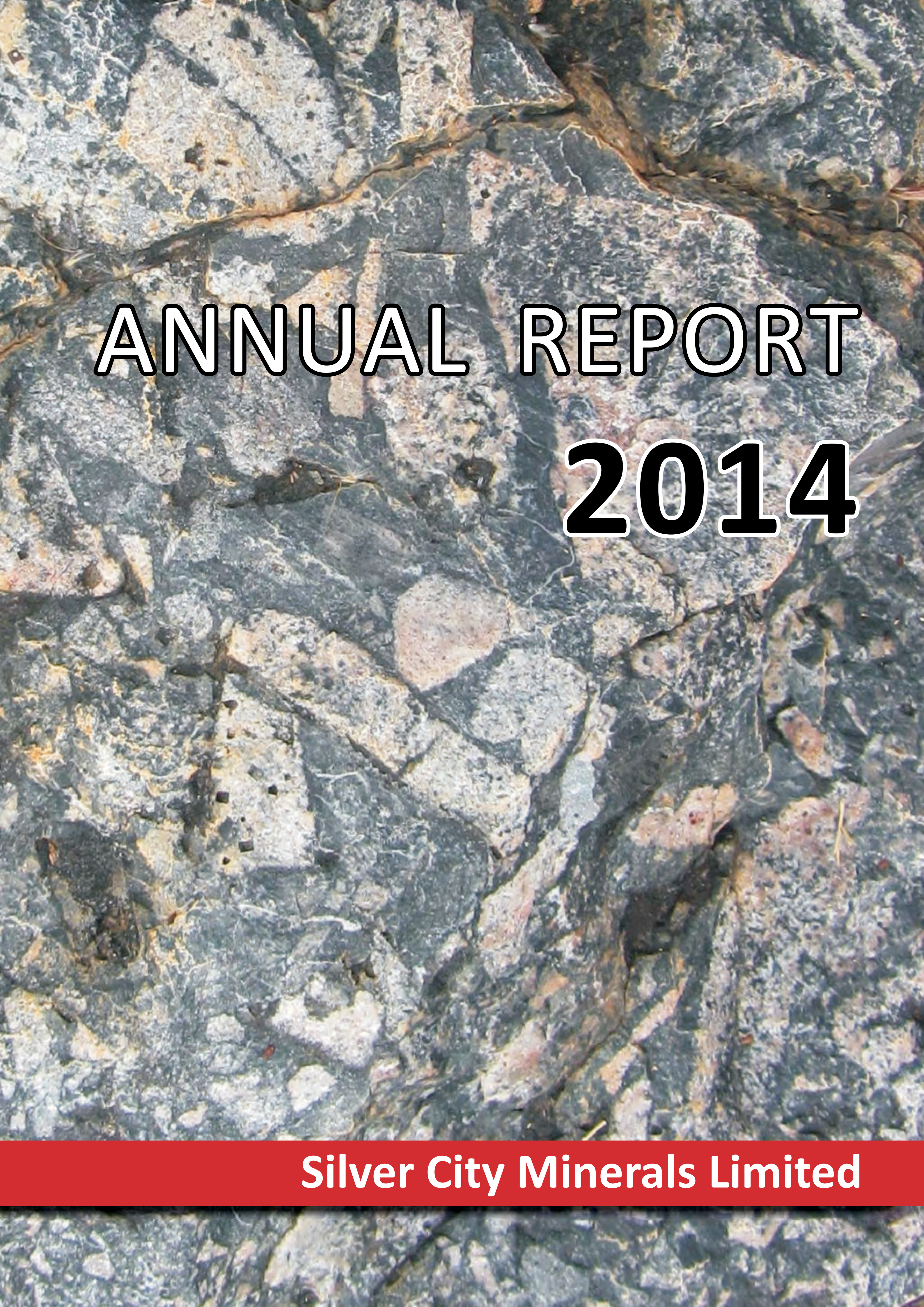
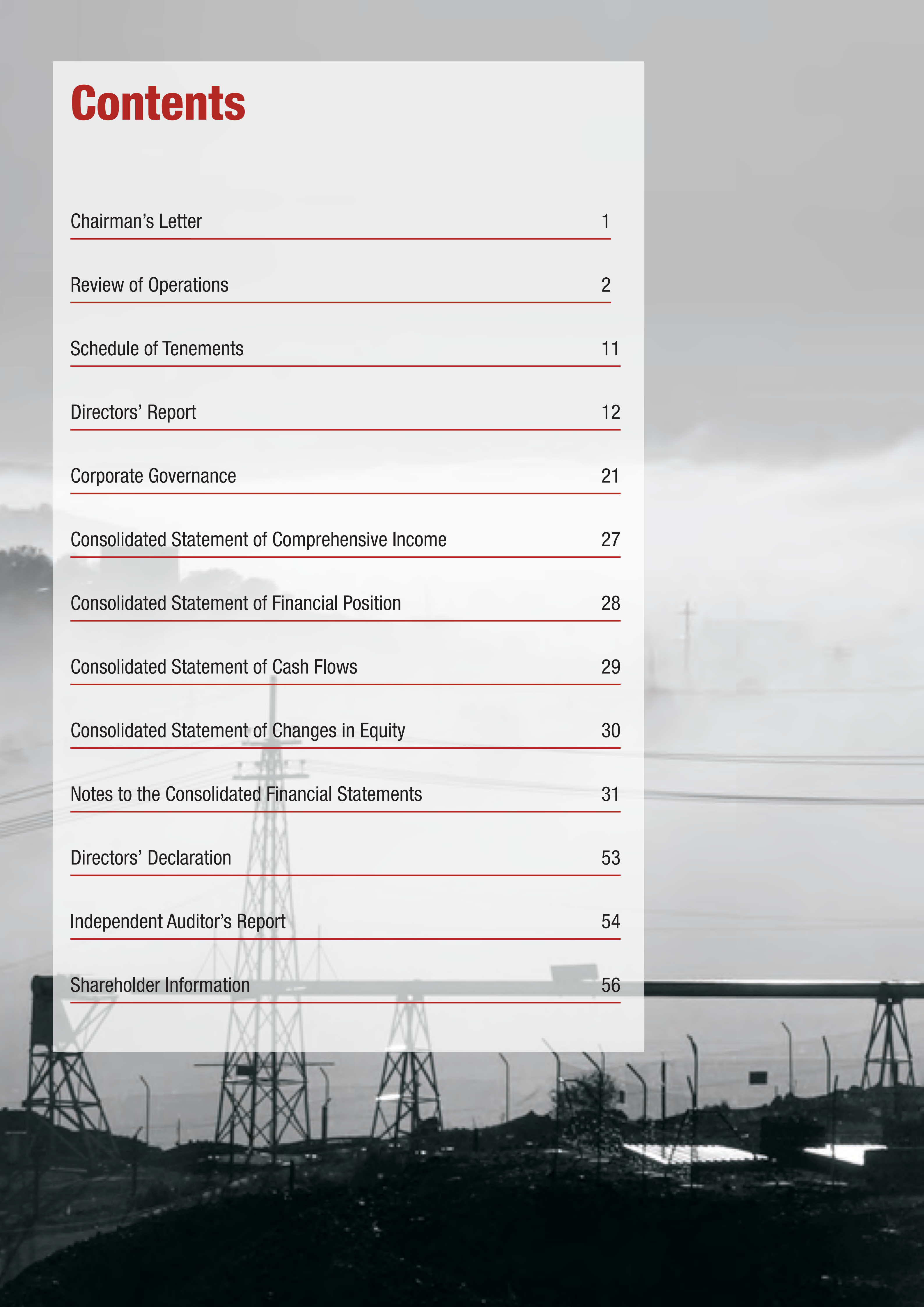


