

SILVER CITY MINERALS LIMITED

ABN 68 130 933 309

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Directors' Report

Your directors submit their report for Silver City Minerals Limited for the half year ended 31 December 2019.

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.

Josh Puckridge Non-Executive Director

Roland Gotthard Non-Executive Director

(Appointed 21 February 2020)

Tom Pickett Non-Executive Director

Darren Wates Non-Executive Director

(Resigned 21 February 2020)

Review and results of operations

Silver City Minerals holds a considerable portfolio of mineral exploration tenure in the highly endowed and highly prospective Broken Hill region of the Curnamona Province, understood to be one of the largest single company holdings in the area. The Company's Projects include Copper Blow, interpreted to be an Iron Oxide Copper Gold (IOCG) deposit, the Razorback West Project and tenure over the Euriowie Block including the Yalcowinna Cu-Co prospect.

To date the Company had drilled approximately 8,500 metres at Copper Blow prospect (see ASX Release 4 October 2018). Drill testing had tested the mineral system over a strike length of 1 kilometre where the mineralisation demonstrates the geological characteristics of an iron oxide copper gold deposit (IOCG), similar to those which form within an arcuate domain on the eastern side of the Gawler Craton in South Australia.

During the half year, the Company engaged BinEx Consulting Pty Ltd to review the Company's projects and determine key priority targets within the Companies extensive portfolio. The Company also continues to receive interest from third parties in relation to the portfolio. The Activities during the half year focused on maintaining the Company tenure in good stead, with substantial work related to validation and verification of historical exploration activities, database validation and significant work addressing statutory compliance and reporting activities with the NSW Department of Natural Resources and Mines. The Company has progressed ongoing monitoring of historical rehabilitation commitments.

Subsequent to the end of the December Quarter, on 2 January 2020, the Company issued 20,000,000 fully paid ordinary shares at an issue price of \$0.01 per fully paid ordinary share to raise \$200,000. The Placement has been conducted pursuant to ASX Listing Rule 7.1 to fund the Company's ongoing exploration activities, business development and general working capital.

On 11 March, the Company announced that it had entered into a binding option agreement with Syndicate Minerals Pty Ltd to acquire its holdings in ELA 5852 Wellington. The Wellington Project is located within and adjacent to the Molong Volcanic Belt, an Ordovician volcanic belt within the Lachlan Fold Belt, with prospectivity for porphyry copper gold mineralisation.

Financial results for the half year

The net loss after income tax expense for the half year to 31 December 2019 amounted to \$293,728 (2018: \$1,237,737).

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 2019 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:

- On 2 January 2020, the Company issued 20,000,000 fully paid ordinary shares at an issue price of \$0.01 per fully paid ordinary share to raise \$200,000.
- On 21 February 2020, the Company announced the appointment of Mr. Roland Gotthard and resignation of Mr. Darren Wates.

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 2020 in accordance with a resolution of the directors.



Non-Executive Director

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2019

| | Note | 31 Dec 2019 \$ | 31 Dec 2018 \$ |
|--|------|-------------------|-------------------|
| Revenue | 4 | 691 | 224,072 |
| ASX and ASIC fees | | (20,019) | (29,000) |
| Audit fees | | (15,000) | (13,900) |
| Contract administration services | | (112,813) | (63,132) |
| Employee costs (net of costs recharged to exploration projects) | | (60,462) | (149,938) |
| Exploration expenditure expensed | | (16,665) | (1,066,006) |
| Insurance | | 6,369 | (9,697) |
| Marketing and conference cost | | (727) | (33,643) |
| Rent | | (14,336) | (32,265) |
| Share based payments | | - | (5,200) |
| Travel and accommodation | | - | (12,229) |
| Other expenses from ordinary activities | | (48,755) | (46,799) |
| Loss before income tax expense | | (293,728) | (1,237,737) |
| Income tax expense | | | |
| Loss after income tax expense | | (293,728) | (1,237,737) |
| 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 | | (293,728) | (1,237,737) |
| Earnings per share | | | |
| Basic (loss) per share (cents per share) | 10 | (0.09) | (0.49) |
| Diluted (loss) per share (cents per share) | 10 | (0.09) | (0.49) |

