



ANNUAL REPORT 2017
Silver City Minerals Limited

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Chairman's Letter

Dear Fellow Shareholders

This time last year I reported that the market conditions for Junior Explorers remained difficult, with some upturn evident towards the end of the year for gold explorers and a few selected commodities. This year has seen the gold sector continue to strengthen, energy related minerals attracting significant interest and towards the end of the year base metals showing a strong upturn. This was particularly the case for copper and zinc with important price increases over the last six months.

Silver City has continued its search for new discoveries with a focus on zinc (+lead+silver) in the Broken Hill District and copper (+gold) in the Cobar and Broken Hill Districts. I am pleased to report that the Company has two outstanding prospects at Broken Hill, the Copper Blow copper-gold project and the Razorback West zinc-lead-silver project. Both are located within 20 kilometres of the city of Broken Hill with its well established mining infrastructure and two operating mines. The third important project is focused on copper-gold and zinc-lead targets in structural trends extending north from the prolific Cobar mineral field.

At Copper Blow there are significant historic drill intersections of copper and gold stretching back to the 1950's. Careful reconstruction of the old data by Silver City geologists has highlighted a one kilometre long zone of strong copper mineralisation in drill holes, old workings and surface samples. The mineralisation is associated with magnetite and correlates with a linear magnetic anomaly. This linear magnetic feature extends for a further 3 kilometres along strike to the north east mostly under alluvial cover and is untested. Analysis of mineralized samples gave anomalous high results for rare earths, molybdenum, cobalt and silver that are typical of the IOCG class of deposits. Some of the world's largest copper deposits are of this type. The company has commenced a drilling programme to initially test a 750 metre strike length of mineralisation at Copper Blow that is open along strike and at depth. Early visual results support old drill hole data showing multiple high grade copper intersections within a wide zone of alteration. This project is a 75% SCI and 25% CBH Resources Limited contributing joint venture. CBH operates the Rasp Mine and associated processing facility at Broken Hill.

To the north and west of Broken Hill the Company holds an important exploration land position that covers an extension of the host rocks to the Broken Hill line of lode. Exploration by Silver City has demonstrated that the Broken Hill host rocks are offset to the west by a shear zone and continue under soil cover for a further 10 kilometres. This highly prospective area, covered by the Company's Razorback West project, is within 10 kilometres of the world's largest zinc-lead-silver ore system and prior to exploration by Silver City had never been drilled. Results to date have been highly encouraging and work is continuing.

At Cobar the Company acquired exploration title over base metal targets located along important structural trends north of the copper, gold and zinc-lead deposits of the Cobar Field. The tenements also cover ground prospective for Triton type copper deposits. Exploration is focused on geophysical targets with associated base metal mineralisation.

The Company believes that Copper Blow could rapidly develop into an important copper-gold deposit with relatively shallow drilling and this will be the immediate focus with drilling underway. Equity funds (\$678,000) were raised in August to undertake this program.

With the continuing improvement in gold, copper and zinc prices supported by the lack of new discoveries to replace depleting mines we should see stronger support in the coming year for well managed exploration juniors in this space. Your company is well placed to achieve exploration success.

It has been a difficult market for shareholders and we would like to acknowledge your support over the past 12 months. It is this support that has enabled Silver City to be in a strong position as markets improve. The technical team has worked hard over the past year to reduce costs but at the same time aggressively search out and advance some outstanding projects. We all look forward to progress in the coming year.



Bob Besley

Chairman

Review of Operations

Project activities

Silver City Minerals (ASX:SCI) continues to explore at Broken Hill and Cobar in New South Wales. During a review of old exploration reports, some dating back to the 1940s, the Copper Blow project was uncovered. This is a new and exciting copper-gold target of the “iron oxide copper-gold (IOCG)” type. Historic drill holes host significant high grade copper-gold sulphide mineralisation with additional potential for silver, cobalt and rare earth elements. These holes have had no systematic follow-up and present a new opportunity for discovery. At the time of writing the first diamond drill hole (17CB043) had returned indications of strong copper mineralisation over an interval of 13.5 metres from 132 metres downhole.

This year the Company completed diamond drilling at Razorback West in search for the northern extensions of the Broken Hill lead-zinc-silver deposits. Anomalous lead-zinc mineralisation was encountered in the southern part of the project area and remains the best target for follow-up. Silver City also completed a comprehensive sampling program for lithium in pegmatites and discovered that the sampling technique could not only be used to vector toward lithium-enriched rocks, it could also be utilized in base metal exploration. While no significant lithium was discovered, sampling outlined new zones of base metal mineralisation for follow-up work within the Riddock, Willyama and Aragon exploration licences.

At Cobar the Company drilled one diamond drill hole to test a number of coincident geophysical targets. This hole encountered minor copper sulphides but was not able to test all the magnetic and electromagnetic responses outlined in geophysical surveys. Several high quality targets require follow-up drilling.

SCI spent approximately \$1.26 million on in-ground exploration this year, down on previous years, largely due to our cautious approach to unfavourable market conditions. Of this about \$760,000 was focused on Broken Hill, \$240,000 on Cobar and about \$260,000 on evaluation of new projects. This year our expenditure on drilling was low at \$270,000 representing just over 20% of all in-ground costs. Drilling costs were partly off-set by a grant of almost \$80,000 from the NSW government as part of the New Frontiers funding scheme for the Razorback West project.

Administration expenditure of \$648,000 has remained relatively static since initial float in 2011.

The Company remains of the view that zinc will be a commodity that will face shortfalls in supply over the coming years. SCI is ideally placed with projects at Broken Hill to leverage off any increases in zinc prices. Similarly, a discovery of high grade copper and gold mineralisation at Copper Blow and/or Wilga Downs near Cobar would give shareholders exposure to potential appreciation in the SCI share price in the near term.

In July 2016 the Company successfully raised \$1.1 million before costs in order to advance its exploration activities for both lithium and zinc. Subsequent to year end SCI also raised \$678,000 in order to drill test the Copper Blow project.

Broken Hill, New South Wales

Copper Blow (EL 8255, Coombarra; SCI 75%, CBH Resources 25%; both contributing)

The discovery of a number of high grade drill hole intersections in historic reports has underpinned new exploration activity by the Company at the Copper Blow project. It also serves as a reminder of the wealth of old and high quality data buried in exploration reports from this historic mining district. SCI came across the historic data for Copper Blow as part of a broader review of its southern tenements.

Copper Blow is considered to be an IOCG project. Globally these are an important source of not only copper and gold, but silver, cobalt, rare earth elements and uranium. Mines east of Mt Isa (Ernest Henry, Selwyn and Osborne) are possibly the best analogues for the potential at Copper Blow.

Copper Blow, located approximately 20 kilometres south of Broken Hill, is an historic mine which was developed on five levels down to approximately 60 metres below surface. Records indicate that it produced 715 tonnes of copper ore with grades up to 13% copper.

Historic reports indicate fifty three holes have been completed over a period of almost 60 years. The initial work began in 1949 and tested a zone one kilometre in strike. Of particular interest are a series of diamond drill holes completed between 1982 and 1994. Six of these were drilled to depths of greater than 250 metres and encountered high grade copper mineralisation.

Review of Operations

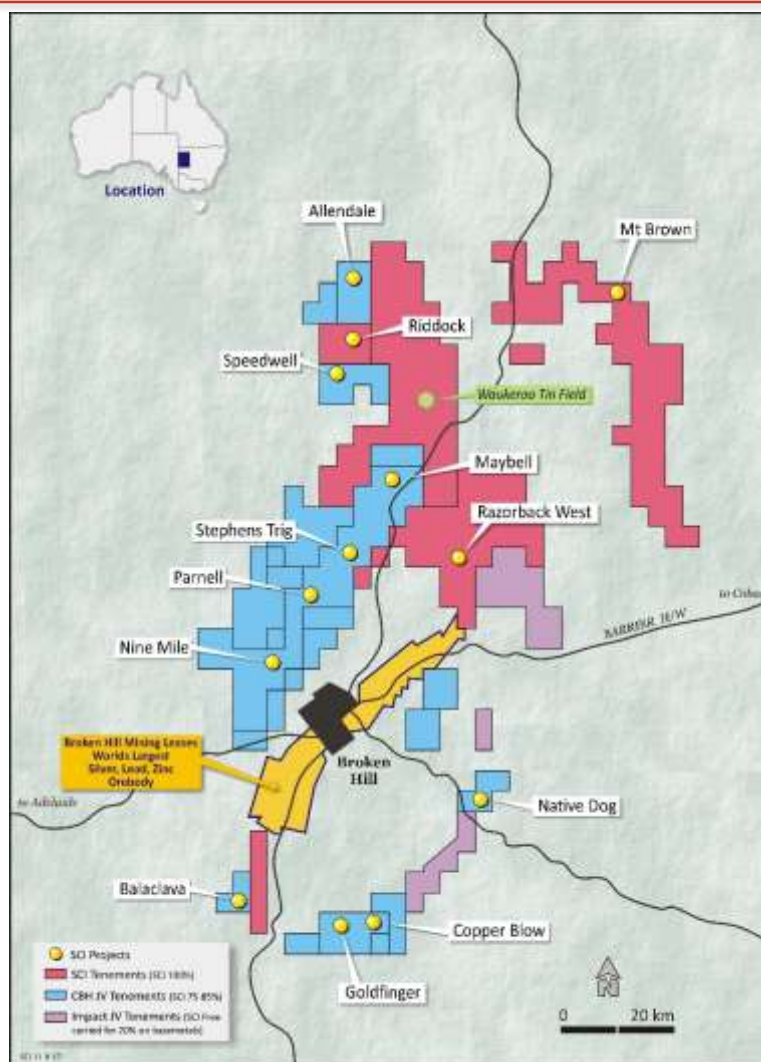


Figure 1. Silver City tenements and projects

Diamond drill hole DDHCB009 was of particular interest as it contained an intersection of **11.80 metres at 6.7% copper, 1.92 g/t gold and 14 g/t silver** in a chalcopyrite-rich (copper sulphide) lode within a major shear zone (ASX Release 4 May 2017). Holes DDHCB006 and 008 host similar grades and overall widths of mineralisation and indicate steeply dipping mineralised structures where true thicknesses of 10 to 15 metres occur.

Best intersections occur at vertical depths of between 160 to 220 metres below surface. These can be projected upward, closer to surface where they are encountered in a series of shallow reverse circulation holes. Multiple lode zones were encountered throughout the holes and all contain sulphide mineralisation dominated by chalcopyrite associated with magnetite, biotite and quartz. All lodes are open along strike and down dip. Significant intersections include:

- ▶ 11.8 metres at 6.7% Cu, 1.92 g/t Au, 13.7 g/t Ag from 182.9 metres in hole DDHCB09.
- ▶ 15 metres at 2.7% Cu, 0.53 g/t Au, 3.7 g/t Ag from 133.4 metres and 2.7 metres at 5.7% Cu, 4.2 g/t Au from 177.4 metres in hole DDHCB06.
- ▶ 19.2 metres at 1.8% Cu (incomplete Au analyses) in hole DDHCB08 from 234 metres including 0.9 metres at 2.1% Cu from 234 metres and 3.0 metres at 4.6% Cu, 0.62 g/t Au from 247.1 metres.
- ▶ 4 metres at 3.9% Cu, 0.29 g/t Au, 5.5 g/t Ag from 114 metres in hole CBRC001.
- ▶ 6 metres at 5.0% Cu, 0.51 g/t Au from 50 metres in hole CBRC002.

A structural geology interpretation conducted in 1994 indicated that high grade copper mineralisation is located in a series of steeply southwest plunging shoots within a shear zone which itself dips steeply to the south west. No step-out or infill drilling was undertaken at the time to test this model.

Review of Operations

SCI concludes that there is significant scope for near-term discovery of high grade copper-gold mineralisation focussed on these diamond drill hole intersections.

Initial field work by SCI involved the collection and analyses of rock chip samples over approximately the same kilometre of strike length where drilling has taken place. The work was designed to evaluate the potential for other economic trace elements associated with high grade copper mineralisation (ASX Release 19 June 2017). Sampling was selective, focussed on old mine dumps where copper carbonates were abundant in association with magnetite and biotite.

