

SILVER CITY MINERALS LIMITED

ABN 68 130 933 309

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2018

Directors' Report

Your directors submit their report for Silver City Minerals Limited for the half year ended 31 December 2018.

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
(Resigned 28 February 2019)

Chris Torrey Managing Director
(Resigned 28 February 2019)

Greg Jones Non-Executive Director
(Resigned 28 February 2019)

Josh Puckridge Non-Executive Director

Darren Wates Non-Executive Director
(Appointed 28 February 2019)

Tom Pickett Non-Executive Director
(Appointed 28 February 2019)

Review and results of operations

Silver City Minerals continues to be focussed on the Copper Blow copper-gold (cobalt) project, located 20 kilometres south of Broken Hill. Copper-gold mineralisation is associated with magnetite-bearing rocks in a shear zone which extends for over 4 kilometres. In addition to the shear zone hosted mineralisation, geochemical and geophysical surveys suggest widespread sulphide mineralisation in adjacent country rocks both north and south of the shear. A number of partly coincident magnetic and gravity anomalies occur in these zones and may host significant iron oxide copper-gold mineralisation associated with intrusive igneous rocks beneath alluvium and soil cover.

The Company continues to assess the Razorback West zinc-lead-silver project immediately to the north of the Broken Hill orebody. A detailed review suggests an elongate lead anomaly beneath alluvial cover corresponds to a prospective horizon known as the Hores Gneiss. It is coincident with favourable geophysical anomalies and remains untested by drilling. The rocks which host Razorback West are considered to be the fault-offset extension of the Broken Hill mine sequence and as such are highly prospective for Broken Hill-type zinc-lead-silver mineralisation.

In the Cobar Mining District the Company has conducted preliminary reconnaissance surveys over the Tindery Exploration Licence located 20 kilometres to the east of the Endeavor Zinc-Lead mine. The tenement is considered to be prospective for both zinc-lead and copper-gold deposits and is largely covered by alluvial wash, saprolite and deep soils. A number of electromagnetic conductors were identified in an historic exploration program and never fully assessed. The Company plans to undertake rotary air blast drilling (RAB) to test these.

Financial results for the half year

The net loss after income tax expense for the half year to 31 December 2018 amounted to \$1,237,737 (2017: \$19,016).

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 2018 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 already disclosed in the Report.

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 12th day of March 2019 in accordance with a resolution of the directors.



Josh Puckridge
Non-Executive Director

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2018

		31 Dec 2018	31 Dec 2017
	Note	\$	\$
Revenue	4	224,072	308,297
ASX and ASIC fees		(29,000)	(25,481)
Audit fees		(13,900)	(12,000)
Contract administration services		(63,132)	(54,743)
Employee costs (net of costs recharged to exploration projects)		(149,938)	(109,465)
Exploration expenditure expensed		(1,066,006)	(8,259)
Insurance		(9,697)	(7,904)
Marketing and conference cost		(33,643)	(41,935)
Rent		(32,265)	(16,695)
Share based payments		(5,200)	-
Travel and accommodation		(12,229)	(10,853)
Other expenses from ordinary activities		(46,799)	(39,978)
Loss before income tax expense		(1,237,737)	(19,016)
Income tax expense		-	-
Loss after income tax expense		(1,237,737)	(19,016)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		-	-
Total comprehensive loss attributable to members of Silver City Minerals Limited		(1,237,737)	(19,016)
Earnings per share			
Basic (loss) per share (cents per share)	10	(0.49)	(0.01)
Diluted (loss) per share (cents per share)	10	(0.49)	(0.01)

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 Dec 2018 \$	30 Jun 2018 \$
Current assets			
Cash assets	5	875,318	1,170,664
Receivables		28,528	140,475
Total current assets		903,846	1,311,139
Non-current assets			
Receivables		6,800	1,280
Tenement security deposits	7	150,000	150,000
Property, plant and equipment		6,718	9,850
Deferred exploration and evaluation expenditure	6	5,719,763	6,113,964
Total non-current assets		5,883,281	6,275,094
Total assets		6,787,127	7,586,233
Current liabilities			
Payables		56,430	158,774
Provisions		8,612	9,112
Total current liabilities		65,042	167,886
Non-current liabilities			
Provisions		35,817	33,731
Total non-current liabilities		35,817	33,731
Total liabilities		100,859	201,617
Net assets		6,686,268	7,384,616
Equity			
Contributed equity	8	18,601,356	18,067,440
Accumulated losses		(11,994,550)	(10,761,763)
Reserves	9	79,462	78,939
Total equity		6,686,268	7,384,616

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 2018

Note	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
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	-	100,290	(100,290)	-
Foreign currency translation	-	-	(714)	(714)
At 31 December 2017	16,203,857	(10,825,949)	80,459	5,458,367
At 1 July 2018	18,067,440	(10,761,763)	78,939	7,384,616
Loss for the period	-	(1,237,737)	-	(1,237,737)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	(1,237,737)	-	(1,237,737)
Transactions with owners in their capacity as owners:				
Issue of share capital (net of share issue costs)	533,916	-	-	533,916
Share-based payments	-	-	5,200	5,200
Expired option value transferred to accumulated losses	-	4,950	(4,950)	-
Foreign currency translation	-	-	273	273
At 31 December 2018	18,601,356	(11,994,550)	79,462	6,686,268

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 2018

	Note	31 Dec 2018 \$	31 Dec 2017 \$
Cash flows from operating activities			
Payment to suppliers and employees		(354,723)	(352,399)
JV income		258,453	190,410
R&D tax offset		37,035	120,468
Interest received		5,987	8,342
Net cash flows from/(used in) operating activities		(53,248)	(33,179)
Cash flows from investing activities			
Purchase of motor vehicle and fixed assets		(4,723)	(4,203)
Expenditure on mining interests (exploration)		(757,654)	(775,314)
Tenement security deposits		-	20,000
Rental Deposit		(5,521)	-
Net cash flows (used in) investing activities		(767,898)	(759,517)
Cash flows from financing activities			
Proceeds from issue of equity		570,000	678,645
Equity raising expenses		(44,200)	(58,469)
Net cash flows from financing activities		525,800	620,176
Net increase (decrease) in cash held		(295,346)	(172,520)
Net foreign exchange differences		-	(585)
Add opening cash brought forward		1,170,664	898,701
Closing cash carried forward	5	875,318	725,596

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 2018

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 12 March 2019. 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 2018.