ANNUAL REPORT

2014

Silver City Minerals Limited

Contents



Chairman's Letter

Dear Fellow Shareholders

Despite the past year being one of the most difficult in decades for market interest in the junior exploration and mining sector, Silver City Minerals Limited (SCI) has maintained its active programme of exploration for a new Broken Hill lead-zinc-silver deposit and commenced exploration for a large tonnage intrusion related gold deposit in Northern Queensland. The prolonged downturn in the industry has provided opportunities to acquire high quality targets at a very low entry cost.

This has also led to significantly lower exploration costs, particularly for drilling. The Company has taken advantage of the cycle downturn with the aim of having high value projects in place but maintaining a tight control on expenditure.

There are signs of a cautious recovery in the equity markets which supports the Company's counter cyclic strategy to be positioned with a strong portfolio of targets that have the potential for discovery of large ore systems.

At Broken Hill the Company has continued its systematic search for a large tonnage and high grade Broken Hill type lead-zinc-silver deposit within its extensive tenement holdings that cover over 100 kilometres of strike length of the Broken Hill Group stratigraphy containing some 400 known occurrences of Broken Hill Type (BHT) mineralisation. Several mineralised targets have been tested with three prospects currently identified for detailed evaluation. During the year Silver City conducted an airborne geophysical survey 10 kilometres to the west of Broken Hill that covered a 15 kilometre long section of prospective host rocks with the aim of locating non outcropping massive sulphide conductors. A number of strong responses were recorded and three priority targets are being investigated.

In Queensland, the Company commenced testing the Sellheim intrusive related copper-gold target associated with an eluvial/alluvial goldfield. A deep penetrating Induced Polarisation geophysical survey was conducted that located several strong non outcropping anomalies underlying and to the west of the eluvial goldfield. A first pass drilling programme revealed extensive skarn zones that hosted a number of copper and gold mineralised intersections that are indicative of intrusive related mineralised systems and follow up drilling is planned.

In April the Company raised $1.3 million from a combination of placement to major shareholders and a Shareholder Participation Plan to principally fund the Sellheim drilling.

On behalf of the Board and employees at SCI I would like to thank our shareholders, large and small, for their continued interest and support.

Bob Besley
Chairman

Project activities

This year Silver City Minerals (ASX:SCI) continued exploration of its base metal projects at Broken Hill and its newly acquired Sellheim gold project in North Queensland. In addition, the Company acquired exploration tenure in the North Island of New Zealand that it considers holds potential for high grade gold and silver mineralisation.

Work at Broken Hill focussed on follow-up and evaluation of the drilling at Razorback West, detailed geological mapping of Speedwell and systematic assessment of Versatile Time Domain Electromagnetic (VTEM) anomalies in an area surveyed to the northwest of Broken Hill. The Company has viewed the movements in the price of zinc and the level of stockpiles with interest. It is of the view that the zinc-rich Broken Hill tenements provide investors with considerable upside in the event of a new discovery.

At Sellheim SCI conducted a deep-penetrating induced polarisation (IP) survey in conjunction with geological mapping and geochemical sampling. Targets were tested by drilling in April and May 2014 and returned positive results from skarns, including a key intersection of 11.1 metres at 0.66 g/t gold and 0.28% copper.

SCI spent just under $2 million on in-ground exploration during the year with $0.7 million on Broken Hill, $1.2 million on Sellheim and $0.1 million on new evaluations including the New Zealand acquisition. From this total approximately $0.65 million was on drilling; just over 30% of its exploration budget. Early in 2014 the Company successfully raised approximately $1.3 million specifically to conduct drilling at Sellheim and for working capital.