Not only did the rocks return highly elevated copper (to 6.89%) but also gold (to 1.85 g/t), silver (to 12.6 g/t), cobalt (to 749 ppm), lanthanum (a rare earth element; to 590 ppm) and molybdenum (to 198 ppm).

The conclusion from this work is that there may be potential for other economic elements associated with copper and gold; especially cobalt, rare earths and silver, and that the signature of these elements and the mineralogy observed, are consistent with those in IOCG.

In August 2017 the Company initiated a drilling program to test the potential of this project. At the time of writing drilling was underway. In the initial diamond drill hole (17CB043) SCI encountered a copper sulphide-rich intersection over 13.5 metres from 131.7 metres. Visual estimates put this intersection at 10-15% chalcopyrite associated with strong magnetite. Analyses were pending. (ASX Release 11 September 2017).

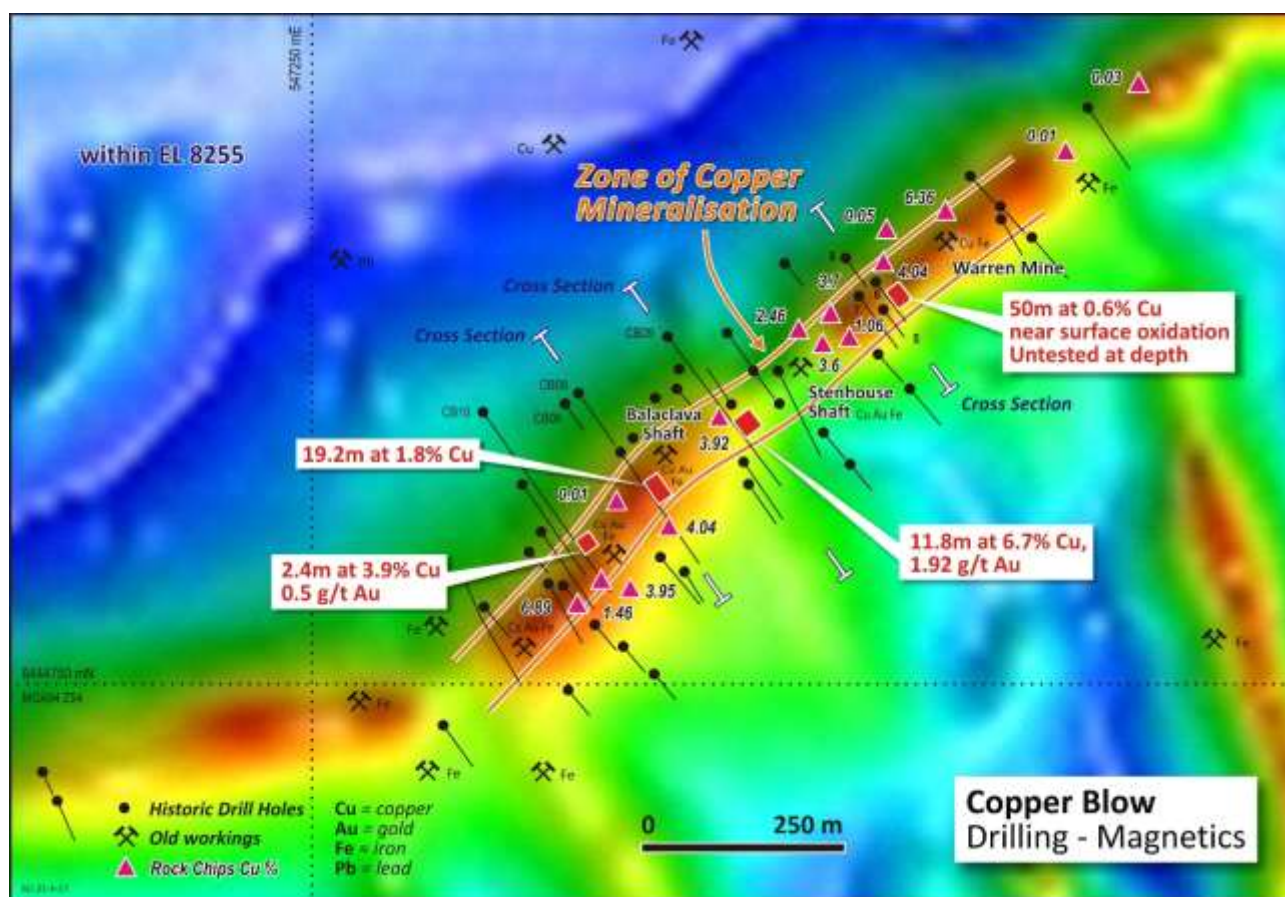


Figure 2. Plan of Copper Blow showing magnetics, drilling and recent rock chip samples

Review of Operations

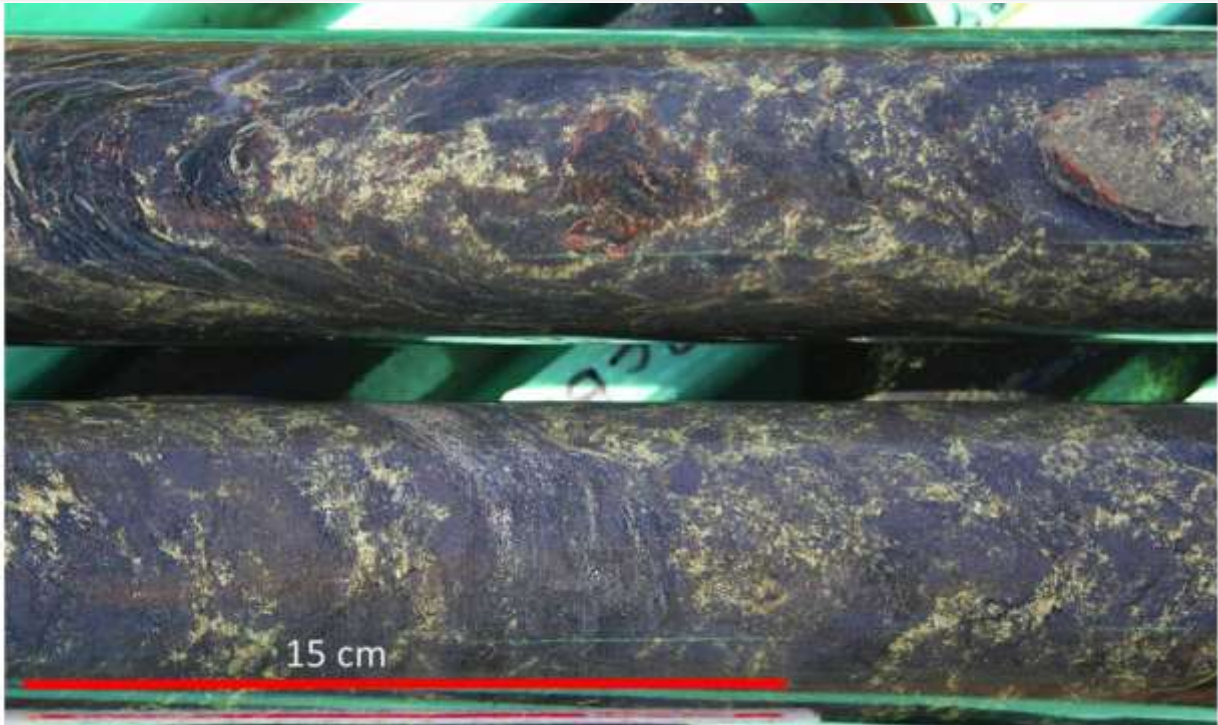


Plate 1. Photograph of portion of drill core from hole 17CB043 where an intersection (131.7 to 145.5 metres) returned 10-15% chalcopyrite.

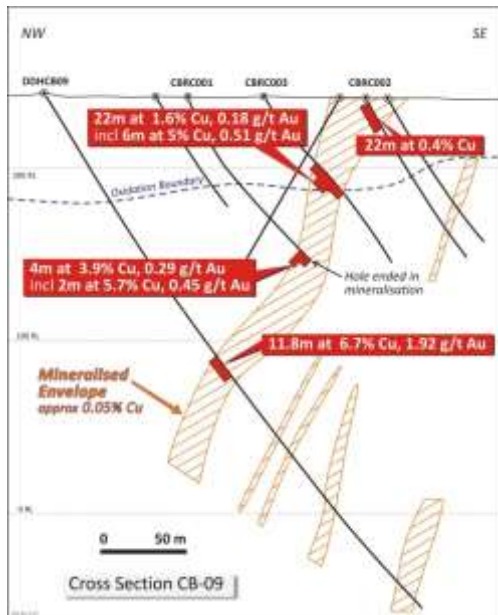


Figure 3. Copper Blow cross section showing high grade copper intersection on hole CB-09.

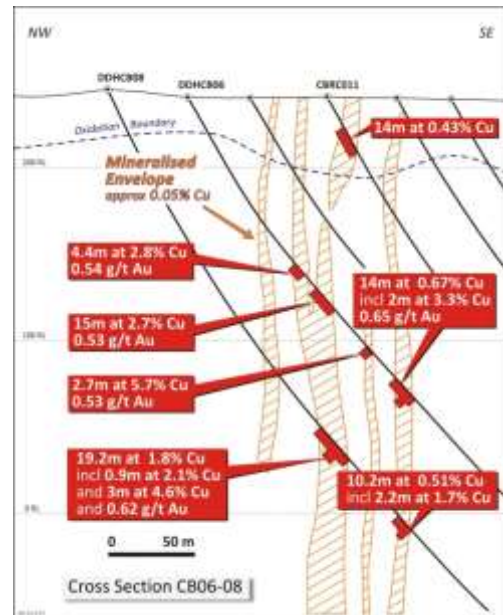


Figure 4. Copper Blow cross section showing numerous intersections and extent of mineralised structures.

Review of Operations

Razorback West (EL 8077; Razorback, 100% SCI)

Three diamond drill holes were completed this year for a total of 1049.4 metres. Two holes in the northern part of the project were designed to test coincident geochemical and geophysical targets while the third, located to the south, tested beneath lead-zinc mineralisation known to occur in earlier holes.

The northern holes (16RB019 and 021) encountered disseminated pyrrhotite (iron sulphide) which is likely to have been the source of induced polarisation and electromagnetic anomalies in this area. This mineral typically occurs on the margins of Broken Hill type (BHT) ore bodies.

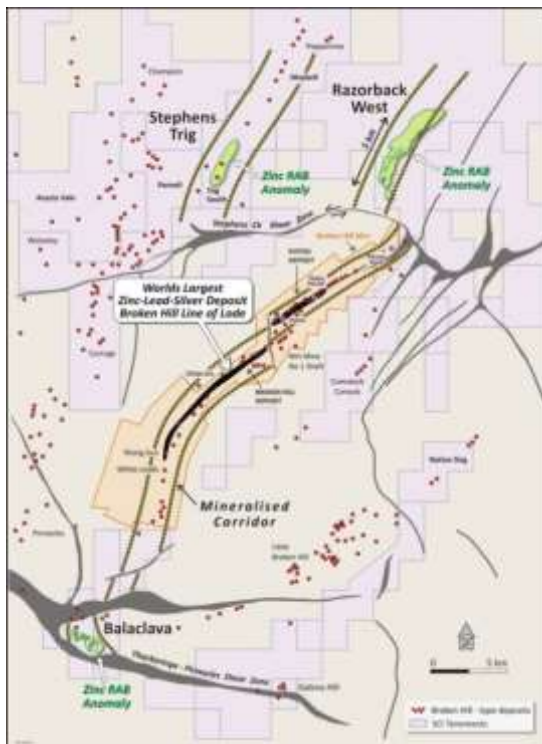


Figure 5. Diagram shows the location of Razorback West in relation to the Broken Hill mining leases

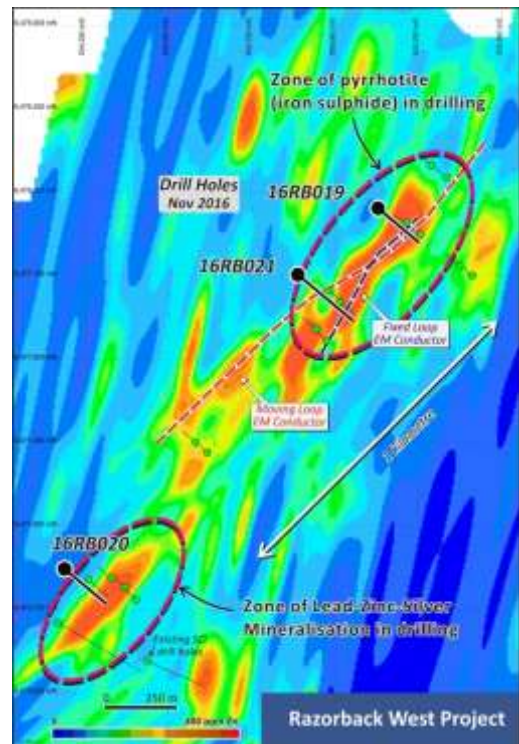


Figure 6. Razorback West drilling. Colour image shows detail of RAB zinc anomaly, previous SCI holes with green collars and SCI holes drilled in November 2016. Area dominated by pyrrhotite lies to north and lead-zinc sulphides to south.