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 2018 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 2018.

Management has reviewed and assessed the new accounting standards effective 1 July 2018 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 2018

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 2018 \$	31 Dec 2017 \$
Interest received	4,988	7,343
R&D tax concession	37,035	120,468
JV income	147,447	180,486
Other	34,602	-
	224,072	308,297

5. Cash and cash equivalents

	31 Dec 2018 \$	30 Jun 2018 \$
Cash at bank	595,168	83,601
Money market securities – bank deposits	280,150	1,087,063
	875,318	1,170,664

6. Deferred exploration and evaluation expenditure

	31 Dec 2018 \$	30 Jun 2018 \$
Costs brought forward	6,113,964	3,892,787
Costs incurred during the period	671,605	2,233,464
Expenditure written off during the period	(1,065,806)	(12,287)
Costs carried forward	5,719,763	6,113,964

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2018

7. Contingent assets and liabilities

The Group has provided guarantees totalling \$150,000 (30 June 2018: \$150,000) 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 2018 \$	30 Jun 2018 \$
Share capital			
293,710,253 fully paid ordinary shares (30 Jun 18: 245,839,883)		19,702,464	19,122,464
Option issue consideration			
18,722,540 (30 June 2018: 18,722,540) unlisted options on issue		313,995	313,995
Share issue costs		(1,415,103)	(1,369,019)
		18,601,356	18,067,440

		Number	\$
Movements in ordinary shares on issue			
At 31 December 2017		196,281,438	17,139,650
Shares issued	(i)	49,070,350	1,962,814
Shares issued	(ii)	250,000	10,000
Shares issued	(iii)	238,095	10,000
At 30 June 2018		245,839,883	19,122,464
Shares issued	(iv)	370,370	10,000
Shares issued	(v)	47,500,000	570,000
At 31 December 2018		293,710,253	19,702,464

- (i) In March 2018, 49,070,350 shares were issued at \$0.04 per share under a share placement.
- (ii) In March 2018, 250,000 shares were issued at \$0.04 per share on exercise of \$0.04 options expiring 24 November 2018.
- (iii) In May 2018, 238,095 shares were issued at \$0.042 per share as approved at the Company's General Meeting on 24 May 2018 in lieu of a creditor payment.
- (iv) In September 2018, 370,370 shares were issued at \$0.027 per share in consideration of a land access agreement.
- (v) In December 2018, 47,500,000 shares were issued at \$0.012 per share under a share placement

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 2018

9. Reserves

Share based payments

Movements in share based payments

At 31 December 2017

Options expired

Options exercised

At 30 June 2018

Options issued

Options expired

At 31 December 2018

	Number	\$
	9,500,000	86,500
		-
(i)	(250,000)	(1,650)
	9,250,000	84,850
(ii)	2,000,000	5,200
(iii)	(750,000)	(4,950)
	10,500,000	85,100

(i) In March 2018, 250,000 options were exercised at value of \$0.04 cents per share.

(ii) In November 2018, 2,000,000 5 cent options were issued at Black-Scholes valuation of \$0.0026 per option.

(iii) In November 2018, 750,000 options expired.

Foreign currency translation reserve

An additional amount of (\$5,638) (30 June 2018: (\$5,911)) is in a Foreign Currency Translation Reserve.

10. Earnings per share

Basic earnings (loss) per share

Diluted earnings (loss) per share

Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS

Earnings (loss) used in calculating basic and diluted EPS

31 Dec 2018	31 Dec 2017
Cents per share	Cents per share
(0.49)	(0.01)
(0.49)	(0.01)
Number	Number
250,329,561	189,327,812
\$	\$
(1,237,537)	(19,016)

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 2018 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 already disclosed in the Report.

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 2018 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

A handwritten signature in black ink, appearing to read 'Josh Puckridge', with a stylized 'JP' monogram above it.

Josh Puckridge
Non-Executive Director

12 March 2019

partners

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

associate

M A Nakkani CA

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Independent Auditor's Review Report

To the members of Silver City Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Silver City Minerals Limited and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, 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 2018 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.

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 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDJ Partners
Chartered Accountants



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Anthony J Dowell
Partner

12 March 2019

partners

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

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M A Nakkan CA

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

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2018 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



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Anthony J Dowell
Partner

11 March 2019

Corporate Directory

Silver City Minerals Limited

ABN 68 130 933 309

Directors

Robert Besley	Non-Executive Chairman (Resigned 28 February 2019)
Christopher Torrey	Managing Director (Resigned 28 February 2019)
Greg Jones	Non-Executive Director (Resigned 28 February 2019)
Josh Puckridge	Non-Executive Director
Darren Wates	Non-Executive Director (Appointed 28 February 2019)
Tom Pickett	Non-Executive Director (Appointed 28 February 2019)

Company Secretary

Ivo Polovineo	(Resigned 28 February 2019)
Sonu Cheema	(Appointed 28 February 2019)

Registered and Administration Office

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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