Broken Hill, New South Wales

Razorback West (EL 8077; Razorback)

The 100%-owned Razorback exploration licence hosts a large coincident geophysical and geochemical anomaly approximately 5 kilometres by 1 kilometre in size. The anomaly known as Razorback West is located in rocks of the favourable Broken Hill Group and could be the northern extension of the famous Broken Hill “line of lode”, offset to the west by a major fault. This zone has the potential to host a very large lead-zinc-silver deposit similar to orebodies at Broken Hill, warranting further exploration activities (Figure 1). It is largely covered by alluvium and soil with little outcrop.

Drilling was completed on the project at the end of the last financial year. Work this year has included reviews by geophysical and geological consultants. Recommendations for follow-up work include airborne electromagnetic (EM) surveys, downhole magnetometric resistivity (DHMMR) surveys of existing SCI drill holes and detailed geological evaluation of the stratigraphic and structural setting with the view to understanding where the most favourable rocks lie within the anomalous zone. Geological evaluation has commenced.

Speedwell (EL 7300; Aragon)

This project area has been investigated by shallow auger drilling and limited rock chip sampling. It comprises a broad open valley with minor small topographic rises where outcrops and rock debris (float) occur. There is an historic mine shaft where selected dump material has returned high grade mineralisation (12.5% lead, 3.6% zinc and 65.9 g/t silver; June Quarterly Report 2013). SCI was attracted to the area by historic RAB geochemistry and IP survey responses. Lead, zinc and silver were anomalous as was IP chargeability, suggestive of sulphide mineralisation.

This year detailed geological mapping was completed in conjunction with further rock sampling. This has shown that the rock sequence is rich in amphibolite and quartz-gahnite (a zinc aluminium oxide mineral). The quartz-gahnite rocks are locally gossanous indicative of significant sulphide content. Despite poor outcrop, new geological mapping and geochemical sampling have shown a major fold closure in the northern part of the project area. With respect to potential for BHT mineralisation this is encouraging because base-metal and silver mineralisation is commonly transposed into the noses of folds or parasitic fold structures.

In order to outline the extent of gossanous quartz-gahnite rocks and more accurately define the fold structure the Company proposes more RAB drilling and continued geological mapping.

Balaclava (EL 8076)

This project is located to the south of the Broken Hill Line of Lode and like Razorback West in the north, has the potential to host the southern extension of the Broken Hill mineralised corridor. There has been wide-spaced (approximately 200 metres centres) drill testing by holes in the range of 300 to 500 metres deep, with some encouraging intersections within a tight fold structure. In contrast there has been very little shallow (up-dip or up-plunge) exploration of these poorly exposed target rocks and historic intersections. The promising hinge area (including the Balaclava Silver Mine) is essentially untested in any detail. SCI plans a rotary air blast (RAB) drilling program as an initial test of these shallow targets.

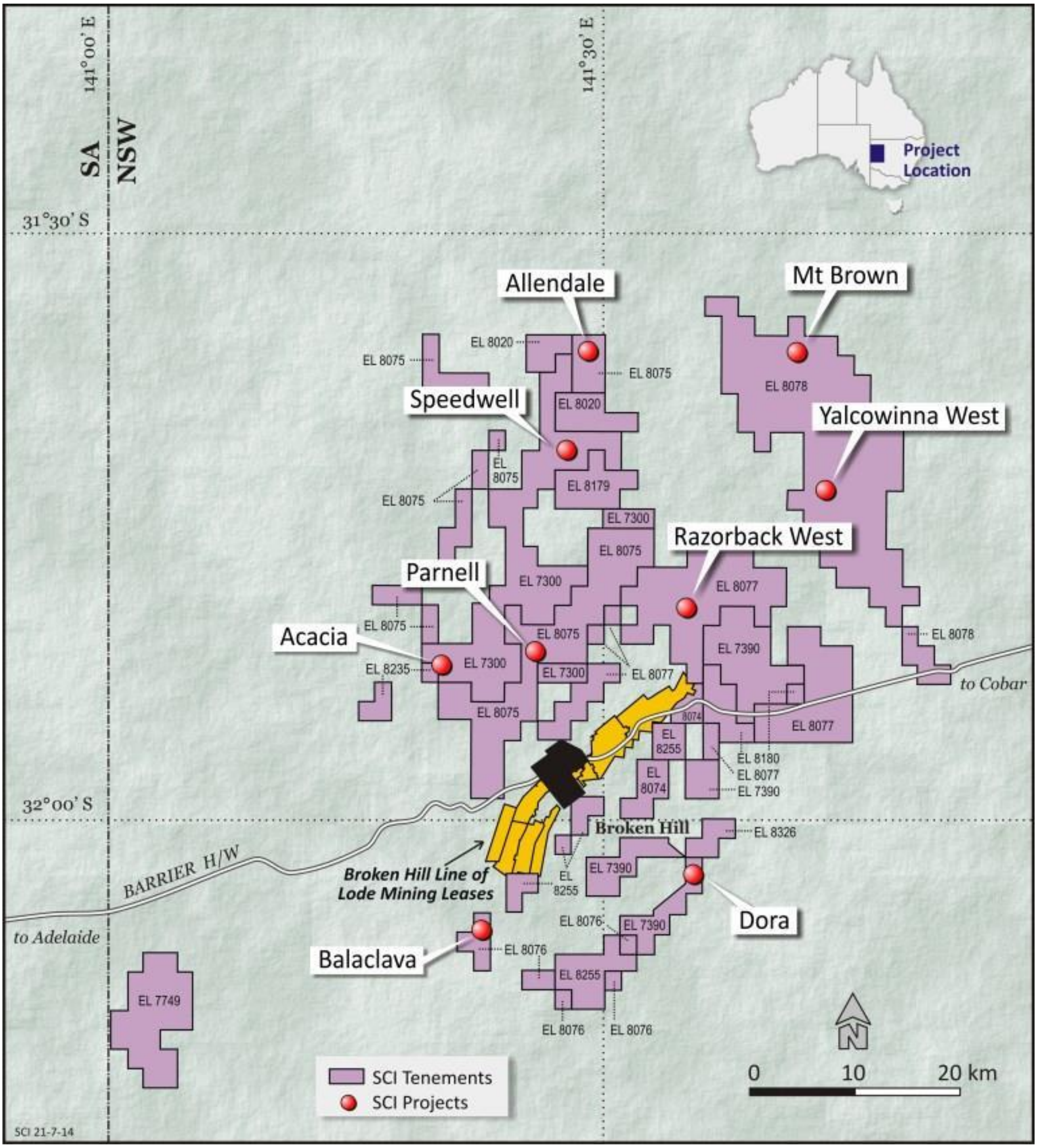


Figure 1. Silver City Minerals tenements and projects

VTEM Anomalies (EL's 7300; Aragon, 8075; Willyama, 8235; Acacia)