Review of Operations

To the south, hole 16RB020 encountered lead and zinc sulphides and considerably less pyrrhotite compared to the northern holes. An intersection of **17 metres at 0.16% zinc and 0.19% lead** was encountered from 166 metres. Within this intersection one metre (from 167 to 168 metres) returned **2.44% lead, 0.34% zinc and 15.3 g/t silver** (Figure 7). The mineralisation in this hole correlates well with that in previous SCI holes and suggests a zone of mineralisation dips steeply to the northwest. Further drilling is being considered because numerous holes in this area have returned strongly anomalous results in lead, zinc and silver. A detailed gravity survey is scheduled to commence in October 2017.

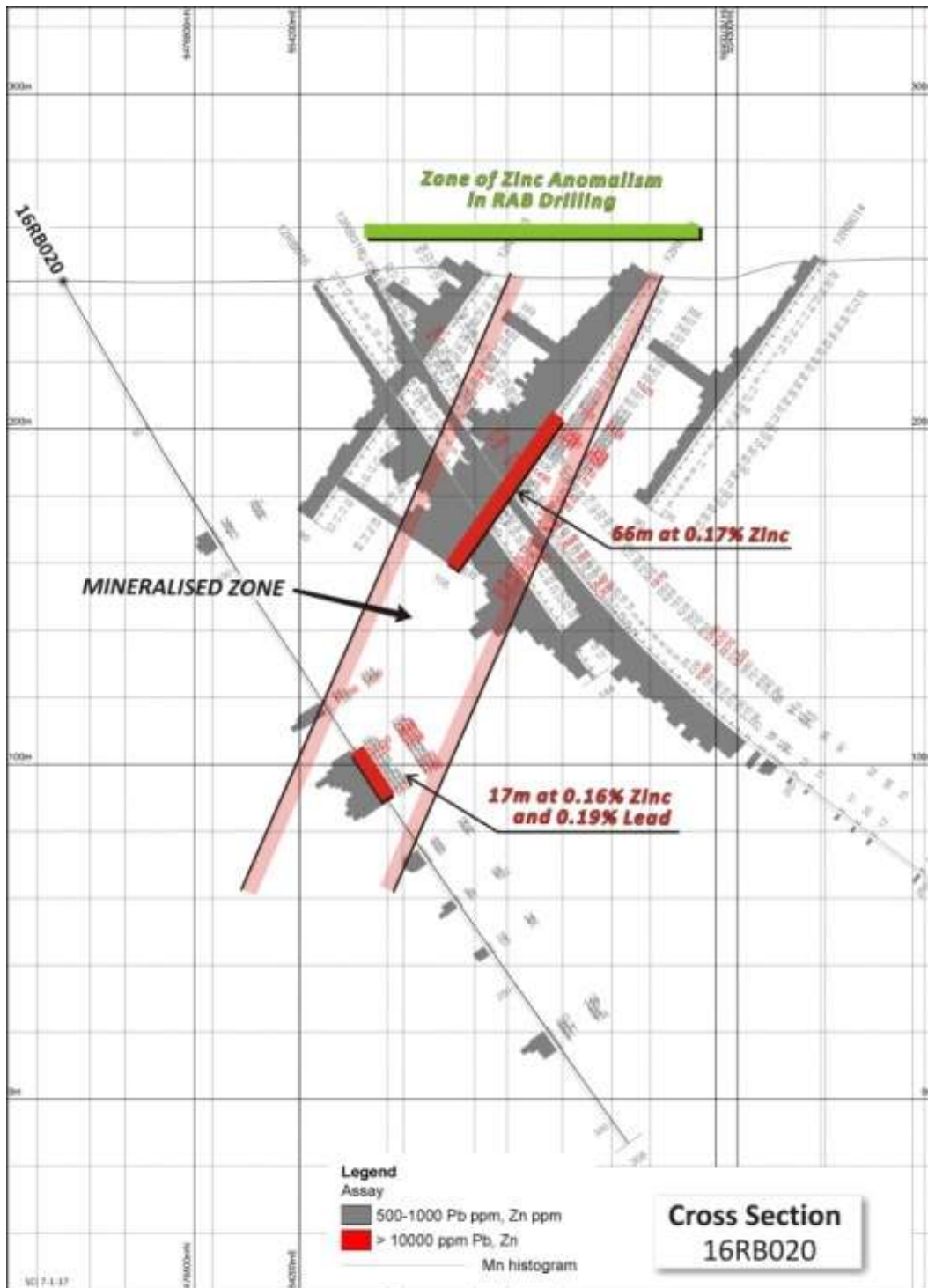


Figure 7. Cross section in south part of Razorback West. Diagram shows persistence of zinc and lead mineralisation to depth in hole 16RB020

Review of Operations

Wilga Downs (EL 8136; Joint Venture with Thomson Resources. SCI has right to earn 80%)

This project is located approximately 80 kilometres north of Cobar and is prospective for copper, lead, zinc and gold (Figure 8). Recent three dimensional modelling of magnetic data in conjunction with downhole electromagnetic (EM) data has been completed.

A plate-like, off-hole EM conductor has been modelled and lies some 40 metres to the north of where SCI hole 16WD02 terminated. In addition, this conductive plate, which probably represents an accumulation of sulphide minerals, lies within the core of a magnetic high anomaly.

Drill holes, including the SCI hole, have only tested the margins of the magnetic high anomalies. The most intense parts of the magnetic responses have not been drilled (Figure 9).

The magnetic anomalies are partly coincident with gravity anomalies. This indicates the presence of rock which has high magnetic susceptibility and higher densities compared to the surrounding sedimentary sequences. In the district this type of geophysical configuration can be attributed to the presence of sulphide mineralisation with attendant hydrothermal alteration, notably silicification. These provide excellent targets for follow-up drilling.

The Company concludes that the centres of the magnetic anomalies have the potential to host copper-gold or lead-zinc-silver sulphide mineralisation similar to Tritton, Endeavor or the CSA mines near Cobar; all significant producers in the district (Figure 8). Further drilling of these magnetic anomalies is being considered by the Company.

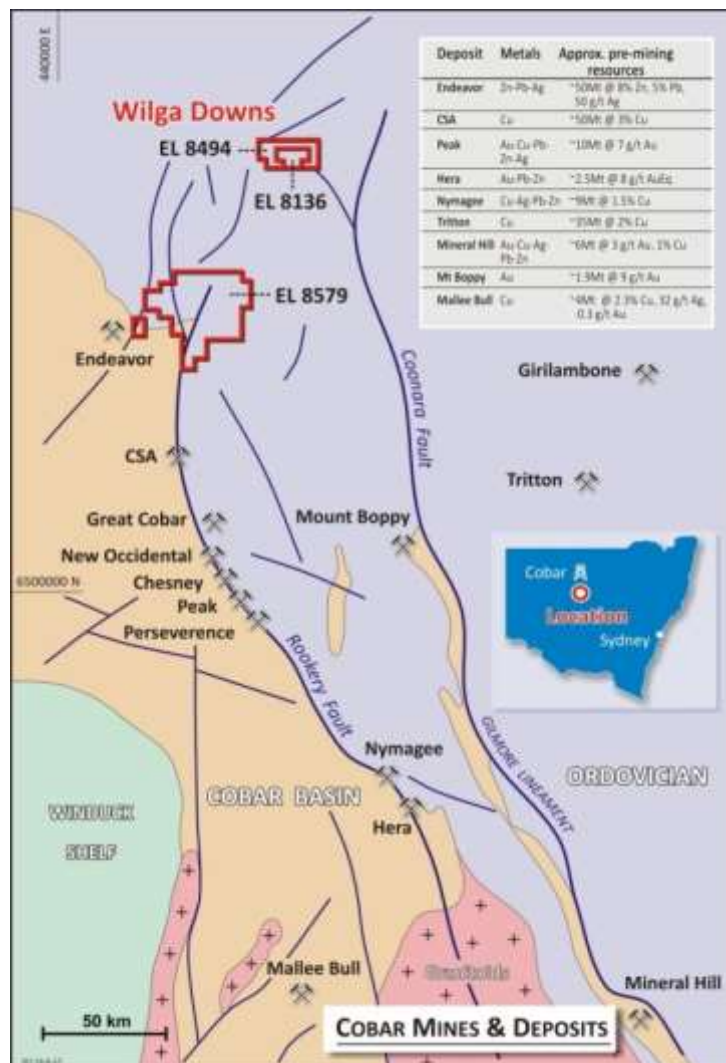


Figure 8. Cobar District showing the locations of mines and deposits and the location of the Wilga Downs project.

Review of Operations

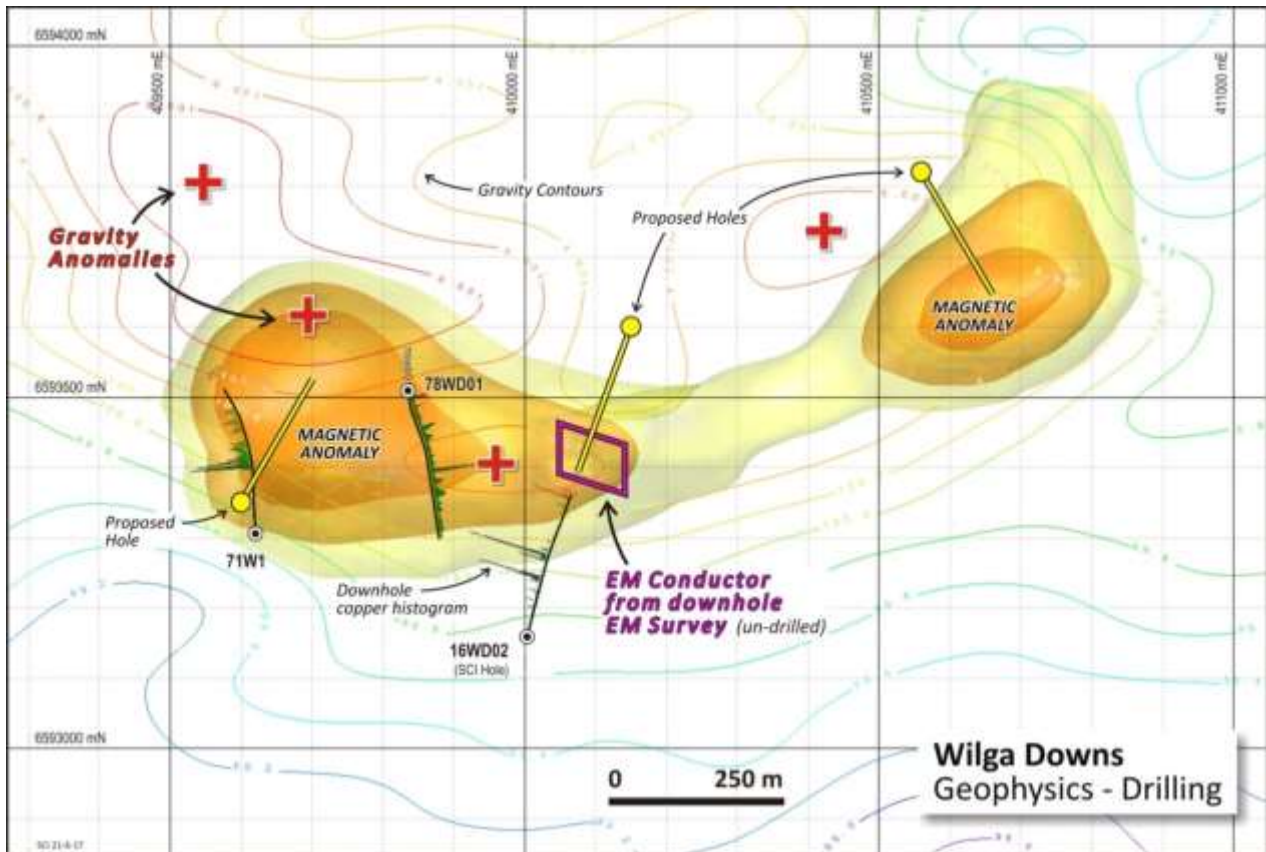


Figure 9. Wilga Downs showing plan model of magnetic susceptibility, location of drill holes, gravity contours and EM conductor. Green histograms on holes represent copper grade down hole. Diagram shows that an off-hole EM anomaly is located 40 metres north of the end of hole 16WD02 and remains untested. Also shows that the centre of the magnetic high anomalies have not been tested by drilling.

