

SILVER CITY MINERALS LIMITED

ABN 68 130 933 309

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2017

Directors' Report

Your directors submit their report for Silver City Minerals Limited for the half year ended 31 December 2017.

Directors

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

Bob Besley	Non-Executive Chairman
Chris Torrey	Managing Director
Greg Jones	Non-Executive Director
Josh Puckridge	Non-Executive Director
Ian Plimer	Non-Executive Director (Resigned 20 November 2017)

Review and results of operations

Silver City Minerals has been focussed on a new copper-gold (cobalt) discovery called Copper Blow, located 20 kilometres south of Broken Hill. It has been successful in outlining several significant zones of copper-gold associated with magnetite-rich rocks. The Company has tested a small portion of an extensive magnetic anomaly. A drill program has been planned to outline resources and explore the belt in more detail.

Zinc-lead-silver and copper-cobalt projects at Broken Hill and Cobar remain active with new geophysical exploration programs designed for the next six months.

Financial results for the half year

The net loss after income tax expense for the half year to 31 December 2017 amounted to \$19,016 (2016: \$1,386,546).

Principal activities

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

Dividends

No dividends were paid or proposed during the period.

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 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:

- ▶ 49,070,350 shares were issued at \$0.04 under a share placement raising a total of \$1,962,814 before costs.

Auditor's independence declaration

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

Signed at Sydney this 15th day of March 2018 in accordance with a resolution of the directors.



Bob Besley
Chairman

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Revenue	4	308,297	72,268
ASX and ASIC fees		(25,481)	(20,776)
Audit fees		(12,000)	(12,500)
Contract administration services		(54,743)	(54,855)
Employee costs (net of costs recharged to exploration projects)		(109,465)	(88,441)
Exploration expenditure expensed		(8,259)	(1,072,460)
Insurance		(7,904)	(6,596)
Marketing and conference cost		(41,935)	(48,696)
Rent		(16,695)	(15,870)
Share based payments		-	(79,900)
Travel and accommodation		(10,853)	(6,022)
Other expenses from ordinary activities		(39,978)	(52,698)
Loss before income tax expense		(19,016)	(1,386,546)
Income tax expense		-	-
Loss after income tax expense		(19,016)	(1,386,546)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		-	-
Total comprehensive loss attributable to members of Silver City Minerals Limited		(19,016)	(1,386,546)
Earnings per share			
Basic (loss) per share (cents per share)	10	(0.01)	(0.87)
Diluted (loss) per share (cents per share)	10	(0.01)	(0.87)

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
Current assets			
Cash assets	5	725,596	898,701
Receivables		22,038	52,259
Total current assets		747,634	950,960
Non-current assets			
Receivables		-	1,600
Tenement security deposits	7	140,000	160,000
Property, plant and equipment		12,731	11,798
Deferred exploration and evaluation expenditure	6	4,675,354	3,892,787
Total non-current assets		4,828,085	4,066,185
Total assets		5,575,719	5,017,145
Current liabilities			
Payables		61,780	86,521
Provisions		6,647	27,617
Total current liabilities		68,427	114,138
Non-current liabilities			
Provisions		48,925	45,087
Total non-current liabilities		48,925	45,087
Total liabilities		117,352	159,225
Net assets		5,458,367	4,857,920
Equity			
Contributed equity	8	16,203,857	15,583,680
Accumulated losses		(10,825,949)	(10,907,223)
Reserves	9	80,459	181,463
Total equity		5,458,367	4,857,920

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2017

	Note	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2016		14,471,415	(9,259,810)	127,801	5,339,406
Loss for the period		-	(1,386,546)	-	(1,386,546)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(1,386,546)	-	(1,386,546)
Transactions with owners in their capacity as owners:					
Issue of share capital (net of share issue costs)		984,044	-	-	984,044
Option issue consideration		128,221	-	-	128,221
Expired option value transferred to accumulated losses		-	26,220	(26,220)	-
Cost of share based payments taken directly to equity		-	-	79,900	79,900
Foreign currency translation		-	-	153	153
At 31 December 2016		15,583,680	(10,620,136)	181,634	5,145,178
At 1 July 2017		15,583,680	(10,907,223)	181,463	4,857,920
Loss for the period		-	(19,016)	-	(19,016)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(19,016)	-	(19,016)
Transactions with owners in their capacity as owners:					
Issue of share capital (net of share issue costs)		620,177	-	-	620,177
Expired option value transferred to accumulated losses	9	-	100,290	(100,290)	-
Foreign currency translation		-	-	(714)	(714)
At 31 December 2017		16,203,857	(10,825,949)	80,459	5,458,367

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Cash flows from operating activities			
Payment to suppliers and employees		(352,399)	(255,727)
JV income		190,410	7,329
R&D tax offset		120,468	35,139
Interest received		8,342	22,224
Net cash flows from/(used in) operating activities		(33,179)	(191,035)
Cash flows from investing activities			
Purchase of motor vehicle and fixed assets		(4,203)	(5,007)
Expenditure on mining interests (exploration)		(775,314)	(894,144)
Tenement security deposits		20,000	(10,000)
Net cash flows (used in) investing activities		(759,517)	(909,151)
Cash flows from financing activities			
Proceeds from issue of equity		678,645	1,117,497
Equity raising expenses		(58,469)	(25,240)
Net cash flows from financing activities		620,176	1,092,257
Net increase (decrease) in cash held		(172,520)	(7,929)
Net foreign exchange differences		(585)	153
Add opening cash brought forward		898,701	1,451,849
Closing cash carried forward	5	725,596	1,444,073

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

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2017

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the half year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 15 March 2018. Silver City Minerals Limited (the parent) is a company incorporated in Australia and Limited by shares which are publicly traded on the Australian Securities Exchange using the ASX code SCI.