SCI undertook a helicopter-borne VTEM survey for a total of approximately 650 line kilometres at 200 metre line spacings over an area of prospective rocks located 10 kilometres northwest of Broken Hill. The survey was designed to look for conductive massive sulphide deposits. Twenty nine anomalies were identified as strong conductors. A number of these occur in clusters and indicate continuity between survey lines (Figure 2). Three priority targets have been chosen for further work.

Acacia Vale Flats

VTEM responses under shallow alluvial cover model as large, potentially sulphide-bearing bodies within an area of generally poorly defined rock units. RAB drilling is planned in order to define any geochemical anomalies beneath cover.

Acacia Vale Ridge

This group of responses may be related to the Acacia Vale Flats group located some 700m to the west. They occur to within 70m of quartz-gahnite bearing rock that is often associated with Broken Hill type silver-lead-zinc mineralisation. Initial exploration will involve soil sampling.

Parnell

Two anomalous responses occur near recent SCI drill holes within an area extending under soil and alluvial cover. It is an area already considered prospective by SCI. Ground EM surveys will are proposed to define targets more accurately beneath cover.

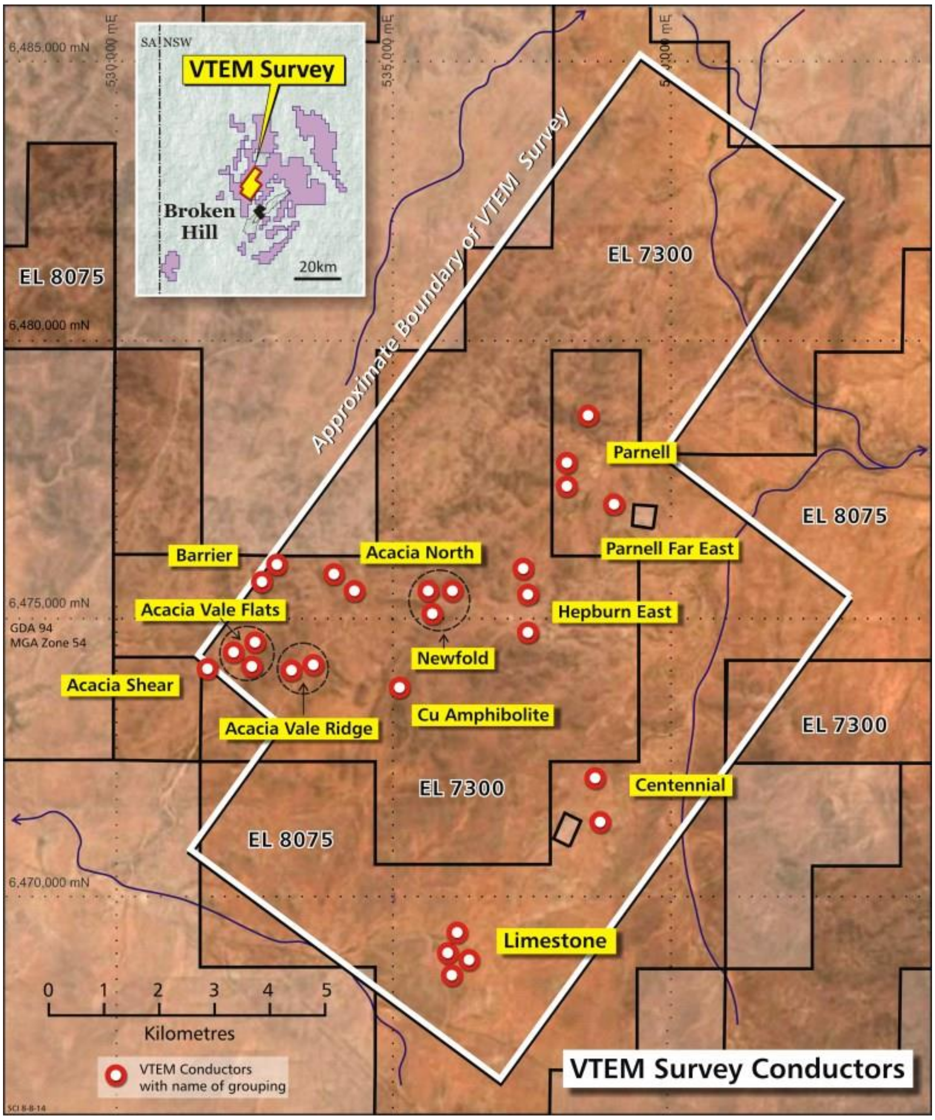


Figure 2. VTEM survey and anomalies

Sellheim, Queensland

The project is located approximately 145 kilometres southeast of Charters Towers, North Queensland (Figure 3). This year SCI completed an exploration program which included geological mapping, rock chip sampling, induced polarisation (IP) geophysics and drilling.

SCI's initial drill program comprised seven holes of combined diamond core and reverse circulation (RC) drilling for a total of 2,268.4 metres (ASX Releases 13 May and 19th June 2014).