Other Projects and Opportunities

Broken Hill remains of significant focus for the Company. The emphasis has been on the discovery of new lead-zinc-silver mineralisation of the type that is currently mined at Broken Hill. The Company continues to review historic data and assess its existing tenements at Broken Hill. An excellent example of this was the unearthing of high grade drill intersections at Copper Blow.

The Company has also embarked on an initiative to acquire new projects suited to its financial capacity and expertise. It now has three Exploration Licences in the Cobar mining district, one located immediately to the east of the Endeavor lead-zinc-silver mine.

During the year the Company conducted a number of evaluations of new business opportunities. The focus has been on Queensland, New South Wales and the Northern Territory. It has undertaken detailed due diligence and entered into discussions with vendors on several of these. 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.

Competent Person

The information in this report that relates to Exploration Results is based on information compiled by Chris 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 which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined by the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Torrey consents to the inclusion in this Report of the matters based on this information in the form and context in which it appears.

Schedule of Tenements

As at 13 September 2017

Tenement	Tenement no.	SCI interest	Joint venture details
New South Wales			
Aragon	EL 7300	85%	CBH 15%, Eaglehawk 0.5% NSR
Coombarra	EL 8255	75%	CBH 25% contributing interest
Enmore	EL 8333	100%	
Frank	EL 8453	100%	
Lynor	EL 8076	75%	CBH 25% contributing interest
Native Dog	EL 8236	75%	CBH 25%, Note 1
Razorback	EL 8077	100%	
Riddock	EL 8020	100%	
Rildar	EL 8074	75%	CBH 25% contributing interest
Roland	EL 8455	100%	
Southern Cross	EL 8495	100%	
Tindery	EL 8579	100%	
White Tank	EL 8496	100%	
Wilga Downs	EL 8136	0%	SCI can earn 80%, Thomson Resources 100%
Willyama	EL 8075	75%	CBH 25%, Note 1
Yalcowinna	EL 8078	100%	Eaglehawk 8% in area of previous EL 7319, Note 1
Yanco	EL 8454	100%	
Yellowstone	EL 7390	20%	Note 2 Impact Minerals 80%

EL = Exploration Licence

Note 1 These tenements are subject to agreements with Variscan Mines Limited and Eaglehawk Geological Consulting Pty Ltd whereby Variscan and Eaglehawk hold an NSR (Net Smelter Return) interest in parts of these tenements.

Note 2 Silver City has an agreement with Impact Minerals on the lead-zinc-silver metal rights for this EL. Silver City's interest is free-carried to a Decision to Mine.

Directors' Report

Your directors submit their report for the year ended 30 June 2017.

Directors

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

Bob Besley, BSc (Hons), MAusIMM, MAIG

Chairman

Director since 5 March 2010

Bob is a geologist with more than 40 years' experience in the minerals industry in Asia, the Middle East, North and South America, Australia and the Pacific Rim. He spent 13 years with Unocal, seven of those as Manager of Minerals for Australia and the Pacific and was General Manager of Australmin Holdings Limited when that company developed a minerals sands project in eastern Australia and a gold mine in Western Australia. Bob founded and was Managing Director of CBH Resources Limited from its initial ASX listing as a junior to when it was an important Australian zinc/lead/silver producer. He was a founding Director of Kimberley Metals Ltd, that became KBL Mining Limited. He is a Director and Chairman of the listed company Image Resources that is developing a mineral sands mine in Western Australia. Bob has served on a number of Government and Industry advisory boards.

During the past three years Bob has served as a director of the following listed companies:

- ▶ KBL Mining Limited - appointed 29 February 2008, resigned November 2016
- ▶ Image Resources NL- appointed 9th June 2016

Christopher Torrey, BSc, MSc, RPGeo, MAIG, FSEG

Managing Director

Director since 23 August 2010

Chris is a geologist with over 35 years international exploration experience. He started his career with large north American mining companies, notable Noranda and Cyprus Amax where he attained senior management positions in Australia, New Zealand, Indonesia, United States and Central America. He joined ASX-listed Golden Cross Resources as Exploration Manager in 1996 and was appointed to that Board in 2003, ultimately holding the Chairman's position.

Prior to joining Silver City Minerals in April 2010 he managed a Sydney-based geological consulting business and was the Chief Consulting Geologist to Golden Minerals Company, a North American-based silver explorer and Manager of Silex Exploration Pty Limited.

During the past three years Chris has not served as a director of any other listed companies.

Gregory Jones, BSc (Hons), MAusIMM, MAIG

Non-Executive Director

Director since 30 April 2009

Greg is a geologist with over 30 years of exploration and operational experience gained in a broad range of metalliferous commodities within Australia and overseas. Greg has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold Mining Limited. His experience spans the spectrum of exploration activity from grass-roots exploration through to resource definition and new project generation, as well as mine geology, ore resource/reserve generation and new mine development.

Greg was awarded the Institute Medal for academic excellence whilst at university and is credited with several economic discoveries including the Blair nickel and the Orion gold deposits in Western Australia.

Directors' Report

During the past three years Greg has also served as a director of the following other listed companies:

- ▶ Variscan Mines Limited - appointed 20 April 2009
- ▶ Eastern Iron Limited – appointed 24 April 2009
- ▶ Thomson Resources Ltd – appointed 17 July 2009
- ▶ Moly Mines Limited – appointed August 2014

Professor Ian Plimer, BSc (Hons), PhD, FGS, FTSE, FAIMM

Non-Executive Director

Director since 21 February 2011

Professor Ian Plimer BSc (Hons), PhD, FTSE, FGS, FAIMM is Emeritus Professor at The University of Melbourne where he was Professor and Head of Geology (1991-2005). He was Professor and Head of Geology (University of Newcastle 1985-1991), DFG Professor at Ludwig Maximilians Universität (Munich: 1991) and Professor of Mining Geology (University of Adelaide 2005-2012). Professor Plimer has published more than 130 scientific papers and is author of multiple best-selling books for the general public.

Professor Plimer's geological expertise is in mineral resources, especially Broken Hill. He serves on the Boards of listed companies; Kefi Minerals Ltd (AIM:KEFI) and unlisted Hancock Prospecting companies (Roy Hill Holdings, Hope Downs and Queensland Coal Investments). He represents Hancock Prospecting on the Lakes Oil NL Board (ASX: LKO). He has served on the boards of Ivanhoe Australia Ltd (ASX:IVA, TSX: IVA) and CBH Resources Ltd (ASX:CBH).

During the past three years Ian has also served as a director of the following other listed companies:

- ▶ Niuminco Group Ltd - appointed 9 May 2011
- ▶ Lakes Oil NL – appointed January 2013
- ▶ Sun Resources NL – appointed September 2013, resigned March 2016

Josh Puckridge

Non-Executive Director

Director since 3 February 2017

Josh is a Corporate Finance Executive formerly working as a specialist Equity Capital Markets Advisor for Fleming Australia, a Corporate Advisory and Funds Management firm. He has significant experience within funds management, capital raising, mergers, acquisitions and divestments of projects by companies listed on the Australian Securities Exchange.

Formerly Executive Director and Chief Executive of Discovery Resources Limited, Mr Puckridge structured the acquisition of the Canberra Casino and the relisting of the Company as Aquis Entertainment Limited. He was a founding Director of Windward Resources Limited, seeding and listing the Company and raising more than \$11m. Mr Puckridge coordinated the change of Board of TopTung Ltd (then, Krucible Metals Limited), returning \$5m to its shareholders in 2015; subsequently, the Company acquired a NSW based tungsten project. Mr Puckridge also holds various positions on private company boards.

During the past three years Josh has also served as a director of the following other listed companies:

- ▶ Blaze International Ltd – appointed 4 December 2015
- ▶ MCS Services Ltd – appointed 27 May 2015, resigned 14 July 2017
- ▶ Alcidion Group Ltd – appointed 9 March 2015, resigned 29 November 2016
- ▶ Fraser Range Metals Group Ltd – appointed 20 January 2016
- ▶ TopTung Ltd – appointed 11 November 2014, resigned 30 April 2016
- ▶ Aquis Entertainment Limited – appointed 2 December 2011, resigned 7 August 2016

Directors' Report

Ian Hume

Non-Executive Director

Director since 29 July 2011 (resigned 31 January 2017)

Ian has over 30 years' experience in the natural resources industry. He was a founding partner of The Sentient Group, a private equity fund specialising in global investment in the resources sector. From 1994 to 2000, Mr Hume served as a consultant to AMP Society's Private Capital Division, focused on international mining and telecommunications investments primarily in North and South America, Russia and the Pacific Rim. His experience prior to 1994 includes serving as a consultant to Equatorial Mining on the development of its copper assets in Chile. He has 23 years of investment management and investment banking experience for companies in Australia and the United Kingdom. He is a member of the Sentient Council and a director of Golden Minerals Company (TSX:AUM). Mr Hume attended both Harrow School (England) and Nice University (France). Ian was formerly a director of Andean Resources and Norsemont Mining.

Yanina Barila, BAcc, MFin

Alternate Director to Ian Hume

Director since 29 July 2011 (resigned 31 January 2017)

Yanina is an Investment Manager with the Sentient Group. She joined the Board to act as an alternate Director for Ian Hume in August 2011.

Directors' interests in shares and options

As at the date of this report, the interests of the Directors in the shares and options of Silver City Minerals Limited were:

Directors	Shares directly and indirectly held	Options directly and indirectly held
B Besley	1,657,044	2,500,000
C Torrey	1,180,889	5,000,000
G Jones	-	2,000,000
I Plimer	1,804,600	2,000,000

Company Secretary

Ivo Polovineo, FIPA

Ivo Polovineo was appointed Company Secretary of the Company on 5 August 2011. Ivo has over 30 years' experience in corporate accounting, finance and company secretarial work for a diverse range of companies. He has spent the past 20 years in senior management roles in the resources sector including seven years as Company Secretary (and five years as CFO) of Sino Gold Mining Limited (a former ASX 100 company) until December 2009.

Ivo is currently also Company Secretary of Variscan Mines Limited, Thomson Resources Ltd and Lynas Corporation Ltd. Ivo is also a Director of Moly Mines Limited.

Principal activities

The principal activity of the Company is exploration for the discovery and delineation of high grade base and precious metal deposits and the development of those resources into economic, cash flow generating businesses.

