



SILVER CITY MINERALS LIMITED

ABN 68 130 933 309

31 DECEMBER 2016
HALF YEAR FINANCIAL REPORT

Silver City Minerals - Exploring the Past for the Future

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Directors' Report

Your directors submit their report for Silver City Minerals Limited for the half year ended 31 December 2016.

Directors

The names of the Company's Directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Robert Besley Non-Executive Chairman

Chris Torrey Managing Director

Greg Jones Non-Executive Director

Ian Plimer Non-Executive Director

Josh Puckridge Non-Executive Director
(Appointed 3 February 2017)

Ian Hume Non-Executive Director
(Resigned 31 January 2017)

Yanina Barila (Alternate to Ian Hume)
(Resigned 31 January 2017)

Review and results of operations

Silver City Minerals explored for lead-zinc-silver and copper-gold deposits at both Broken Hill and Cobar this year. At Broken Hill drilling programs were completed at Razorback West, Stephens Trig and Yalcowinna West. Similarly a program to test coincident geophysical targets at Wilga Downs near Cobar was completed.

In addition to this work the Company investigated the potential for lithium hosted in pegmatites at Broken Hill. Whilst it was a technical success, insufficient levels of lithium were encountered. The sampling technique adopted by the Company in this survey was innovative and has led to the identification of new base metal-rich zones within the rock sequence.

The Company continues to search for new business development opportunities. To this end it has conducted numerous assessments for potential project acquisitions to enhance shareholder value. The Company will keep the market informed when any new acquisition is finalised.

Financial results for the half year

The net loss after income tax expense for the half year to 31 December 2016 amounted to \$1,386,546 (2015: \$1,130,771).

Principal activities

The principal activity of the Company is exploration for the discovery and delineation of high grade base and precious metal deposits with a focus on the Broken Hill domain of NSW and the development of those resources into economic, cash flow generating

businesses.

Dividends

No dividends were paid or proposed during the period.

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2016 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

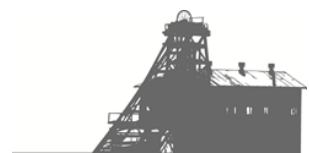
Auditor's independence declaration

A copy of the Auditor's Independence Declaration to the Directors as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed at Sydney this 10th day of March 2017 in accordance with a resolution of the directors.



Bob Besley
Chairman



Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
Revenue	4	72,268	65,580
ASX and ASIC fees		(20,776)	(14,833)
Audit fees		(12,500)	(13,000)
Contract administration services		(54,855)	(65,399)
Employee costs (net of costs recharged to exploration projects)		(88,441)	(95,807)
Exploration expenditure expensed		(1,072,460)	(914,856)
Insurance		(6,596)	(7,714)
Marketing and conference cost		(48,696)	(14,770)
Rent		(15,870)	(14,070)
Share based payments		(79,900)	(6,600)
Travel and accommodation		(6,022)	(8,525)
Other expenses from ordinary activities		(52,698)	(40,777)
Loss before income tax expense		(1,386,546)	(1,130,771)
Income tax expense		-	-
Loss after income tax expense		(1,386,546)	(1,130,771)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		-	-
Total comprehensive loss attributable to members of Silver City Minerals Limited		(1,386,546)	(1,130,771)
Earnings per share			
Basic (loss) per share (cents per share)	10	(0.87)	(0.97)
Diluted (loss) per share (cents per share)	10	(0.87)	(0.97)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 Dec 2016 \$	30 Jun 2016 \$
Current assets			
Cash assets	5	1,444,073	1,451,849
Receivables		44,726	81,683
Tenement security deposits	7	-	10,000
Total current assets		1,488,799	1,543,532
Non-current assets			
Receivables		1,600	1,600
Tenement security deposits	7	150,000	130,000
Property, plant and equipment		16,081	21,332
Deferred exploration and evaluation expenditure	6	3,609,148	3,845,267
Total non-current assets		3,776,829	3,998,199
Total assets		5,265,628	5,541,731
Current liabilities			
Payables		59,965	145,037
Provisions		19,235	19,876
Total current liabilities		79,200	164,913
Non-current liabilities			
Provisions		41,250	37,412
Total non-current liabilities		41,250	37,412
Total liabilities		120,450	202,325
Net assets		5,145,178	5,339,406
Equity			
Contributed equity	8	15,583,680	14,471,415
Accumulated losses		(10,620,136)	(9,259,810)
Reserves	9	181,634	127,801
Total equity		5,145,178	5,339,406

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Consolidated Statement of Changes in Equity