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

2. Summary of significant accounting policies

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

The half year financial report should be read in conjunction with the Annual Financial Report of SCI as at 30 June 2017.

It is also recommended that the half year financial report be considered together with any public announcements made by SCI during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation

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

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

Significant accounting policies

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017.

Management has reviewed and assessed the new accounting standards effective 1 July 2017 and these have been deemed to be not applicable to the Group.

Fair value measurement

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

Basis of consolidation

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

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2017

3. Segment information

The operating segments identified by management are as follows:

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

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

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

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

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

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

4. Revenue

	31 Dec 2017	31 Dec 2016
	\$	\$
Interest received	7,343	23,178
R&D tax concession	120,468	35,139
JV income	180,486	13,951
	308,297	72,268

5. Cash and cash equivalents

	31 Dec 2017	30 Jun 2017
	\$	\$
Cash at bank	212,811	77,869
Money market securities – bank deposits	512,785	820,832
	725,596	898,701

6. Deferred exploration and evaluation expenditure

	31 Dec 2017	30 Jun 2017
	\$	\$
Costs brought forward	3,892,787	3,845,267
Costs incurred during the period	790,826	1,258,723
Expenditure written off during the period	(8,259)	(1,211,203)
Costs carried forward	4,675,354	3,892,787

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2017

7. Contingent assets and liabilities

The Group has provided guarantees totalling \$140,000 (30 June 2017: \$160,000) in respect of exploration tenements. These guarantees in respect of mining tenements are secured against deposits a banking institution. The Group does not expect to incur any material liability in respect of the guarantees.

8. Contributed equity

	31 Dec 2017	30 Jun 2017
	\$	\$
Share capital		
196,281,438 fully paid ordinary shares (30 Jun 17: 158,578,962)	17,139,650	16,461,005
Option issue consideration		
11,722,540 (30 June 2017: 11,722,540) unlisted options on issue	172,321	172,321
Share issue costs	(1,108,114)	(1,049,646)
	16,203,857	15,583,680

	Number	\$
Movements in ordinary shares on issue		
At 31 December 2016	158,578,962	16,461,005
Shares issued	-	-
At 30 June 2017	158,578,962	16,461,005
Shares issued (i)	23,785,844	428,145
Shares issued (ii)	13,916,632	250,500
At 31 December 2017	196,281,438	17,139,650

(i) In July 2017, 23,785,844 shares were issued at \$0.018 per share under a share placement.

(ii) In August 2017, 13,916,632 shares were issued at \$0.018 per share under a Share Purchase Plan.

Terms and conditions of contributed equity

Ordinary shares

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

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

Options

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

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2017

9. Reserves

Share based payments

	Number	\$
Movements in share based payments		
At 31 December 2016	18,000,000	186,790
Options expired	-	-
At 30 June 2017	18,000,000	186,790
Options issued	-	-
Options expired (i)	(8,500,000)	(100,290)
At 31 December 2017	9,500,000	86,500

(i) 8,500,000 options expired during the period ended 31 December 2017.

Foreign currency translation reserve

An additional amount of (\$6,041) (30 June 2017: (\$5,327)) is in a Foreign Currency Translation Reserve.

10. Earnings per share

	31 Dec 2017	31 Dec 2016
	Cents per share	Cents per share
Basic earnings (loss) per share	(0.01)	(0.87)
Diluted earnings (loss) per share	(0.01)	(0.87)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	189,327,812	158,578,962
	\$	\$
Earnings (loss) used in calculating basic and diluted EPS	(19,016)	(1,386,546)

11. Events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 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:

- ▶ 49,070,350 shares were issued at \$0.04 under a share placement raising a total of \$1,962,814 before costs.

Directors' Declaration

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

In the opinion of the Directors:

- (a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and the performance for the half year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Bob Besley
Chairman

Sydney, 15 March 2018

Auditor's Independent Review Report



CHARTERED ACCOUNTANTS

Independent Auditor's Review Report

To the members of Silver City Minerals Limited

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

north sydney office

Level 13, 122 Arthur St
North Sydney NSW 2060

all correspondence

PO Box 1664
North Sydney NSW 2059

t 02 9956 8500

f 02 9929 7428

e bdj@bdj.com.au

www.bdj.com.au

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Silver City Minerals Limited and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Silver City Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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



Auditor's Independent Review Report

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDJ Partners
Chartered Accountants



.....
Anthony J Dowell
Partner

15 March 2018

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



Auditor's Independence Declaration



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

north sydney office

Level 13, 122 Arthur St
North Sydney NSW 2060

all correspondence

PO Box 1664
North Sydney NSW 2059

t 02 9956 8500

f 02 9929 7428

e bdj@bdj.com.au

www.bdj.com.au

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

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2017 there have been:

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

BDJ Partners
Chartered Accountants

.....
Anthony J Dowell
Partner

7 March 2018

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



Corporate Directory

Silver City Minerals Limited

ABN 68 130 933 309

Directors

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

Company Secretary

Ivo Polovineo

Registered and Administration Office

Level 1, 80 Chandos Street

St Leonards, NSW 2065

PO Box 956, Crows Nest, NSW 1585

Telephone: +61 2 9437 7137

Website: www.silvercityminerals.com.au

E-mail: info@silvercityminerals.com.au

Share Registry

Boardroom Pty Limited

GPO Box 3993

Sydney, NSW 2001

Telephone:

+61 2 9290 9600

Email:

enquiries@boardroomlimited.com.au

Website:

www.boardroomlimited.com.au

Auditors

BDJ Partners

Bankers

Commonwealth Bank of Australia

Bank West

Securities Exchange Listing

Listed on Australian Securities Exchange Limited

ASX Code: SCI