It was designed to test a number of IP anomalies underlying an eluvial goldfield in an area where numerous rock chip samples had returned anomalous gold, silver, copper, bismuth and molybdenum (Figure 4). Narrow gold-bearing veins, thought to be the source of gold within the eluvial field, were not specifically targeted in this program. The source of these veins and the target of exploration are considered to be sulphide-bearing intrusions at depth.

Results

Drilling returned a number of intersections of gold, copper and silver mineralisation within holes 14SH001, 002 and 004 (Figure 4). Anomalous gold intervals in the order of 0.1 to 0.7 g/t over intervals of 0.5 to 18 metres occur and are predominantly hosted in skarn alteration and quartz-sulphide veins. The best intersection of 11.1 metres at 0.66 g/t gold and 0.28% copper from 496.9 metres in hole 14SH004 is hosted in magnetite-quartz skarn close to a major fault and breccia complex. To date this complex has not been drill-tested (Figure 5).

Holes 14SH001 to 006 have penetrated a sequence of south and south-east dipping sedimentary rocks including siltstone, sandstone and fossiliferous marl. These were intruded by numerous igneous diorites, monzonite porphyries and micrograntes as dykes and sills. Fluids derived from these or the adjacent tonalite have produced skarn by metasomatic mineral replacement (alteration) of calcareous sediments especially the fossiliferous marl. These, and quartz-sulphide veins within intrusions host gold and copper mineralisation.

Geological Understanding and Future Exploration

Drilling has intersected predominantly sedimentary rocks altered to skarn within the IP anomalies. The variation in skarn mineralogy between the holes indicates that the mineralising system is best developed in the area of 14SH004 where the most significant gold and copper grades have been intersected.

Recent geological mapping has shown that a copper-bearing granodiorite intrusion 100 to 200 metres wide is located on the eastern margin of the tonalite intrusion near Mount Richardson. It lies to the north and along strike from a fault/breccia complex mapped at surface. The complex consists of silicification and phyllic alteration with gossanous quartz-sericite rocks and tourmaline breccias. Geological interpretation suggests sediments lie to the east of the complex and the copper-bearing granodiorite lies to the west, or beneath it. Mineralising fluids are interpreted as emanating from the granodiorite. The breccia or rocks beneath it, display elevated magnetic susceptibilities suggestive of more extensive magnetite-bearing skarn at depth. The breccia may have acted as a conduit for fluids moving away from the intrusions and is considered to be highly prospective for gold-copper mineralisation.

A second program of drilling (approximately 1000 metres) is scheduled to commence in October 2014 and will focus on this breccia complex.