For the half year ended 31 December 2016

	Note	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2015		13,773,496	(7,150,989)	142,002	6,764,509
Loss for the period		-	(1,130,771)	-	(1,130,771)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(1,130,771)	-	(1,130,771)
Transactions with owners in their capacity as owners:					
Cost of share based payments taken directly to equity	9	-	-	6,600	6,600
Expired option value transferred to accumulated losses	9	-	29,900	(29,900)	-
Foreign currency translation		-	-	8,669	8,669
At 31 December 2015		13,773,496	(8,251,860)	127,371	5,649,007
At 1 July 2016		14,471,415	(9,259,810)	127,801	5,339,406
Loss for the period		-	(1,386,546)	-	(1,386,546)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(1,386,546)	-	(1,386,546)
Transactions with owners in their capacity as owners:					
Issue of share capital (net of share issue costs)		984,044	-	-	984,044
Option issue consideration	8	128,221	-	-	128,221
Expired option value transferred to accumulated losses	9	-	26,220	(26,220)	-
Cost of share based payments taken directly to equity	9	-	-	79,900	79,900
Foreign currency translation		-	-	153	153
At 31 December 2016		15,583,680	(10,620,136)	181,634	5,145,178

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Consolidated Statement of Cash Flows

For the half year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
Cash flows from operating activities			
Payment to suppliers and employees		(255,727)	(282,468)
JV income		7,329	44,029
R&D tax offset		35,139	-
Interest received		22,224	23,474
Net cash flows from/(used in) operating activities		(191,035)	(214,965)
Cash flows from investing activities			
Purchase of motor vehicle and fixed assets		(5,007)	-
Expenditure on mining interests (exploration)		(894,144)	(454,470)
Tenement security deposits		(10,000)	10,000
Net cash flows (used in) investing activities		(909,151)	(444,470)
Cash flows from financing activities			
Proceeds from issue of equity		1,117,497	-
Equity raising expenses		(25,240)	-
Net cash flows from financing activities		1,092,257	-
Net increase (decrease) in cash held		(7,929)	(659,435)
Net foreign exchange differences		153	819
Add opening cash brought forward		1,451,849	2,050,188
Closing cash carried forward	5	1,444,073	1,391,572

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2016

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on 10 March 2017. Silver City Minerals Limited (the parent) is a company incorporated in Australia and Limited by shares which are publicly traded on the Australian Securities Exchange using the ASX code SCI.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Summary of significant accounting policies

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half year financial report should be read in conjunction with the Annual Financial Report of SCI as at 30 June 2016.

It is also recommended that the half year financial report be considered together with any public announcements made by SCI during the half year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation

The half year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements. The half year financial report has been prepared on a historical cost basis.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete report period.

Significant accounting policies

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2016.

Management has reviewed and assessed the new accounting standards effective 1 July 2016 and these have been deemed to be not applicable to the Group.

Fair value measurement

The carrying amounts of the Group's assets and liabilities are a reasonable approximation of their fair values. The only exception to this is the carrying amount of deferred exploration and evaluation expenditure which is estimated to be not in excess of its fair value.

Basis of consolidation

The half year consolidated financial statements comprise the financial statements of Silver City Minerals Limited and its subsidiaries (the Group). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. The subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2016

3. Segment information

The operating segments identified by management are as follows:

Exploration projects funded directly by Silver City Minerals Limited ("Exploration")

Regarding the Exploration segment, the Chief Operating Decision Maker (the Board of directors) receives information on the exploration expenditure incurred. This information is disclosed in Note 6 of this financial report. No segment revenues are disclosed as each exploration tenement is not at a stage where revenues have been earned. Furthermore, no segment costs are disclosed as all segment expenditure is capitalised, with the exception of expenditure written off which is disclosed in Note 6.

Financial information about each of these tenements is reported to the Managing Director on an ongoing basis.

Corporate office activities are not allocated to operating segments as they are not considered part of the core operations of any segment and comprise of the following:

- ▶ Interest revenue
- ▶ Corporate costs
- ▶ Depreciation and amortisation of non-project specific property, plant and equipment

The Group's accounting policy for reporting segments is consistent with that disclosed in Note 2.

4. Revenue

	31 Dec 2016	31 Dec 2015
	\$	\$
Interest received	23,178	20,644
R&D tax concession	35,139	-
JV income	13,951	44,936
	72,268	65,580

5. Cash and cash equivalents

	31 Dec 2016	30 Jun 2016
	\$	\$
Cash at bank	194,577	168,838
Money market securities – bank deposits	1,249,496	1,283,011
	1,444,073	1,451,849

6. Deferred exploration and evaluation expenditure

	31 Dec 2016	30 Jun 2016
	\$	\$
Costs brought forward	3,845,267	4,628,376
Costs incurred during the period	836,341	988,293
Expenditure written off during the period	(1,072,460)	(1,771,402)
Costs carried forward	3,609,148	3,845,267



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2016

7. Contingent assets and liabilities

The Group has provided guarantees totalling \$150,000 (30 June 2016: \$140,000) in respect of exploration tenements. These guarantees in respect of mining tenements are secured against deposits a banking institution. The Group does not expect to incur any material liability in respect of the guarantees.

