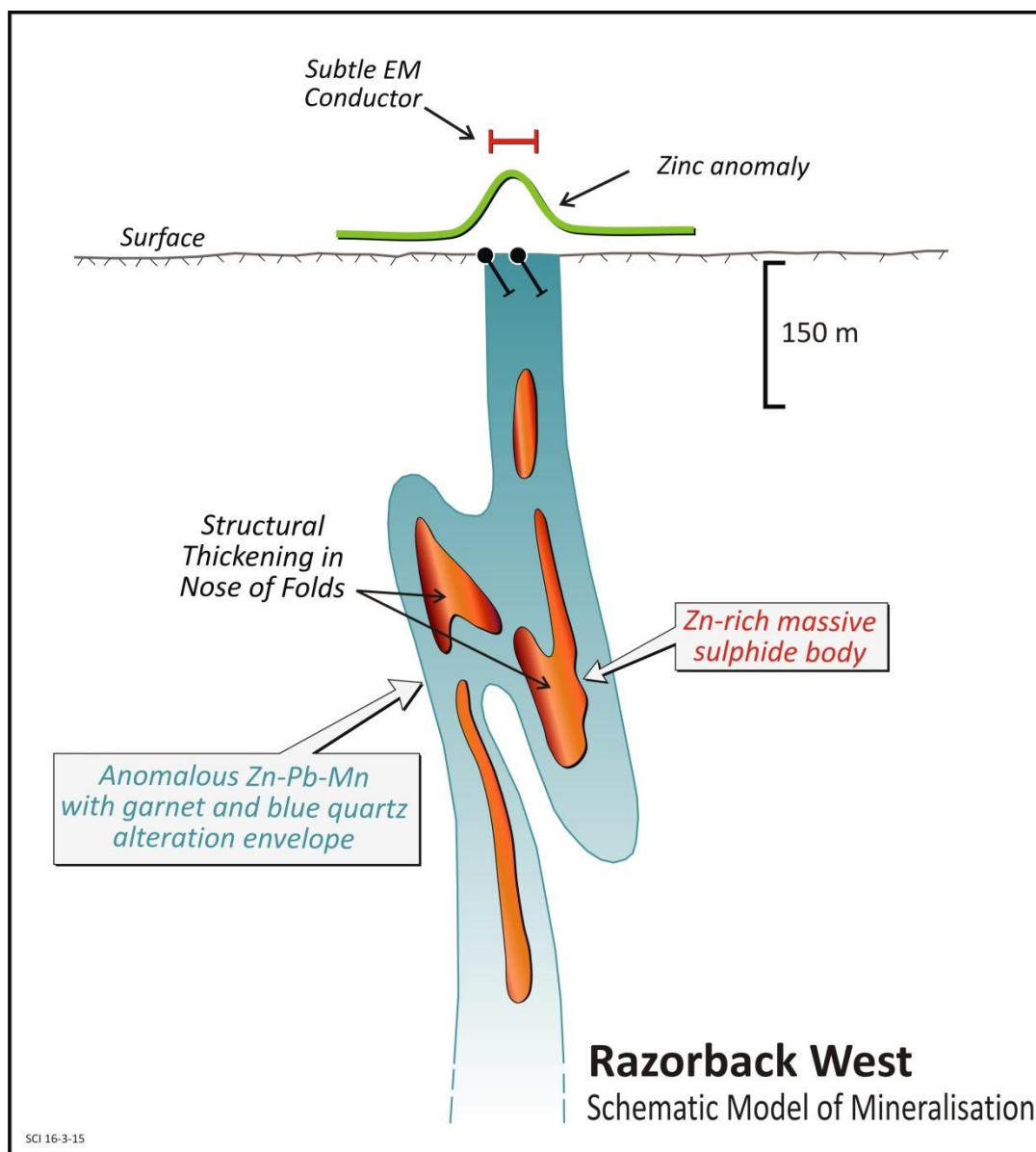


Figure 6. Schematic model of potential sulphide body at Razorback West with respect to EM conductors and RAB geochemistry.