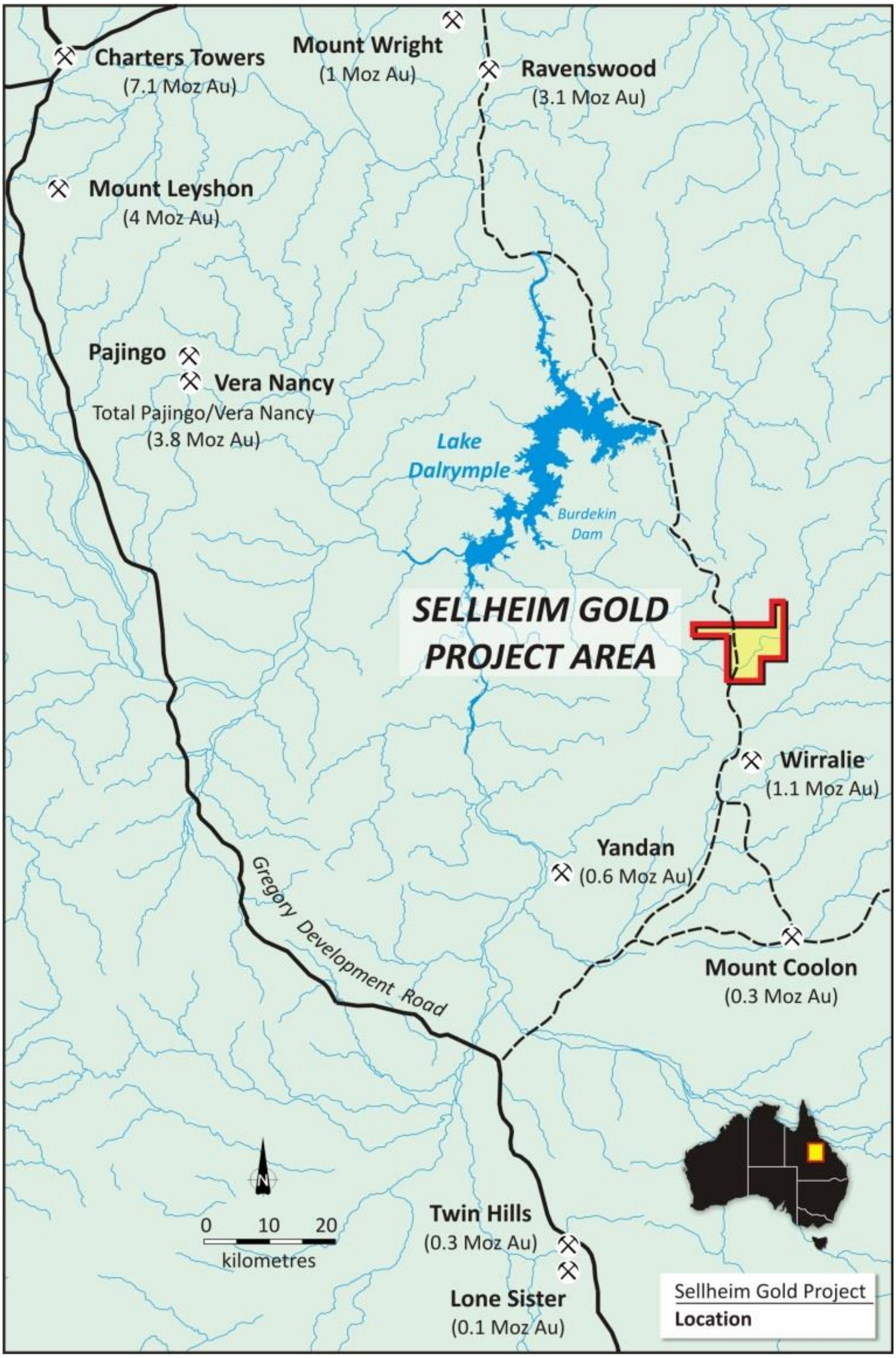


Figure 3. Sellheim project location

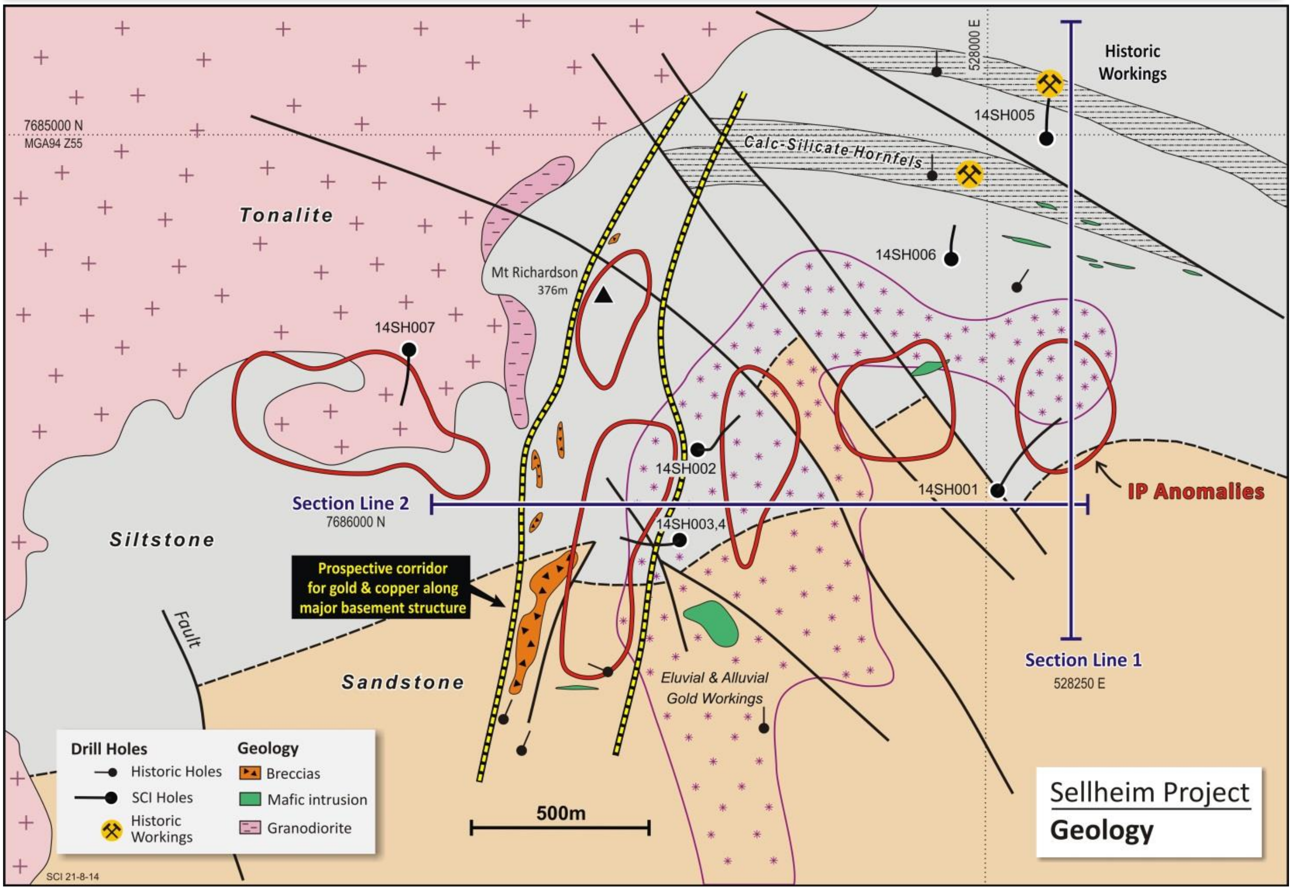


Figure 4. Local geology showing relationship of IP anomalies (modelled at 200 metres below surface) to the eluvial/alluvial goldfield and drill holes. Major structural corridor considered to be favourable for gold-copper mineralisation is shown.