Results

The net result of operations of the consolidated entity after applicable income tax expense was a loss of \$1,673,633 (2016: \$2,138,721).

Directors' Report

Dividends

No dividends were paid or proposed during the period.

Review of operations

A review of the operations commences on page 2 of this Annual Financial Report. This, together with the Chairman's Letter and the sections headed "Significant changes in the state of affairs" and "Significant events after the balance date" in this report, provides a review of operations of the Company during the year and subsequent to reporting date.

Significant changes in the state of affairs

The Directors are not aware of any significant changes in the state of affairs of the Group occurring during the financial period, other than as disclosed in this report.

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2017 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, other than:

- ▶ In July 2017 the Company issued 23,785,844 ordinary shares in a placement for \$0.018 per share raising \$428,145 to fund new drilling programs.
- ▶ In August 2017 the Company issued 13,916,632 ordinary shares at \$0.018 per share pursuant to the Share Purchase Plan announced on 25 July 2017. This raised a further \$250,500 to fund new drilling programs.

Likely developments and expected results

As the Company's areas of interest are at an early stage of exploration, it is not possible to postulate likely developments and any expected results. The Company is hoping to establish resources from some of its current prospects and to identify further base and precious metal targets.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option for Silver City Minerals Limited as at the date of this report are:

Number of shares under option	Class of share	Exercise price of option	Expiry date of options
7,000,000	Ordinary	\$0.10	2 December 2017
1,000,000	Ordinary	\$0.04	24 November 2018
11,722,540	Ordinary	\$0.067	21 July 2019
8,500,000	Ordinary	\$0.06	24 November 2019
28,222,540			

The holders of these options do not have the right, by virtue of the option, to participate in any share issue of the Company or of any other body corporate or registered scheme.

There were no shares issued during or since the end of the financial year as a result of exercise of the above options.

Directors' Report

Indemnification and insurance of directors and officers

Indemnification

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Insurance premiums

During the financial period the Company has paid premiums to insure each of the Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

Environmental performance

Silver City Minerals holds exploration titles issued by New South Wales Department of Industry – Resources and Energy, and New Zealand Petroleum and Minerals which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the Department's guidelines and standards. There have been no significant known breaches of the licence conditions.

Directors' Report

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

M A Nakkan CA

consultant

C H Barnes FCA

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Auditor's Independence Declaration

To the directors of Silver City Minerals Limited

As engagement partner for the audit of Silver City Minerals Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

BDJ Partners

Chartered Accountants

A handwritten signature in blue ink, appearing to read 'A Dowell', written over a light blue circular stamp.

.....
Anthony J Dowell

Partner

27 September 2017

Liability limited by a scheme approved under Professional Standards Legislation.
Please refer to the website for our standard terms of engagement.



Directors' Report

Non-audit services

The Company's auditor, BDJ Partners did not provide non-audit services to the Company during the period ended 30 June 2017 (2016: Nil). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Remuneration report (audited)

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of key management personnel

Details of KMP including the top five remunerated executives of the Parent and Group are set out below.

Directors	
B Besley	Chairman, Non-Executive Director
C Torrey	Managing Director
G Jones	Non-Executive Director
I Plimer	Non-Executive Director
I Hume	Non-Executive Director (resigned 31 January 2017)
J Puckridge	Non-Executive Director (appointed 3 February 2017)
Key management personnel	
I Polovineo	Company Secretary

Remuneration philosophy

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- ▶ Competitiveness and reasonableness
- ▶ Acceptability to shareholders
- ▶ Performance linkage/alignment of executive compensation
- ▶ Transparency
- ▶ Capital management

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources.

Fees and payments to the Company's Non-Executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are reviewed annually by the Board. The Company's Executive and Non-Executive Directors, Senior Executives and Officers are entitled to receive options under the Company's Employee Share Option Scheme.

Directors' Report

Non-executive director remuneration arrangements

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the Non-Executive Directors has been fixed at a maximum of \$200,000 per annum to be apportioned among the Non-Executive Directors in such a manner as the Board determines. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

The Chairman's fee is set at \$50,000 p.a. and Non-Executive Director fees at \$40,000 p.a. At present, no Committee fees are paid to Directors. On 1 October 2015 the Directors temporarily reduced their fees by 25% until further notice.

Service agreements

Remuneration and other terms for key management personnel are formalised in contractor agreements. Details of these agreements are set out below:

Chairman – Bob Besley

- ▶ Agreement for ad hoc consulting services. Term: Rolling forward arrangement. Either party may terminate the agreement with 30 days' notice.
- ▶ Fee rate: \$200 per hour as at 30 June 2017. (2016: \$200)
- ▶ Termination payments: Not applicable

Managing Director – Chris Torrey

- ▶ Contract term: No fixed term. Either party may terminate the letter of employment with three months' notice.
- ▶ Remuneration: \$281,285 p.a. as at 30 June 2017 (2016: \$281,285).
- ▶ Termination payments: Any applicable payments on Redundancy in accordance with the Act.

Non-Executive Director – Greg Jones

- ▶ Contract term: Rolling 12 month contract with Variscan Mines Limited (4% shareholder of Silver City at 30 June 2017) of which Greg is an employee. No notice is required from either party to terminate the agreement.
- ▶ Remuneration: \$163 (2016: \$163) per hour plus GST for consultancy services as at 30 June 2017. Greg's fees are paid directly to Variscan Mines Limited.
- ▶ Termination payments: Nil.

Company Secretary – Ivo Polovineo

- ▶ 12 month rolling contract. Either party may terminate the contract with 30 days' notice.
- ▶ Remuneration: \$1,350 per day plus GST as at 30 June 2017 (2016: \$1,350 per day).
- ▶ Termination payments: Nil

Directors' Report

Director and key management personnel remuneration for the year ended 30 June 2017

	Short-term benefits		Post employment	Share-based payments	Total \$	Consisting of options %
	Cash salary and fees \$	Consulting \$	Superannuation \$	Options \$		
Directors						
B Besley	34,404	2,000	3,268	14,100	53,772	26%
C Torrey	256,881	-	24,404	18,800	300,085	6%
G Jones	27,523	-	2,615	9,400	39,538	24%
I Plimer	27,523	-	2,615	9,400	39,538	24%
J Puckridge (a)	12,500	-	-	-	12,500	-
I Hume (b)	16,055	-	1,525	9,400	26,980	35%
Total Directors	374,886	2,000	34,427	61,100	472,413	
Other key management personnel						
I Polovineo	-	32,400	-	9,400	41,800	22%
Total KMP	-	32,400	-	9,400	41,800	
Totals	374,886	34,400	34,427	70,500	514,213	

No performance based remuneration was paid in the 2017 and 2016 financial period.

- (a) Appointed 3 February 2017.
 (b) Resigned 31 January 2017.

Director and key management personnel remuneration for the year ended 30 June 2016

	Short-term benefits		Post employment	Share-based payments	Total \$	Consisting of options %
	Cash salary and fees \$	Consulting \$	Superannuation \$	Options \$		
Directors						
B Besley	37,271	6,000	3,541	-	46,812	-
C Torrey	256,881	-	24,404	6,600	287,885	2%
G Jones	29,817	-	2,833	-	32,650	-
I Plimer	29,817	-	2,833	-	32,650	-
I Hume	29,817	-	2,833	-	32,650	-
Total Directors	383,603	6,000	36,444	6,600	432,647	
Other key management personnel						
I Polovineo	-	32,400	-	-	32,400	-
Total KMP	-	32,400	-	-	32,400	
Totals	383,603	38,400	36,444	6,600	465,047	

Share-based compensation

Employee share option plan

The Company has established the Silver City Minerals Employee Share Option Plan (Plan) to assist in the attraction, retention and motivation of employees of the Company and its related bodies corporate (Group). At 30 June 2017 there were 4,500,000 options on issue pursuant to the Plan. The Plan is administered by the Board in accordance with the rules of the Plan, and the rules are subject to the ASX Listing Rules.

Directors' Report

Compensation options: granted and vested during the year

The following options were granted during the financial year.

Share-based payments awarded during the year to directors and key management

	Grant date	Granted no.	Vested no.	Vested %	Value of options granted at the grant date (note 14)	Options exercised no.	Value of options exercised at the exercise date \$	Value of options lapsed during the year \$
Directors								
B Besley	24 Nov 16	1,500,000	1,500,000	100%	14,100	-	-	-
C Torrey	24 Nov 16	2,000,000	2,000,000	100%	18,800	-	-	26,220
G Jones	24 Nov 16	1,000,000	1,000,000	100%	9,400	-	-	-
I Plimer	24 Nov 16	1,000,000	1,000,000	100%	9,400	-	-	-
I Hume	24 Nov 16	1,000,000	1,000,000	100%	9,400	-	-	-
Other key management personnel								
I Polovineo	24 Nov 16	1,000,000	1,000,000	100%	9,400	-	-	-

The value of options granted during the period is recognised as compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

For details on the valuation of the options, including models and assumptions used, please refer to Note 14.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period.

Meetings of directors

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each director:

Directors	Board of directors		Audit committee		Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
B Besley	6	6	2	1	1	1
C Torrey	6	6	-	-	-	-
G Jones	6	6	2	2	1	1
I Plimer	6	6	2	2	1	1
I Hume	3	3	-	-	-	-

Signed at Sydney this 29th day of September 2017 in accordance with a resolution of the Directors.



Chris Torrey
Managing Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	Consolidated 2017 \$	Consolidated 2016 \$
Revenue	3	185,427	163,622
ASX and ASIC fees		(23,127)	(22,878)
Audit fees		(26,500)	(27,000)
Contract administration services		(95,718)	(112,896)
Employee costs		(204,159)	(200,294)
Exploration expenditure written off		(1,211,203)	(1,771,402)
Insurances		(14,325)	(14,537)
Marketing and conference costs		(83,579)	(31,911)
Rent		(31,740)	(28,140)
Share based payments		(79,900)	(6,600)
Travel and accommodation		(14,304)	(14,163)
Other expenses from ordinary activities		(74,505)	(72,522)
Loss before income tax expense		(1,673,633)	(2,138,721)
Income tax expense	4	-	-
Loss after income tax expense	13	(1,673,633)	(2,138,721)
Other comprehensive income		-	-
Other comprehensive (loss)		-	-
Other comprehensive income/(loss) for the period		-	-
Total comprehensive income/(loss) for the period attributable to members of silver city minerals limited		(1,673,633)	(2,138,721)
Basic loss per share (cents per share)	15	1.06	1.82
Diluted loss per share (cents per share)	15	1.06	1.82

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

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	Consolidated 2017 \$	Consolidated 2016 \$
Current assets			
Cash assets	5	898,701	1,451,849
Receivables	6	52,259	81,683
Tenement security deposits	7	-	10,000
Total current assets		950,960	1,543,532
Non-current assets			
Receivables	6	1,600	1,600
Tenement security deposits	7	160,000	130,000
Property, plant and equipment	8	11,798	21,332
Deferred exploration and evaluation expenditure	9	3,892,787	3,845,267
Total non-current assets		4,066,185	3,998,199
Total assets		5,017,145	5,541,731
Current liabilities			
Payables	10	86,521	145,037
Provisions	11	27,617	19,876
Total current liabilities		114,138	164,913
Non-current liabilities			
Provisions	11	45,087	37,412
Total non-current liabilities		45,087	37,412
Total liabilities		159,225	202,325
Net assets		4,857,920	5,339,406
Equity			
Contributed equity	12	15,583,680	14,471,415
Accumulated losses	13	(10,907,223)	(9,259,810)
Reserves	14	181,463	127,801
Total equity		4,857,920	5,339,406