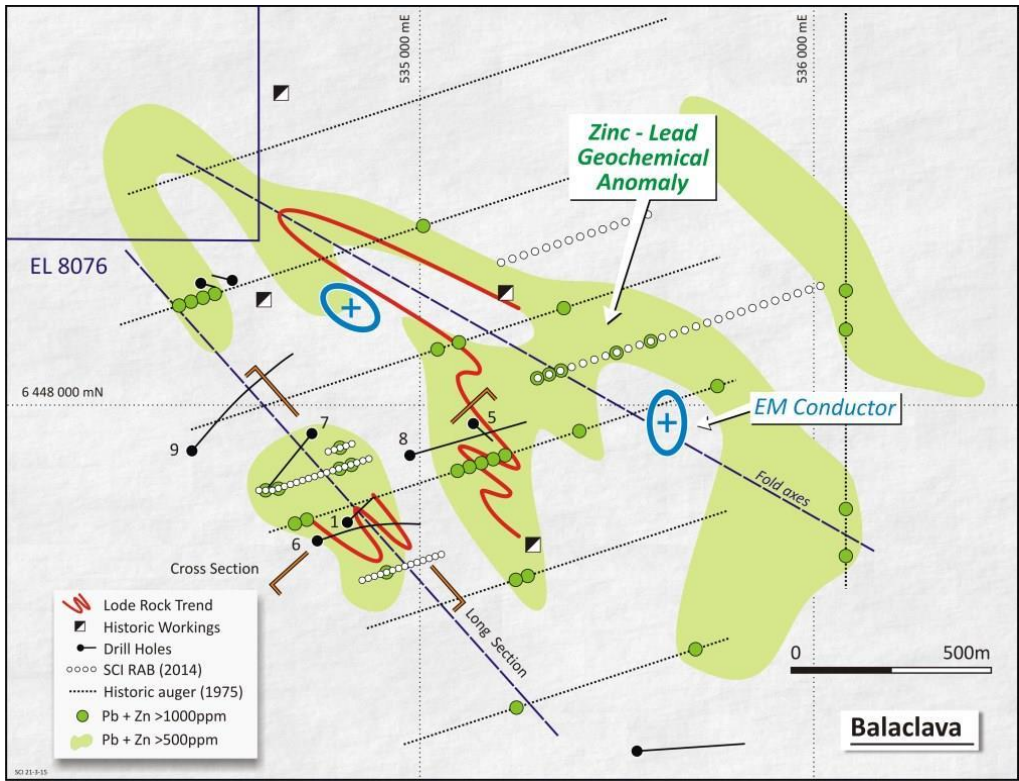


Figure 7. Balaclava; showing anomalous lead-zinc geochemistry, lode-rocks, drill holes and EM conductors.

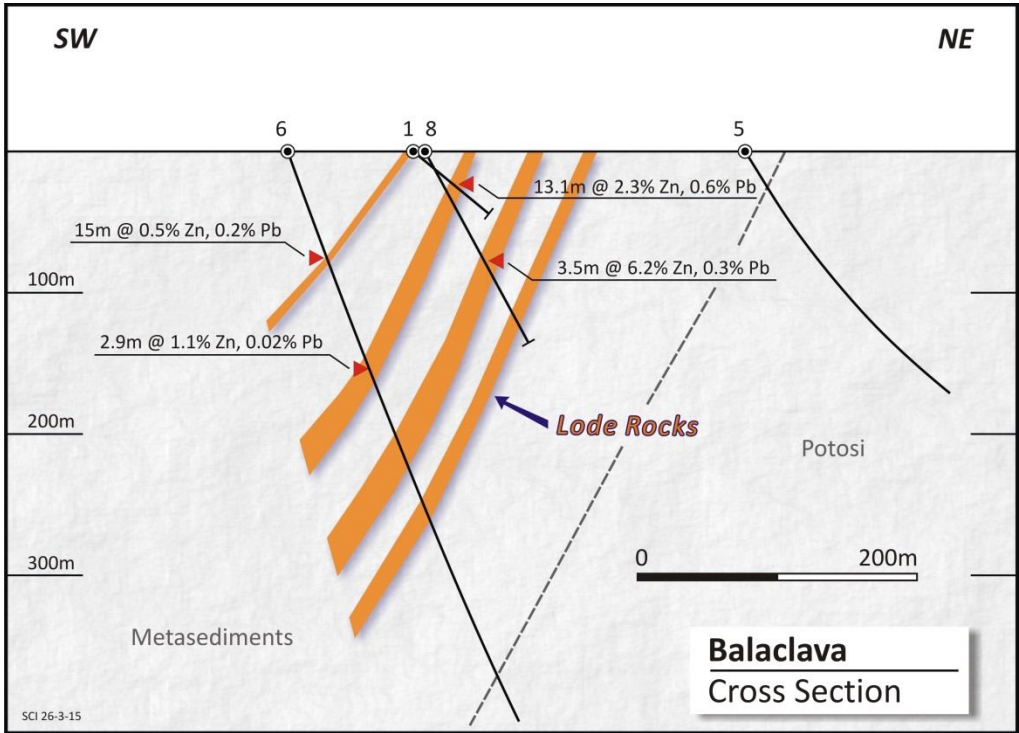


Figure 8. Balaclava; cross-section showing distribution of lode-rocks in historic drill holes.