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

Consolidated Statement of Financial Position

As at 31 December 2019

| | Note | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
|---|------|-------------------|-------------------|
| Current assets | | | |
| Cash assets | 5 | 466,944 | 446,586 |
| Receivables | | 46,336 | 35,189 |
| Total current assets | | 513,280 | 481,775 |
| Non-current assets | | | |
| Receivables | | 1,270 | 6,801 |
| Tenement security deposits | 7 | 160,000 | 160,000 |
| Property, plant and equipment | | 5,288 | 5,288 |
| Deferred exploration and evaluation expenditure | 6 | 5,776,029 | 5,776,029 |
| Total non-current assets | | 5,942,587 | 5,948,118 |
| Total assets | | 6,455,867 | 6,429,893 |
| Current liabilities | | | |
| Payables | | 81,507 | 42,005 |
| Total current liabilities | | 81,507 | 42,005 |
| Total liabilities | | 81,507 | 42,005 |
| Net assets | | 6,374,360 | 6,387,888 |
| Equity | | | |
| Contributed equity | 8 | 18,877,302 | 18,597,102 |
| Accumulated losses | | (12,580,754) | (12,287,206) |
| Reserves | 9 | 77,812 | 77,812 |
| Total equity | | 6,374,360 | 6,387,888 |

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 2019

| Note | Contributed equity \$ | Accumulated losses \$ | Reserves \$ | Total equity \$ |
|--|--------------------------|--------------------------|----------------|--------------------|
| 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 | - | 4950 | (4950) | - |
| Foreign currency translation | - | - | 273 | 273 |
| At 31 December 2018 | 18,601,356 | (11,994,550) | 79,462 | 6,636,268 |
| At 1 July 2019 | 18,597,102 | (12,287,206) | 77,812 | 6,387,888 |
| Loss for the period | - | (293,728) | - | (293,728) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | (293,728) | - | (293,728) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of share capital (net of share issue costs) | 280,200 | - | - | 280,200 |
| Share-based payments | - | - | - | - |
| Expired option value transferred to accumulated losses | - | - | - | - |
| Foreign currency translation | - | - | - | - |
| At 31 December 2019 | 18,877,302 | (12,580,754) | 77,812 | 6,374,360 |

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 2019

| | Note | 31 Dec 2019 \$ | 31 Dec 2018 \$ |
|--|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Payment to suppliers and employees | | (240,880) | (354,723) |
| JV income | | - | 258,453 |
| R&D tax offset | | - | 37,035 |
| Interest received | | 691 | 5,987 |
| Net cash flows from/(used in) operating activities | | (240,189) | (53,248) |
| Cash flows from investing activities | | | |
| Purchase of motor vehicle and fixed assets | | - | (4,723) |
| Expenditure on mining interests (exploration) | | (25,184) | (757,654) |
| Tenement security deposits | | - | - |
| Rental Deposit | | 5,531 | (5,521) |
| Net cash flows (used in) investing activities | | (19,653) | (767,898) |
| Cash flows from financing activities | | | |
| Proceeds from issue of equity | | 300,000 | 570,000 |
| Equity raising expenses | | (19,800) | (44,200) |
| Net cash flows from financing activities | | 280,200 | 525,800 |
| Net increase (decrease) in cash held | | 20,358 | (295,346) |
| Net foreign exchange differences | | - | - |
| Add opening cash brought forward | | 446,586 | 1,170,664 |
| Closing cash carried forward | 5 | 466,944 | 875,318 |

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 2019

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 12 March 2020. 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 2019.

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 2019 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 2019.

Management has reviewed and assessed the new accounting standards effective 1 July 2019 and these have been deemed to be not material to the Group.

Fair value measurement

The carrying amounts of the Group's assets and liabilities are a reasonable approximation of their fair values with the exception of deferred exploration and evaluation expenditure.

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 2019

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 2019 \$ | 31 Dec 2018 \$ |
|--------------------|-------------------|-------------------|
| Interest received | 691 | 4,988 |
| R&D tax concession | - | 37,035 |
| JV income | - | 147,447 |
| Other | - | 34,602 |
| | 691 | 224,072 |

5. Cash and cash equivalents

| | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
|---|-------------------|-------------------|
| Cash at bank | 466,944 | 186,523 |
| Money market securities – bank deposits | - | 260,063 |
| | 466,944 | 446,586 |

6. Deferred exploration and evaluation expenditure

| | 31 Dec 2019 \$ | 30 Jun 2019 \$ |
|---|-------------------|-------------------|
| Costs brought forward | 5,776,029 | 6,113,964 |
| Costs incurred during the period | 16,665 | 769,287 |
| Expenditure written off during the period | (16,665) | (1,107,222) |
| Costs carried forward | 5,796,029 | 5,776,029 |