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Consolidated 2017 \$	Consolidated 2016 \$
Cash flows from operating activities		
Payment to suppliers and employees	(475,844)	(563,261)
R&D tax concession offset	35,139	-
Government grant	79,197	-
JV and consulting income	10,105	130,890
Interest received	35,392	43,290
Net cash flows (used in) operating activities	25 (316,011)	(389,081)
Cash flows from investing activities		
Purchase of fixed assets	(5,309)	-
Expenditure on mining interests (exploration)	(1,304,053)	(928,694)
Tenement security deposits	(20,000)	-
Net cash flows (used in) investing activities	(1,329,362)	(928,694)
Cash flows from financing activities		
Proceeds from issue of shares	1,117,497	785,029
Equity raising expenses	(25,240)	(67,102)
Net cash flows from financing activities	1,092,257	717,927
Net increase/(decrease) in cash held	(553,116)	(599,848)
Net foreign exchange differences	(32)	1,509
Add opening cash brought forward	1,451,849	2,050,188
Closing cash carried forward	25 898,701	1,451,849

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

					Consolidated			
		Issued capital	Accumulated losses	Reserves	Total equity			
Note		\$	\$	\$	\$			
At 1 July 2015		13,773,496	(7,150,989)	142,002	6,764,509			
Loss for the period		-	(2,138,721)	-	(2,138,721)			
Other comprehensive income		-	-	-	-			
Total comprehensive income for the period		-	(2,138,721)	-	(2,138,721)			
Transactions with owners in their capacity as owners:								
Issue of share capital (net of share issue costs)		12	697,919	-	-	697,919		
Share-based payments		14	-	-	6,600	6,600		
Expired option value		13	-	29,900	(29,900)	-		
Foreign currency translation		14	-	-	9,099	9,099		
At 30 June 2016		14,471,415	(9,259,810)	127,801	5,339,406			
At 1 July 2016		14,471,415	(9,259,810)	127,801	5,339,406			
Loss for the period		-	(1,673,633)	-	(1,673,633)			
Other comprehensive income		-	-	-	-			
Total comprehensive income for the period		-	(1,673,633)	-	(1,673,633)			
Transactions with owners in their capacity as owners:								
Issue of share capital (net of share issue costs)		12	939,944	-	-	939,944		
Option issue consideration		12	172,321	-	-	172,321		
Share-based payments		14	-	-	79,900	79,900		
Expired option value		13	-	26,220	(26,220)	-		
Foreign currency translation		14	-	-	(18)	(18)		
At 30 June 2017		15,583,680	(10,907,223)	181,463	4,857,920			

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 29 September 2017.

Silver City Minerals Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange using the ASX code SCI.

The consolidated financial statements comprise the financial statements of Silver City Minerals Ltd and its subsidiaries (the Group or Consolidated Entity).

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

2. Summary of significant accounting policies

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared on a historical cost basis. All amounts are presented in Australian dollars.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

Basis of consolidation

The consolidated financial statements comprise the financial statements of Silver City Minerals Limited (Silver City or the "Company") and its subsidiaries if applicable ("the Group") as at 30 June each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Subsidiaries are fully consolidated from 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.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- ▶ Plant and equipment – 2 - 5 years
- ▶ Motor Vehicle – 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An item of plant and equipment is derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Interest in jointly controlled operations – joint ventures

The Company has an interest in exploration joint ventures that are jointly controlled. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity.

The Company recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of any income that it earns from the sale of goods or services by the jointly controlled operations.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held-for-trading and available-for-sale, are measured at fair value. Gains or losses on investments held-for-trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process. For investments that are actively traded in organised financial markets, fair value is determined by reference to Securities Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Company commits to purchase the asset.

Exploration, evaluation, development and restoration costs

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- ▶ Such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- ▶ Exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

Exploration and evaluation – impairment

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry-forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis, provisions would be reviewed and if appropriate, written back.

Development

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

Restoration

Provisions for restoration costs are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Remaining mine life

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame.

Mine property held for sale

Where the carrying amount of mine property and related assets will be recovered principally through a sale transaction rather than through continuing use, the assets are reclassified as Mine Property Held for Sale and carried at the lower of the assets' carrying amount and fair value less costs to sell – where such fair value can be reasonably determined, and otherwise at its carrying amount. Liabilities and provisions related to mine property held for sale are similarly reclassified as Liabilities – Mine Property Held for Sale and, Provisions – Mine Property Held for sale, as applicable, and carried at the value at which the liability or provisions expected to be settled.

Trade and other receivables

Trade receivables, which generally have 7-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of one year or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts, if any.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Trade and other payables and provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee entitlements

Liabilities for wages and salaries are recognised and are measured as an amount unpaid at the reporting date at current pay rates in respect of an employee's services up to that date. Current employee contracts do not entitle them to annual leave and long service leave. A liability in respect of superannuation at the current superannuation guarantee rate has been accrued at the reporting date.

Share-based payments

In addition to salaries, the Company provides benefits to certain employees (including Directors and Key Management personnel) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The Company intends to adopt an Employee Share Option Plan prior to listing on the Stock Exchange in order to assist in the attraction, retention and motivation of employees of the Company and its related bodies corporate ("Group").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Binomial option pricing model. In valuing transactions settled by way of issue of options, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled and the new award are treated as if there was a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share except where such dilution would serve to reduce a loss per share.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- ▶ Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- ▶ Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- ▶ Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ▶ Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Currency

Functional currency translation

The functional and presentation currency for the parent company is Australian dollars (\$). The functional currency of overseas subsidiaries is the local currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the translation. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency

The results of the New Zealand subsidiary are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Investment in controlled entities

The Company's investment in its controlled entities is accounted for under the equity method of accounting in the Company's financial statements.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Binomial formula taking into account the terms and conditions upon which the instruments were granted, as detailed in Notes 14 and 16.

Capitalisation and write-off of capitalised exploration costs

The determination of when to capitalise and write-off exploration expenditure requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- ▶ Costs of servicing equity;
- ▶ The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- ▶ Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Accounting standards issued but not yet effective

Australian Accounting Standards and interpretations that have been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the year ended 30 June 2017. The Consolidated Entity plans to adopt these standards at their application dates as detailed below.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

AASB 16 Leases (effective 1 January 2019)

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. The Directors are yet to assess the full impact of AASB 16 and will apply the new standard from 1 January 2019.

AASB 9 Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards which may impact on the Group include:

- ▶ simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- ▶ allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- ▶ financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- ▶ requirements for impairment of financial assets

The Group is yet to assess its full impact however initial indications are that it may affect the Group's accounting of its available-for-sale financial assets.

The Director's assessment of the impact of all other new standards and interpretations is that they will not have a material impact on the financial report of the Company.

3. Revenue from ordinary activities

	Consolidated 2017 \$	Consolidated 2016 \$
Joint venture and consulting income	36,383	128,331
Government grant	79,197	-
R&D tax concession	35,139	-
Interest received – other financial institutions	34,708	35,291
	185,427	163,622

4. Income tax

	Consolidated 2017 \$	Consolidated 2016 \$
Prima facie income tax (credit) on operating (loss) at 30%	502,090	641,616
Future income tax benefit in respect of timing differences – not recognised	(502,090)	(641,616)
Income tax expense	-	-

No provision for income tax is considered necessary in respect of the Company for the period 30 June 2017.

The Group has a deferred income tax liability of Nil (2016: Nil) associated with exploration costs deferred for accounting purposes but expensed for tax purposes. This liability has been brought to account and offset by deferred tax assets attributed to available tax losses. No recognition has been given to any deferred income tax asset which may arise from available tax losses, except to the extent offset against deferred tax liabilities. The Company has estimated its losses at \$13,828,567 (2016: \$12,193,593) as at 30 June 2017.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

A benefit of 30% of approximately \$4,148,570 (2016: \$3,658,078) associated with the tax losses carried forward will only be obtained if:

- ▶ The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- ▶ The Company continues to comply with the conditions for deductibility imposed by the law; and
- ▶ No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.
- ▶ Silver City and its 100% owned subsidiary (MEPL) formed a tax consolidated group of which Silver City is the head entity.

5. Cash and cash equivalents

	Consolidated 2017 \$	Consolidated 2016 \$
Cash at bank	77,869	168,838
Money market securities – bank deposits	820,832	1,283,011
	898,701	1,451,849

Bank negotiable certificates of deposit, which are normally invested between 7 and 120 days were used during the period and are used as part of the cash management function.

6. Receivables

	Consolidated 2017 \$	Consolidated 2016 \$
Current		
GST receivables	4,806	18,581
Interest receivable	1,560	2,243
Prepayments	23,508	53,230
Trade and other debtors	22,385	7,629
	52,259	81,683

	Consolidated 2017 \$	Consolidated 2016 \$
Non - current		
Rental bonds	1,600	1,600

7. Tenement security deposits

	Consolidated 2017 \$	Consolidated 2016 \$
Cash at bank – bank deposits	160,000	140,000
	160,000	140,000

These deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (refer to Note 21). The bank deposits are interest bearing.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

8. Property, plant and equipment

	Motor vehicle	Plant and equipment	Total
Year ended 30 June 2016 (Consolidated)			
Opening net book amount	24,859	30,058	54,917
Additions	-	-	-
Depreciation expense	(18,620)	(14,965)	(33,585)
Closing net book amount	6,239	15,093	21,332
At 30 June 2016			
Cost	93,101	151,801	244,902
Accumulated depreciation	(86,862)	(136,708)	(223,570)
Net book amount	6,239	15,093	21,332
Year ended 30 June 2017 (Consolidated)			
Opening net book amount	6,239	15,093	21,332
Additions	-	5,309	5,309
Depreciation expense	(6,239)	(8,604)	(14,843)
Closing net book amount	-	11,798	11,798
At 30 June 2017			
Cost	93,101	157,110	250,211
Accumulated depreciation	(93,101)	(145,312)	(238,413)
Net book amount	-	11,798	11,798

9. Deferred exploration and evaluation expenditure

	Consolidated 2017 \$	Consolidated 2016 \$
Costs brought forward	3,845,267	4,628,376
Costs incurred during the period	1,258,723	988,293
Expenditure written off during period	(1,211,203)	(1,771,402)
Costs carried forward	3,892,787	3,845,267
Exploration expenditure costs carried forward are made up of:		
▶ Expenditure on joint venture areas	2,546,282	2,819,711
▶ Expenditure on non joint venture areas	1,346,505	1,025,556
Costs carried forward	3,892,787	3,845,267

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 2. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

10. Current liabilities – payables

	Consolidated 2017 \$	Consolidated 2016 \$
Trade creditors	48,919	88,360
Accrued expenses	22,590	41,358
GST payable	2,037	403
PAYG payable	12,975	14,916
	86,521	145,037

11. Liabilities – provisions

	Consolidated 2017 \$	Consolidated 2016 \$
Current		
Annual leave	27,617	19,876
Non-current		
Long Service Leave	45,087	37,412

12. Contributed equity

	Consolidated 2017 \$	Consolidated 2016 \$
Share capital		
158,578,962 fully paid ordinary shares (2016: 133,745,691)	(a) 16,461,005	15,471,729
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Share issue costs	(1,049,646)	(1,000,314)
Option issue consideration reserve		
11,722,540 fully paid ordinary shares (2016: Nil)	172,321	-
	15,583,680	14,471,415

	Number	\$
(a) Movements in ordinary shares on issue		
At 30 June 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
Shares issued	(iii) -	(128,221)
At 30 June 2017	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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

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.

13. Accumulated losses

	Consolidated 2017 \$	Consolidated 2016 \$
Balance at 1 July	9,259,810	7,150,989
Operating loss after income tax expense	1,673,633	2,138,721
Expired option value transferred to Accumulated Losses	(26,220)	(29,900)
Balance at 30 June	10,907,223	9,259,810

14. Reserves/share-based payments

Reserves

	Consolidated 2017 \$	Consolidated 2016 \$
Balance at 1 July	127,801	142,002
Share-based payment expensed during the financial year	79,900	6,600
Expired option value transferred to Accumulated Losses	(26,220)	(29,900)
Foreign currency translation reserve	(18)	9,099
Balance at 30 June	181,463	127,801

Share-based compensation

Employee share option plan

The Company has established the Silver City Minerals Employee Share Option Plan (Plan) to assist in the attraction, retention and motivation of employees of the Company and its related bodies corporate (Group). Subsequent to 30 June 2017 there were no options granted under the Plan. The Plan will be administered by the Board in accordance with the rules of the Plan, and the rules are subject to the ASX Listing Rules. There have been no cancellations or modifications to any of the plans during 2016 and 2017.