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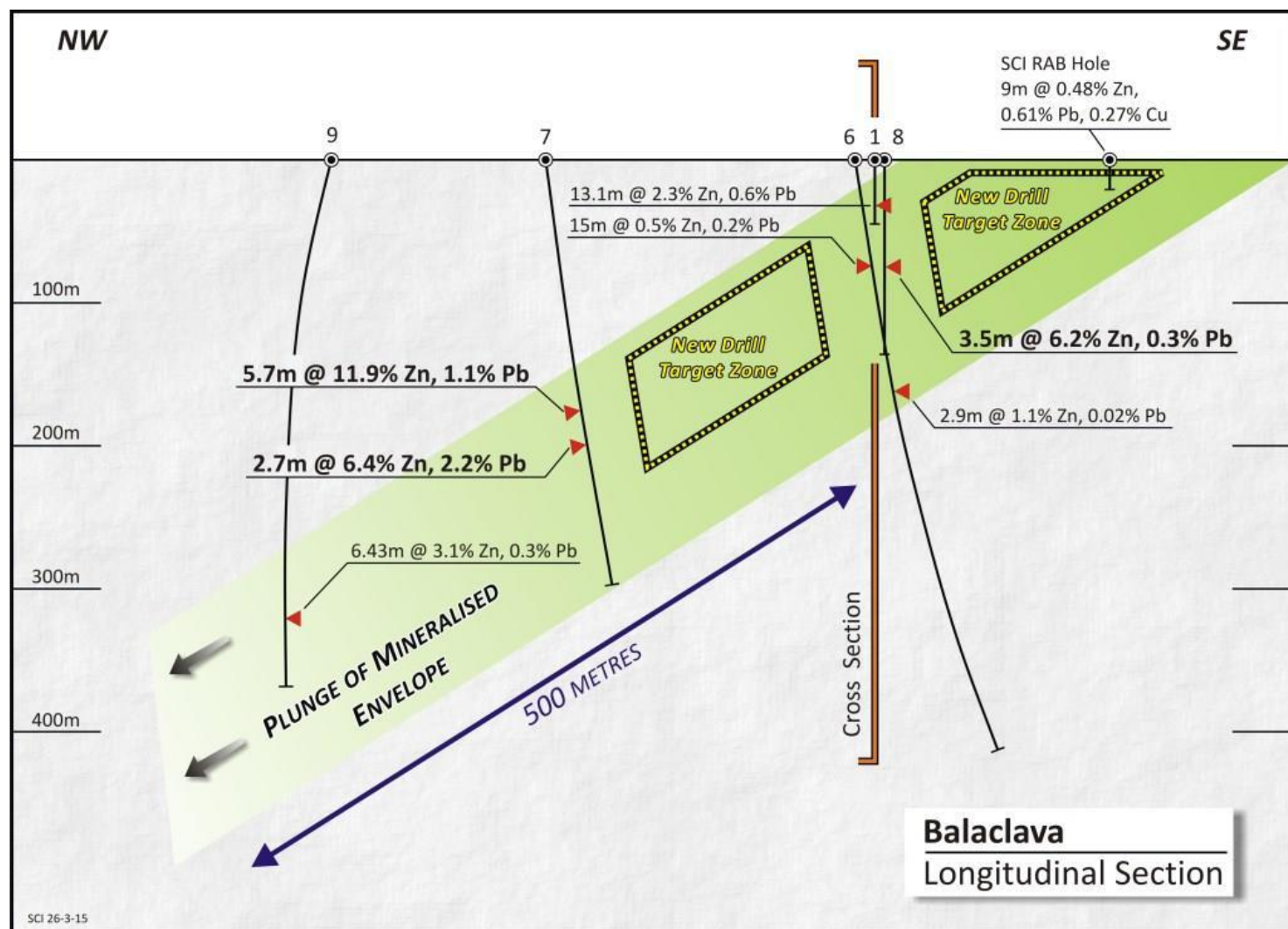


Figure 9. Baalclava; longitudinal section showing plunge of lode-rock package, mineralised intercepts and potential drill targets.