8. Contributed equity

	31 Dec 2016	30 Jun 2016
	\$	\$
Share capital		
158,578,962 fully paid ordinary shares (30 Jun 16: 133,745,691)	16,461,005	15,471,729
Option issue consideration		
11,722,540 (30 June 2016: Nil) unlisted options on issue	172,321	-
Share issue costs	(1,049,646)	(1,000,314)
	15,583,680	14,471,415

	Number	\$
Movements in ordinary shares on issue		
At 31 December 2015	116,300,601	14,686,700
Shares issued (i)	17,445,090	785,029
At 30 June 2016	133,745,691	15,471,729
Shares issued (ii)	24,833,271	1,117,497
Option issue consideration (iii)	-	(128,221)
At 31 December 2016	158,578,962	16,461,005

- (i) In June 2016, 17,445,090 shares were issued at \$0.045 per share under a placement.
- (ii) In July 2016, 24,833,271 shares were issued at \$0.045 per share under a Share Purchase Plan.
- (iii) In July 2016, 8,722,540 unlisted options were granted with an exercise price of \$0.067 per option and expiry date of 21 July 2019. These options were issued in pursuant to the placement of shares above (i) which entitled the subscribers to one unlisted option for every two shares issued. The value of these options (\$128,221) has been transferred to an option issue consideration reserve.

In addition, 18,000,000 options are on issue under Share based payments (Note: 9).

Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options

- Options do not carry voting rights or rights to dividend until options are exercised.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2016

9. Reserves

Share based payments

	Number	\$
Movements in share based payments		
At 31 December 2015	10,500,000	133,110
Options expired	-	-
At 30 June 2016	10,500,000	133,110
Options issued (i)	8,500,000	79,900
Options expired (ii)	(1,000,000)	(26,220)
At 31 December 2016	18,000,000	186,790

(i) 8,500,000 options were granted to Directors and employees of the Company and approved by shareholders at the Company's AGM held in November 2016. The options were issued with an exercise price of \$0.06 and expiry date of 24 November 2019.

(ii) 1,000,000 options expired during the period ended 31 December 2016.

Foreign currency translation reserve

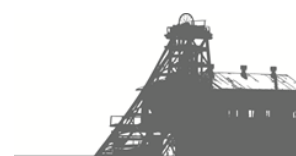
An additional amount of (\$5,156) (30 June 2016: (\$5,309)) is in a Foreign Currency Translation Reserve.

10. Earnings per share

	31 Dec 2016	31 Dec 2015
	Cents per share	Cents per share
Basic earnings (loss) per share	(0.87)	(0.97)
Diluted earnings (loss) per share	(0.87)	(0.97)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	158,578,962	116,300,601
	\$	\$
Earnings (loss) used in calculating basic and diluted EPS	(1,386,546)	(1,130,771)

11. Events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2016 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.



Directors' Declaration

In accordance with a resolution of the directors of Silver City Minerals Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and the performance for the half year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Bob Besley
Chairman

Sydney, 10 March 2017



Auditor's Independent Review Report



CHARTERED ACCOUNTANTS

Independent Auditor's Review Report

partners

A J Dowell CA
M Galouzis CA
A N Fraser CA
G W Cliffe CA
B Kolevski CPA (Affiliate ICAA)

associate

M A Nakkan CA

consultant

C H Barnes FCA

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To the members of Silver City Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Silver City Minerals Limited and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Silver City Minerals Limited (the company) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Silver City Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Please refer to the website for our standard terms of engagement.



Auditor's Independent Review Report

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Silver City Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Silver City Minerals Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDJ Partners
Chartered Accountants



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Anthony J Dowell
Partner

10 March 2017

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Auditor's Independence Declaration



partners
A J Dowell CA
M Galouzis CA
A N Fraser CA
G W Cliffe CA
B Kolevski CPA (Affiliate ICAA)

associate
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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Silver City Minerals Limited and Controlled Entities

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2016 there have been:

- a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

BDJ Partners
Chartered Accountants

.....
Anthony J Dowell
Partner

9 March 2017

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Corporate Directory

Silver City Minerals Limited

ABN 68 130 933 309

Directors

Robert Besley	Non-Executive Chairman
Christopher Torrey	Managing Director
Greg Jones	Non-Executive Director
Ian Plimer	Non-Executive Director
Josh Puckridge	Non-Executive Director

Company Secretary

Ivo Polovineo

Registered and Administration Office

Level 1, 80 Chandos Street

St Leonards, NSW 2065

PO Box 956, Crows Nest, NSW 1585

Telephone: +61 2 9437 7137

Facsimile: +61 2 9906 5233

Website: www.silvercityminerals.com.au

E-mail: info@silvercityminerals.com.au

Share Registry

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GPO Box 3993

Sydney, NSW 2001

Telephone:

+61 2 9290 9600

Email:

enquiries@boardroomlimited.com.au

Website:

www.boardroomlimited.com.au

Auditors

BDJ Partners

Bankers

Commonwealth Bank of Australia

Bank West

Securities Exchange Listing

Listed on Australian Securities Exchange Limited

ASX Code: SCI