Summary of options granted

	Consolidated 2017 no.	Consolidated 2016 no.
Outstanding at the beginning of the year	10,500,000	10,500,000
Granted during the year	8,500,000	1,000,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	(1,000,000)	(1,000,000)
Outstanding at the end of the year	18,000,000	10,500,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

The outstanding balance as at 30 June 2017 is represented by:

- ▶ 1,500,000 options exercisable at \$0.10, expiry 12 August 2017
- ▶ 7,000,000 options exercisable at \$0.10, expiry 2 December 2017
- ▶ 1,000,000 options exercisable at \$0.04, expiry 24 November 2018
- ▶ 8,500,000 options exercisable at \$0.06, expiry 24 November 2019

Option pricing model and terms of options

The following table lists the inputs to the options model and the terms of options granted:

Issue date	Number of options issued	Exercise price	Expiry date	Expected volatility	Risk-free rate	Expected life	Estimated fair value	Model used	
Director and KMP options									
Nov 14	6,000,000	\$0.10	2 Dec 17	69.62%	2.52%	3.0 years	\$0.0105	Binomial	(a)
Nov 15	1,000,000	\$0.04	24 Nov 18	80.00%	1.93%	3.0 years	\$0.0066	Binomial	(b)
Nov 16	8,500,000	\$0.06	24 Nov 19	73.60%	1.89%	3.0 years	\$0.0094	Binomial	(c)
Aug 14	1,500,000	\$0.10	12 Aug 17	69.61%	2.52%	3.0 years	\$0.0179	Binomial	(d)
Nov 14	1,000,000	\$0.10	2 Dec 17	69.62%	2.52%	3.0 years	\$0.0105	Binomial	(e)
	<u>18,000,000</u>								

- (a) 6,000,000 options were granted to Directors of the Company which were approved by shareholders at the AGM in November 2014. The options vested immediately.
- (b) 1,000,000 options were granted to the Managing Director of the Company which were approved by shareholders at the AGM in November 2015. The options vested immediately.
- (c) 8,500,000 options were granted to Directors and employees of the Company which were approved by shareholders at the AGM in November 2016. The options vested immediately.
- (d) 1,500,000 options were granted to Employees of the Company under the Company's ESOP. The options vested immediately.
- (e) 1,000,000 options were granted to an Employee of the Company under the Company's ESOP. The options vested immediately.

Weighted average disclosures on options

	2017	2016
Weighted average exercise price of options at 1 July	\$0.09	\$0.10
Weighted average exercise price of options granted during period	\$0.06	\$0.04
Weighted average exercise price of options outstanding at 30 June	\$0.08	\$0.09
Weighted average exercise price of options exercisable at 30 June	\$0.08	\$0.09
Weighted average contractual life	1.39 years	1.36 years
Range of exercise price	\$0.04 - \$0.10	\$0.04 - \$0.10

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

15. Earnings per share

	2017	2016
Net profit/(loss) used in calculating basic and diluted gain/(loss) per share	(1,673,633)	(2,138,721)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	158,578,962	117,638,854
	Cents per share	Cents per share
Basic earnings (loss) per share	(1.06)	(1.82)
Diluted earnings (loss) per share	(1.06)	(1.82)

16. Key management personnel

Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	Consolidated 2017 \$	Consolidated 2016 \$
Short term employee benefits	409,286	422,003
Post-employment benefits	34,427	36,444
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	70,500	6,600
Total	514,213	465,047

Shareholdings of key management personnel

Fully paid ordinary shares held in Silver City Minerals Limited

	Balance at 1 July no.	Granted as compensation no.	Received on exercise of options no.	Net change other * no.	Balance at 30 June no.	Balance held nominally no.
2017						
B Besley	1,129,267	-	-	277,777	1,407,044	-
C Torrey	754,223	-	-	343,333	1,097,556	-
I Plimer	1,221,267	-	-	333,333	1,554,600	-
I Hume (a)	290,845	-	-	-	290,845	-
Total	3,395,602	-	-	954,443	4,350,045	-
2016						
B Besley	1,129,267	-	-	-	1,129,267	-
C Torrey	351,267	-	-	402,956	754,223	-
I Plimer	1,221,267	-	-	-	1,221,267	-
I Hume	290,845	-	-	-	290,845	-
Total	2,992,646	-	-	402,956	3,395,602	-

*2017 Net change other consists of shares purchased under the Company's SPP and an off market transfer (2016: shares purchased on market during the period).

(a) Resigned 31 January 2017.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Option holdings of key management personnel

Share options held in Silver City Minerals Limited

	Balance at 1 July no.	Granted as compensation no.	Exercised no.	Net other change no.	Balance at 30 June no.	Balance vested at 30 June no.	Vested but not exercisable no.	Vested and exercisable no.	Options vested during year no.
2017									
B Besley	1,000,000	1,500,000	-	-	2,500,000	2,500,000	-	2,500,000	1,500,000
C Torrey	4,000,000	2,000,000	-	(1,000,000)	5,000,000	5,000,000	-	5,000,000	2,000,000
G Jones	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
I Plimer	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
I Hume (a)	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
I Polovineo	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
Total	9,000,000	7,500,000	-	(1,000,000)	15,500,000	15,500,000	-	15,500,000	7,500,000
2016									
B Besley	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
C Torrey	4,000,000	1,000,000	-	(1,000,000)	4,000,000	4,000,000	-	4,000,000	1,000,000
G Jones	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
I Plimer	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
I Hume	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
I Polovineo	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
Total	9,000,000	1,000,000	-	(1,000,000)	9,000,000	9,000,000	-	9,000,000	1,000,000

(a) Resigned 31 January 2017.

17. Related party disclosures

Subsidiaries

The consolidated financial statements include the financial statements of Silver City Minerals Limited (the Parent Entity) and the following subsidiaries:

Name	Country of incorporation	% Equity interest	
		2017	2016
Mining Exploration Pty Ltd (MEPL)	Australia	100	100
Silver City NZ PTY Limited	New Zealand	100	100

18. Auditors' remuneration

Total amounts receivable by the current auditors of the Company for:

Audit of the Company's accounts

Other services

	Consolidated 2017 \$	Consolidated 2016 \$
Audit of the Company's accounts	26,500	27,000
Other services	-	-
Total	26,500	27,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

19. Joint ventures

The Company is a party to a number of exploration joint venture agreements to explore for copper, gold, zinc and lead. Under the terms of the agreements the Company will be required to contribute towards the exploration and other costs if it wishes to maintain or increase its percentage holdings. The joint ventures are not separate legal entities. There are contractual arrangements between the participants for sharing costs and future revenues in the event of exploration success. There are no assets and liabilities attributable to the Company at the balance date resulting from these joint ventures other than exploration expenditure costs carried forward as detailed in Note 9. Costs are accounted for in accordance with the terms of joint venture agreements and in accordance with Note 2(i). Percentage equity interests in joint ventures at 30 June 2017 were as follows:

Joint Venture	Percentage interest 2017	Percentage interest 2016
Silver City Farm In and Joint Venture Agreement		
EL 7300	85%	85%
EL 8075	75%	75%
Silver City Broken Hill Project Sale Agreement – Variscan Mines Limited		
ELs 8236 and 8075	75%	75%
EL 8078	100%	100%
Agreement relating to EL 8078 (Yalcowinna – formerly Ziggys EL 6036 and Euriowie 7319) with Eaglehawk Geological Consulting Pty Ltd		
EL 8078 (Eaglehawk has an 8% interest in a small area of this EL)	100%	100%
Broken Hill Base Metals Project with Impact Minerals Limited*		
EL 7390	20%	20%
Silver City JV with CBH		
ELs 8076, 8074 and 8255	75%	75%
EL 8236	75%	75%

* Silver City's interest is free-carried to a decision to mine.

20. 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 9 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 9.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

21. Contingent liabilities

The Group has provided guarantees totalling \$160,000 (2016: \$140,000) in respect of exploration tenements in NSW. These guarantees in respect of exploration tenements are secured against deposits with a banking institution. The Company does not expect to incur any material liability in respect of the guarantees.

22. Financial instruments

The Board as a whole is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that Senior Management have developed and implemented a sound system of risk management and internal control. The Company's risk management policy has been designed to identify, assess, monitor and manage material business risks to ensure effective management of risk. These policies are reviewed regularly to reflect material changes in market conditions and the Company's risk profile.

The main risks identified in the Company's financial instruments are capital risk, credit risk, liquidity risk, interest rate risk and commodity price risk. Summarised below is information about the Company's exposure to each of these risk, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. In order to achieve this objective, the Company seeks to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through the issue of shares for the continuation of the Company's operations when required.

The Company considers its capital to comprise of its ordinary share capital, option reserve and accumulated losses. There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

Financial risk management objectives

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

During the period there have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Company's risk management policies and objectives are designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material. The Board receives regular reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. These risks include credit risk, liquidity risk, interest rate risk and commodity price risk. The Company does not use derivative financial instruments to hedge these risk exposures.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these risks are set out below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

The Company mitigates credit risk on cash and cash equivalents by dealing with banks that have high credit-ratings assigned by Standard and Poors. There are two counterparties for Cash and Cash equivalents which are Commonwealth Bank of Australia and Bank of Western Australia Limited. Credit risk of receivables is low as it consists predominantly of GST recoverable from the Australian Taxation Office and interest receivable from deposits held with regulated banks.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated 2017 \$	Consolidated 2016 \$
Cash and cash equivalents	898,701	1,451,849
Receivables	53,859	83,283
Deposits with banks and Joint Venture Partner	160,000	140,000
	1,112,560	1,675,132

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Ultimate responsibility for liquidity risk rests with the Board of Directors, who have built an appropriate risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. The Company manages liquidity by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's contractual maturities of financial liabilities:

Financial liabilities	Carrying amount \$	< 12 months \$	1-3 years \$	>3 years \$
2017				
Payables	86,521	86,521	-	-
	86,521	86,521	-	-
2016				
Payables	145,037	145,037	-	-
	145,037	145,037	-	-

The following table details the Company's expected maturity for financial assets:

Financial assets	Carrying amount \$	< 12 months \$	1-3 years \$	>3 years \$
2017				
Cash at bank and term deposits	898,701	898,701	-	-
Receivables	53,859	52,259	1,600	-
Deposits with banks and Joint Venture Partner	160,000	-	-	160,000
	1,112,560	950,960	1,600	160,000
2016				
Cash at bank and term deposits	1,451,849	1,451,849	-	-
Receivables	83,283	81,683	1,600	-
Deposits with banks and Joint Venture Partner	140,000	10,000	-	130,000
	1,675,132	1,543,532	1,600	130,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Interest rate risk

The Company's exposure to the risks of changes in market interest rates relates primarily to the Company's cash holdings and short term deposits. These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

At balance date, the Company was exposed to floating weighted average interest rates as follows:

	Consolidated 2017	Consolidated 2016
Weighted average rate of cash balances	0.02%	0.06%
Cash balances	\$77,869	\$168,838
Weighted average rate of term deposits	2.05%	2.62%
Term deposits	\$820,832	\$1,283,011

The Company invests surplus cash in interest-bearing term deposits with financial institutions and in doing so it exposes itself to the fluctuations in interest rates that are inherent in such a market. Term deposits are normally invested between 7 to 90 days and other cash at bank balances are at call.

The Company's exposure to interest rate risk is set out in the table below:

Sensitivity analysis	Carrying amount \$	+1.0% of AUD IR		-1.0% of AUD IR	
		Profit \$	Other equity \$	Profit \$	Other equity \$
2017					
Cash and cash equivalents	898,701	8,987	-	(8,987)	-
Tax charge of 30%	-	(2,696)	-	2,696	-
After tax profit increase/(decrease)	898,701	6,291	-	(6,291)	-
2016					
Cash and cash equivalents	1,451,849	14,519	-	(14,519)	-
Tax charge of 30%	-	(4,356)	-	4,356	-
After tax profit increase/(decrease)	1,451,849	10,163	-	(10,163)	-

The above analysis assumes all other variables remain constant.