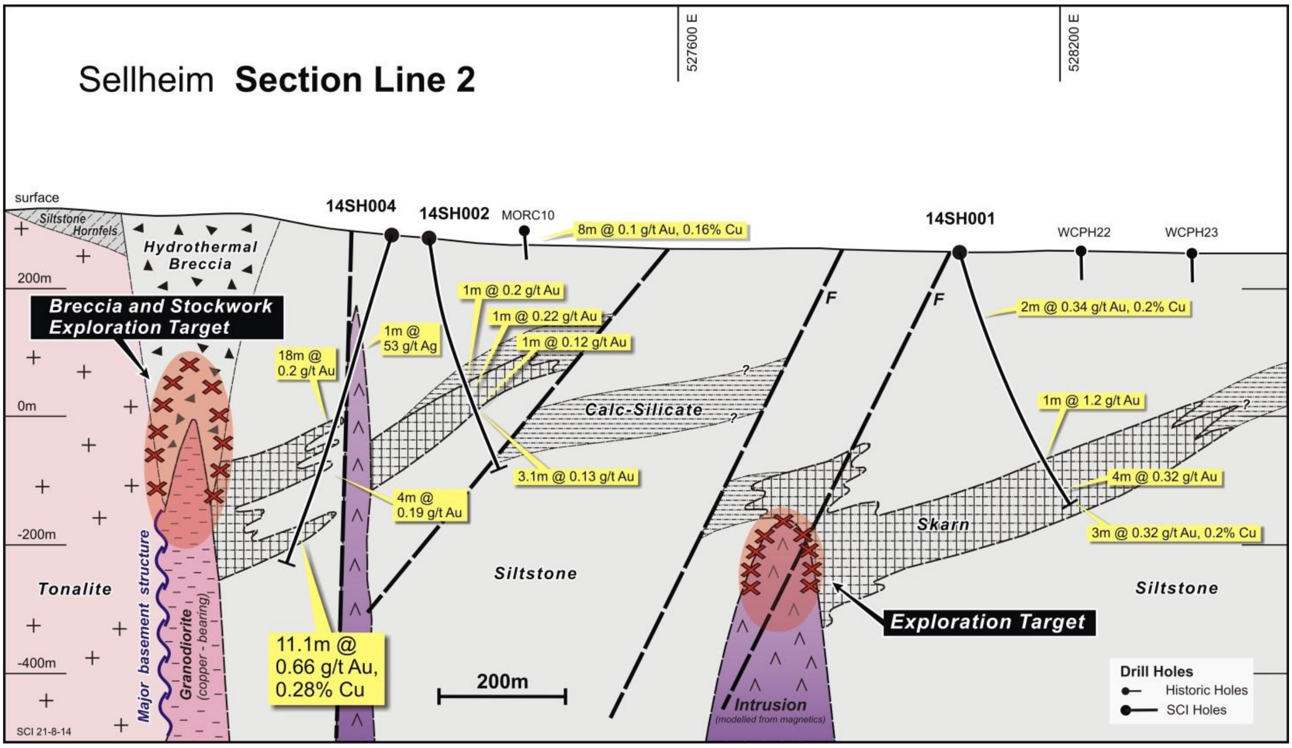


Figure 5. Interpretive cross-section showing holes 14SH001, 002 and 004. Best gold and copper mineralisation occurs close to the contact between intrusions in the west and sediments to the east. This contact zone is marked by the presence of a breccia complex which hosts quartz-tourmaline and quartz-sericite-gossan breccias. A copper-bearing granodiorite recently identified to the north of the breccia complex is interpreted to also underlie it.

Review of Operations

Taupo, New Zealand

In an ASX release on 9 May 2014 the Company indicated that it had been granted two tenements in the North Island of New Zealand approximately 35 kilometres east of Rotorua in the Taupo volcanic zone (Figure 6). The tenure covers an area of 94 square kilometres and was applied for by SCI on the basis of historic exploration data and records that indicated gold mining had taken place in the area in the 1920s. Intermittent modern exploration programs have been conducted since the early 1980s but have failed to locate the historic mining activities within the dense exotic pine forest and widespread recent volcanic ash cover. All programs have however located anomalous gold in stream sediments and a soil program has returned pathfinder geochemical anomalies (mercury) over the area

Exploration will be focussed on a circular (in plan) dacite volcanic plug approximately 2.5 kilometres in diameter. The Company considers this project to be an example of an extinct geothermal system with the potential to host high grade epithermal gold deposits at depth, similar to those encountered at the famous 11 million ounce Hauraki Goldfield to the north.

In the first instance SCI plans to fly a very high resolution Light Detection and Ranging (LiDAR) survey to give high quality ground control for its field teams for topographic and geological mapping purposes. This will be followed by low cost geological mapping, systematic rock, stream sediment and soil sampling, and mineralogical studies. Mineralogical changes due to temperature and pH are a commonly used scientific vectoring method in epithermal gold exploration. If these programs are successful the Company plans a systematic aircore drilling program to sample beneath young ash cover in conjunction with airborne magnetic and radiometric surveys.