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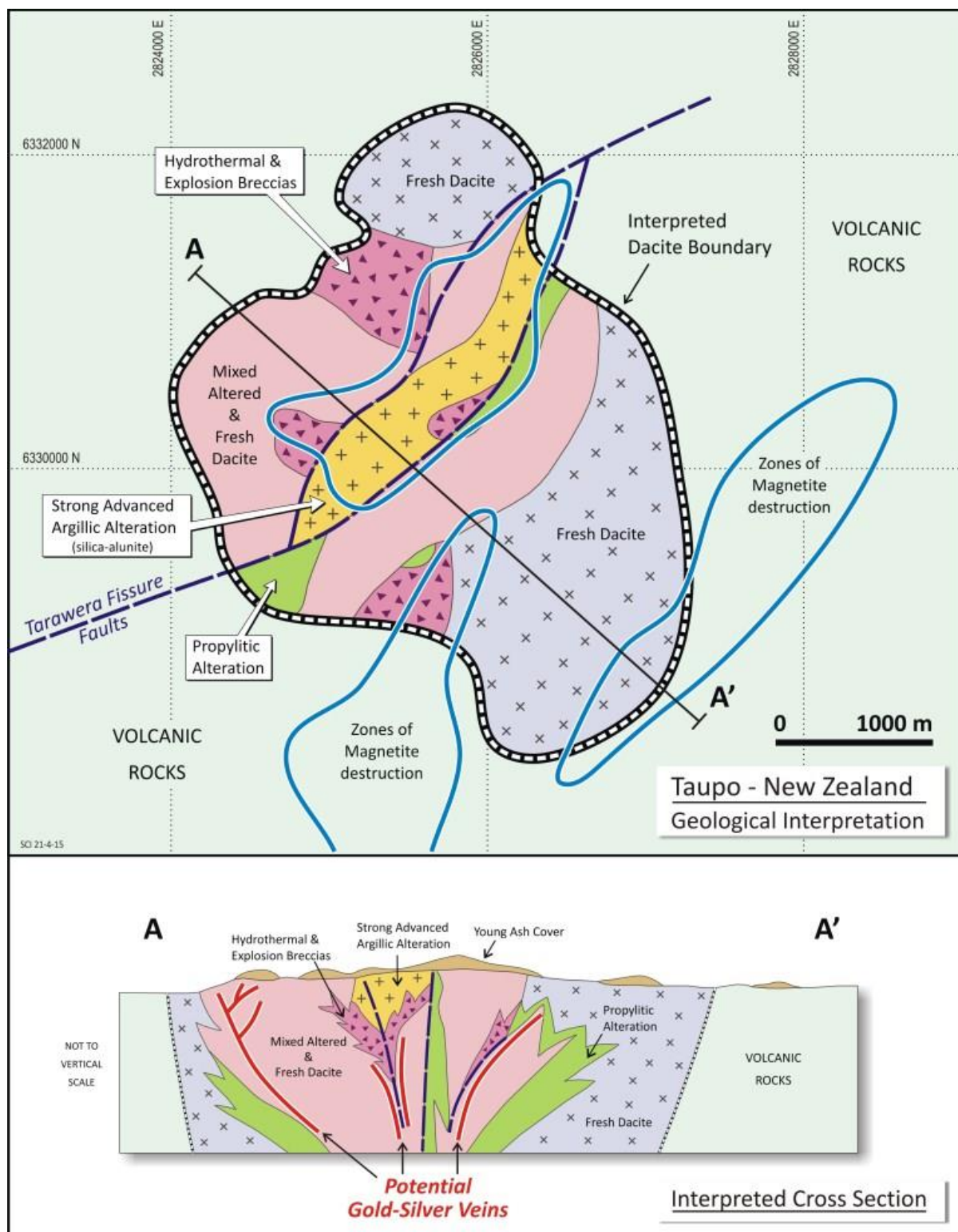


Figure 10. Interpretive geology plan and cross-section Taupo Project, New Zealand. Shows zoned alteration around northeast trending fault system.