Commodity price risk

The Company is exposed to commodity price risk. This risk arises from its activities directed at exploration and development of mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Company does not hedge its exposures.

Net fair value of financial assets and liabilities

The carrying amount of financial assets and liabilities of the Company approximate their net fair values, given the short time frames to maturity and or variable interest rates.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

23. Commitments

In order to maintain the Company's tenements in good standing with the various mines departments, the Company may be required to incur exploration expenditure under the terms of each licence. Exploration licences renewed or granted in NSW after 1 July 2016 have no exploration expenditure commitment. These commitments are not binding as exploration tenements can be reduced or relinquished at any time. The Company has commitments to expend funds towards earning or retaining an interest under its joint venture agreements with CBH Resources Ltd.

	Consolidated 2017 \$	Consolidated 2016 \$
Payable not later than one year	40,766	64,399
Payable later than one year but not later than two years	0	15,000
	40,766	79,399

It is likely that the granting of new licences and changes in licence areas at renewal or expiry will change the expenditure commitment to the Company from time to time.

24. Events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 30 June 2017 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, other than:

- ▶ In July 2017 the Company issued 23,785,844 ordinary shares in a placement for \$0.018 per share raising \$428,145 to fund new drilling programs.
- ▶ In August 2017 the Company issued 13,916,632 ordinary shares at \$0.018 per share pursuant to the Share Purchase Plan announced on 25 July 2017. This raised a further \$250,500 to fund new drilling programs.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

25. Statement of cash flows

	Consolidated 2017 \$	Consolidated 2016 \$
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
(a) Operating (loss) after income tax	(1,673,633)	(2,138,721)
Depreciation	14,843	33,585
Share based payments	79,900	6,600
Exploration costs in opening and closing creditors	65,338	(72,064)
Annual and long service leave expensed	15,416	(33,675)
Exploration expenditure written off	1,211,203	1,771,402
Other	13	(22)
Change in assets and liabilities:		
(Increase)/decrease in receivables	29,425	(36,461)
(Decrease)/increase in trade and other creditors (excluding exploration costs in creditors)	(58,516)	80,275
Net cash outflow from operating activities	(316,011)	(389,081)
(b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities.		
The balance at 30 June 2016 comprised:		
Cash assets	77,869	168,838
Bank deposits (Note 5)	820,832	1,283,011
Cash on hand	898,701	1,451,849

26. Parent entity information

	2017 \$	2016 \$
Current assets	944,950	1,525,947
Total assets	5,286,664	5,809,675
Current liabilities	114,138	164,913
Total liabilities	159,225	202,325
Issued capital	15,583,680	14,471,415
Accumulated losses	(10,643,031)	(8,997,175)
Reserves	186,790	133,110
Total shareholders' equity	5,127,439	5,607,350
Profit/(loss) of the parent entity	(1,672,076)	(1,887,259)
Total comprehensive income/(loss) of the parent entity	(1,672,076)	(1,887,259)

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 30 June 2017 and of its performance for the year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2017.

On behalf of the Board



Chris Torrey
Managing Director
Sydney, 29 September 2017

Independent Auditor's Report



CHARTERED ACCOUNTANTS

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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Independent Auditor's Report

To the members of Silver City Minerals Limited

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Silver City Minerals Limited (the company and its subsidiaries) (the group), which comprises the consolidated statements of financial position as at 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of the group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

• Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalised Deferred Exploration and Evaluation Expenditure \$3.8m Refer to Note 9	
<p>The group owns the rights to several exploration licenses in New South Wales. Expenditure relating to these areas of interest is capitalised and carried forward to the extent they are expected to be recovered through the successful development of the respective area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.</p> <p>This area is a key audit matter due to:</p> <ul style="list-style-type: none">• The significance of the balance;• The inherent uncertainty of the recoverability of the amount involved; and• The substantial amount of audit work performed.	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none">• Assessing whether any facts or circumstances exist that may indicate impairment of the capitalised assets;• Performing detailed testing of source documents to ensure capitalised expenditure was allocated to the correct area of interest;• Performing detailed testing of source documents to ensure expenditure was capitalised in accordance with Australian Accounting Standards;• Obtaining external confirmations to ensure the exploration licences are current and accurate; and• Assessing the reasonableness of the capitalisation of the employees' salaries.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditor's Report

Directors' Responsibility for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent Auditor's Report

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Silver City Minerals Limited for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDJ Partners
Chartered Accountants



.....
Anthony J Dowell
Partner

29 September 2017

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Additional Information

Information relating to shareholders

Information relating to shareholders at 12 September 2017 (per ASX Listing Rule 4.10)

Ordinary fully paid shares

There were a total of 196,281,438 fully paid ordinary shares on issue.

Options

There were a total of 28,222,540 unlisted options on issue.

Substantial shareholders

The Company has no substantial shareholders at 12 September 2017.

Top 20 shareholders of ordinary shares	Number	%
UPSKY EQUITY PTY LTD <UPSKY INVESTMENT A/C>	6,280,893	3.20
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,050,697	2.57
JENNINGS FAMILY INVESTMENTS PTY LTD	4,825,000	2.46
MR JOHN HENRY TOLL <TOLL FAMILY DISCRET A/C>	4,477,985	2.28
BNP PARIBAS NOMS PTY LTD <DRP>	4,351,515	2.22
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	4,296,392	2.19
MGL CORP PTY LTD	4,000,000	2.04
SMAC NOMINEES PTY LTD <SMAC INVESTMENT A/C>	3,861,112	1.97
CALM HOLDINGS PTY LTD <CLIFTON SUPER FUND A/C>	3,416,667	1.74
MR DEAN JONATHAN PRICE	3,341,396	1.70
WILDGLADE PTY LTD <THE RALSTON FAMILY A/C>	3,249,999	1.66
MR BIN LIU	3,202,200	1.63
SCINTILLA STRATEGIC INVESTMENTS LIMITED	3,101,174	1.58
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	2,786,992	1.42
DEAD KNICK PTY LTD	2,777,778	1.42
MR SUFIAN AHMAD	2,777,778	1.42
PERSHING AUSTRALIA NOMINEES PTY LTD <ACCUM A/C>	2,526,427	1.29
RECO HOLDINGS PTY LTD <RECO SUPER FUND A/C>	2,188,890	1.12
MR YE ZHENG	2,060,000	1.05
MR STEPHEN RICHARD THOMPSON	2,000,000	1.02
Total of top 20 holdings	70,572,895	35.95
Other holdings	125,708,543	64.05
Total number of shares	196,281,438	100.00

Distribution of shareholders		
Range	Number of shareholders	Ordinary shares
1 – 1,000	35	4,130
1,001 – 5,000	33	118,109
5,001 – 10,000	114	987,307
10,001 – 100,000	465	20,811,023
100,001 – and over	302	174,360,869
	949	196,281,438

Additional Information

At the prevailing market price of \$0.025 per share at 12 September 2017, there were 268 shareholders with less than a marketable parcel of \$500.

Voting rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof.

Optionholders have no voting rights until the options are exercised.

There is no current on-market buy-back.

Distribution of holders of unlisted options		
Range	Number of optionholders	Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	2	99,999
100,001 – and over	29	28,122,541
	31	28,222,540

Corporate governance statement

Silver City Minerals is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board has adopted a comprehensive framework of Corporate Governance Guidelines.

The Group's Corporate Governance Statement can be viewed at: www.silvercityminerals.com.au/corporate/corporate-governance

Corporate Directory

Board of Directors

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

Company Secretary

Ivo Polovineo

Registered Office

Level 1, 80 Chandos Street
St Leonards, NSW 2065
PO Box 956,
Crows Nest, NSW 1585
Telephone: 02 9437 1737
Facsimile: 02 9906 5233
Email: info@silvercityminerals.com.au
Website: www.silvercityminerals.com.au

Share Registry

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001
Telephone: 02 9290 9600
Website: www.boardroomlimited.com.au

Auditors

BDJ Partners
Level 13, 122 Arthur Street
North Sydney, NSW 2060

Bankers

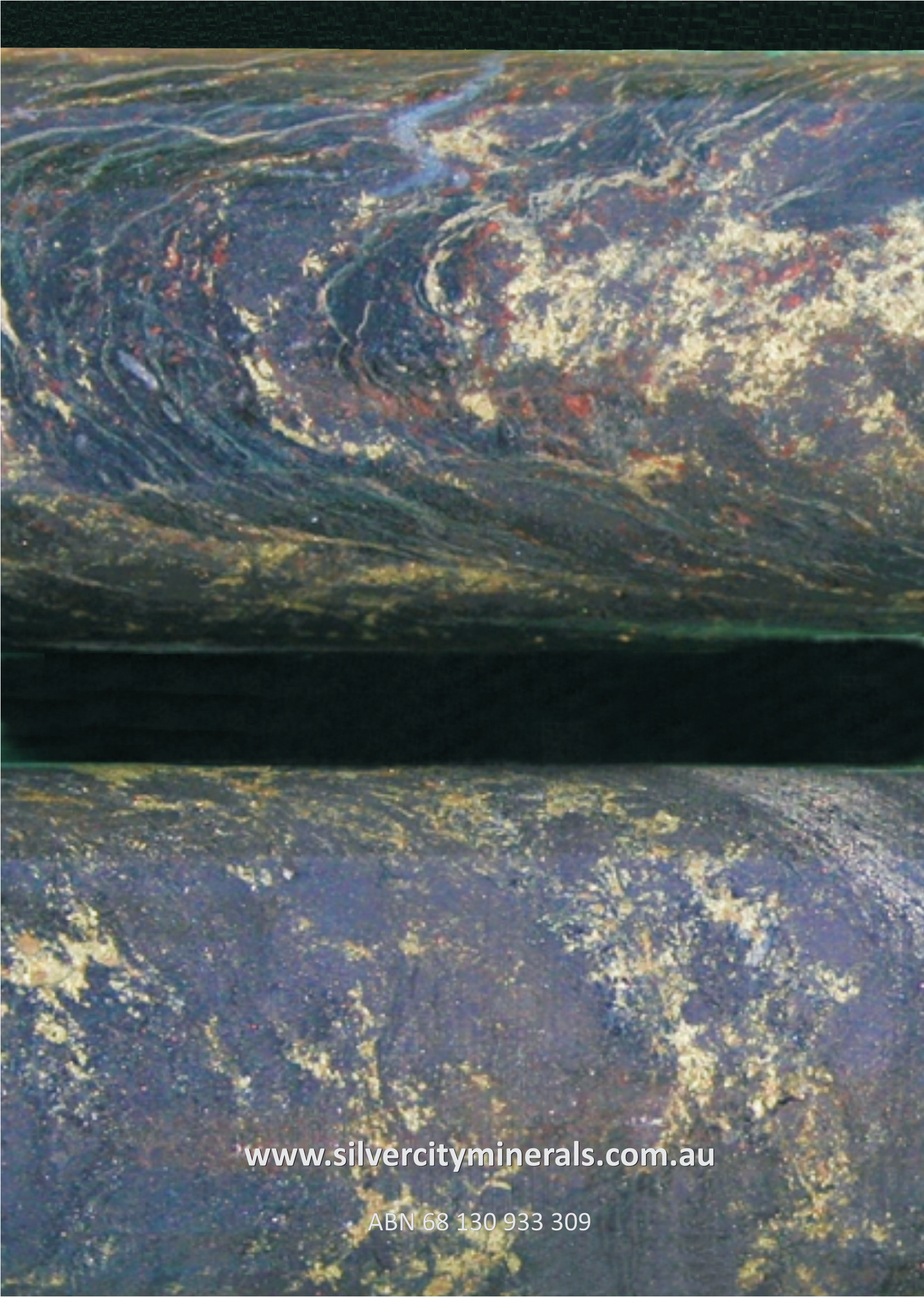
Bankwest
Commonwealth Bank
Macquarie Bank

Securities Exchange Listing

Australian Securities Exchange
ASX code: SCI

ACN

130 933 309



www.silvercityminerals.com.au

ABN 68 130 933 309