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2019

7. Contingent assets and liabilities

The Group has provided guarantees totalling \$160,000 (30 June 2019: \$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 2019 \$ | 30 Jun 2019 \$ |
|--|-------------------|-------------------|
| Share capital | 20,002,464 | 19,702,464 |
| 323,710,253 fully paid ordinary shares (30 Jun 19: 293,710,253) | - | |
| Option issue consideration reserve | 313,995 | 313,995 |
| 11,722,540 (30 June 2019: 11,722,540) unlisted options on issue | | |
| Share issue costs | (1,439,157) | (1,419,357) |
| | 18,877,302 | 18,597,102 |

| | Number | \$ |
|---------------------------------------|-------------|------------|
| Movements in ordinary shares on issue | | |
| At 31 December 2018 | 293,710,253 | 19,702,464 |
| At 30 June 2019 | 293,710,253 | 19,702,464 |
| Shares issued (i) | 30,000,000 | 280,200 |
| At 31 December 2019 | 323,710,253 | 19,982,664 |

(i) In October 2019, 30,000,000 shares were issued at \$0.02 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 2019

9. Reserves

Share based payments

Movements in share based payments

At 31 December 2018

Options expired

At 30 June 2019

At 31 December 2019

| Number | \$ |
|------------|---------|
| 10,500,000 | 85,100 |
| - | (1,650) |
| 10,500,000 | 83,450 |
| 10,500,000 | 83,450 |

Foreign currency translation reserve

An additional amount of (\$5,638) (30 June 2019: (\$5,638)) 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 2019 | 31 Dec 2018 |
|-----------------|-----------------|
| Cents per share | Cents per share |
| (0.09) | (0.49) |
| (0/09) | (0.49) |
| Number | Number |
| 302,677,644 | 250,329,561 |
| \$ | \$ |
| (293,728) | (1,237,537) |

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 2019 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:

- On 2 January 2020, the Company issued 20,000,000 fully paid ordinary shares at an issue price of \$0.01 per fully paid ordinary share to raise \$200,000.
- On 21 February 2020, the Company announced the appointment of Mr. Roland Gotthard and resignation of Mr. Darren Wates.
- On 11 March 2020, the Company announced that it had entered into a binding option agreement with Syndicate Minerals Pty Ltd to acquire its holdings in ELA 5852 Wellington. The Wellington Project is located within and adjacent to the Molong Volcanic Belt, an Ordovician volcanic belt within the Lachlan Fold Belt, with prospectivity for porphyry copper gold mineralisation.

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 2019 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 'J. Muirbridge', with a stylized flourish above the first name.

Non-Executive Director

Perth, 12 March 2020

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 2019, 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 2019 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.

Tax

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Financial
Advice

Super

Audit

Loans

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bdj@bdj.com.au

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Level 8, 124
Walker Street
North Sydney
NSW 2060

Postal
PO Box 1664,
North Sydney
NSW 2059

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 2019 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



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Anthony J Dowell
Partner

12 March 2020

Tax

Accounting

Financial
Advice

Super

Audit

Loans



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 2019 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

.....
Anthony J Dowell
Partner

11 March 2020

Tax

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NSW 2059

Corporate Directory

Silver City Minerals Limited

ABN 68 130 933 309

Directors

| | |
|-----------------|--|
| Josh Puckridge | Non-Executive Director |
| Roland Gotthard | Non-Executive Director (Appointed 20 February 2020) |
| Darren Wates | Non-Executive Director (Appointed 28 February 2019, Resigned 20 February 2020) |
| Tom Pickett | Non-Executive Director (Appointed 28 February 2019) |

Company Secretary

Sonu Cheema (Appointed 28 February 2019)

Registered and Administration Office

Level 2, 330 Churchill Avenue Subiaco WA 6008
Telephone: +61 8 6489 1600
Website: www.silvercityminerals.com.au
E-mail: reception@cicerogroup.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

National Australia Bank

Securities Exchange Listing

Listed on Australian Securities Exchange Limited

ASX Code: SCI

Tenement Schedule 31 December 2019

| TenementId | Project | Holder1 |
|------------|----------------|---------|
| EL 7300 | ARAGON | SICM |
| EL 7390 | YELLOWSTONE | SICM |
| EL 8020 | RIDDOCK | SICM |
| EL 8075 | WILLYAMA | SICM |
| EL 8077 | RAZORBACK | SICM |
| EL 8078 | YALCOWINNA | SICM |
| EL 8236 | NATIVE DOG | SICM |
| EL 8333 | ENMORE | SICM |
| EL 8495 | SOUTHERN CROSS | SICM |
| EL 8579 | TINDERY | SICM |
| EL 8685 | ASPEN | SICM |
| EL 8862 | CLEVEDALE | SICM |
| EL 8863 | HIMALAYA | SICM |