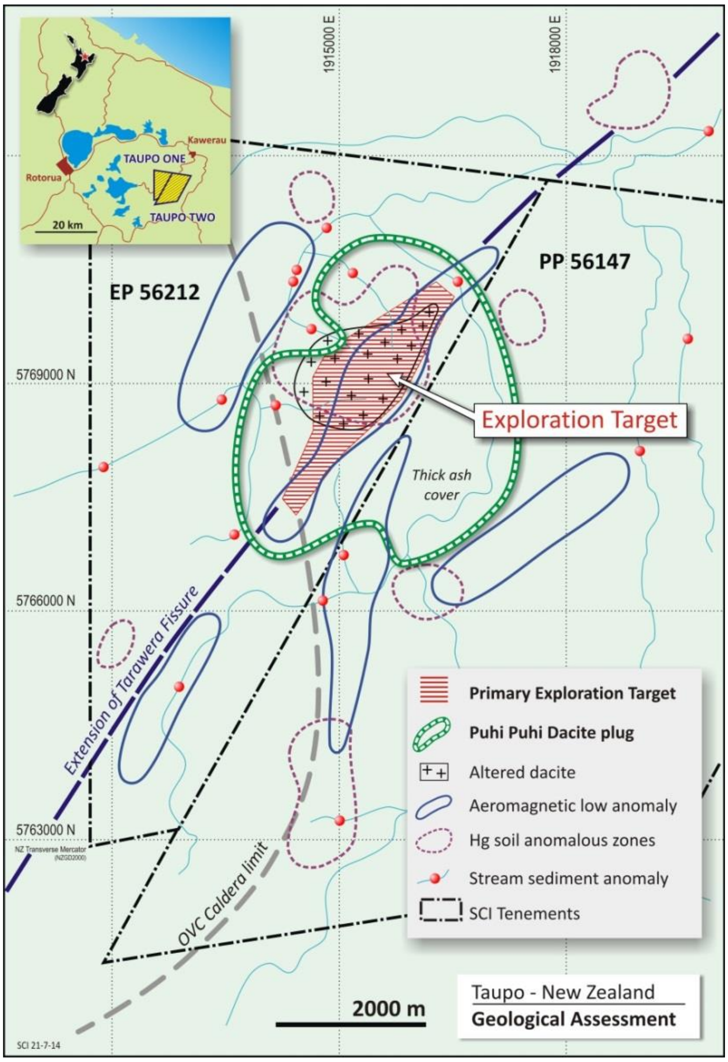


Figure 6. Geological components of initial SCI assessment show an area of gold-anomalous stream sediment samples, anomalous mercury in soils, the intersection of the Okataina Volcanic Centre (OVC) caldera margin with the northestern extension of the Tarawera Fissure and strong alteration focussed on the Puhi Puhi Dacite plug. Initial work will focus on the dacite plug which is approximately 2.5 kilometres in diameter.

Drilling at Sellheim, Queensland

Agreements Broken Hill

CBH Resources joint venture

Approximately 50% of the exploration tenements held by SCI at Broken Hill are part of this joint venture where SCI is the manager. All of these tenements are subject to a metals offtake arrangement whereby CBH has rights to all lead and zinc concentrates from the tenements under normal international benchmark terms.

This year SCI, CBH Resources (through its wholly owned subsidiaries Broken Hill Operations Pty Ltd (BHO) and Triako Resources Pty Ltd), Platsearch NL (PL) and Eaglehawk Geological Consulting Services Pty Ltd (EGC) completed a “Deed of Variation” to the existing farm-in and joint venture arrangement. The variation has clarified and added tenure to the original agreement. In essence it now defines three joint ventures depending on the tenements and their original ownership. These are:

- Willyama-Native Dog JV (ELs 8075 and 8326).
  SCI has earned 75% interest in the tenements and BHO holds 25% and is free carried to the commencement of a Definitive Feasibility Study. An NSR royalty of 2.5% is held jointly by PL and EGC.
- Aragon JV (EL 7300).
  SCI owns 85% and BHO 15% of the tenement. The BHO 15% is free carried to the commencement of a Definitive Feasibility Study. An NSR royalty of 0.5% is held by EGC.
- Rildar-Lynor JV (ELs 8074 and 8076).
  SCI owns 75% and BHO 25%. Both parties contribute to exploration in accordance with their equity. No royalties are applicable.

Golden Cross Resources joint venture

In this agreement Silver City can earn 51% interest in base metals, silver and gold resources by spending a total of $600,000 on EL 7390 at Broken Hill before 8 October 2015. It may then earn up to 80% by spending another $400,000 in an additional 2 years. To June 30 2014 SCI had spent approximately $400,000 on the licence.

Agreements Queensland

Nedex joint venture (Sellheim)

General terms of the Agreement with respect to EPMs 17573, 15778 and 13499 and MLs 10270, 10269 and 10238 are as follows:

- SCI can earn 51% by spending $1 million on exploration over the a two year period from the Effective Date, making payments of $100,000 per year at the end of each year and the issue of 1 million SCI fully paid shares at the end of the two year period.
- SCI can earn up to 80% by spending an additional $2 million over a further 2 years, making payments of $100,000 per year at the end of each year and the issue of 2 million SCI fully paid shares at the end of the second two year period.
- SCI was committed to spend a minimum of $200,000 on exploration before it could withdraw from the project.
- There is a royalty of 1.5% net smelter return royalty (NSR) on the mining leases and 0.75% on the exploration licences to a third party.

The Effective Date was dependent on a number of condition precedents being met including the transfer of title from the original vendor to Nedex. Due to delays in the title transfer, the Effective Date was 5 May 2014. In-ground expenditure to June 30 2014 was approximately $1.5 million including an allowable 15% management fee. The first $100,000 payment is not due until May 2015.

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 18 September 2014

Tenement	Tenement no.	SCI interest	Joint venture details
New South Wales			
Acacia	EL 8235	100%	
Aragon	EL 7300	85%	CBH 15%
Coombarra	EL 8255	100%	
Durin	EL 8180	100%	
Enmore	ELA 5076	100%	
Goblin	EL 7749	100%	
Lewis	EL 8179	100%	
Lynor	EL 8076	75%	CBH 25%
Native Dog	EL 8236	75%	CBH 25%, Note 1
Razorback	EL 8077	100%	Note 2
Riddock	EL 8020	100%	
Rildar	EL 8074	75%	CBH 25%
Willyama	EL 8075	75%	CBH 25%, Notes 1 and 4
Yalcowinna	EL 8078	100%	Eaglehawk 8% in area of EL 7319 only, Notes 1 and 3
Yellowstone	EL 7390	0%	Golden Cross Operations Limited 100%, SCI earning 80%
Queensland			
Mt Richardson	EPM 13499	0%	SCI can earn 80%, Nedex 100%
Mt Tindale	EPM 15778	0%	SCI can earn 80%, Nedex 100%
Douglas	EPM 117573	0%	SCI can earn 80%, Nedex 100%
Sellheim	MLs 10238, 10269, 10270	0%	SCI can earn 80%, Nedex 100%
Salopia	EPM 25704	100%	
New Zealand			
Taupo One	MEP 56212	100%	
Taupo Two	MPP 56147	100%	

EL =	Exploration Licence	ELA =	Exploration Licence Application
EPM =	Exploration Permit for Minerals	ML+	Mining Lease
MEP	Mineral Exploration Permit	MPP	Mineral Prospecting Permit

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

The following ELs were consolidated in order to better manage a number of smaller contiguous licences.

Note 2 Razorback EL 8077 consolidates the following three ELs:
EL 7203 (Iron Bar), EL 7813 (Windy Hill) and EL 7902 (Donart).

Note 3 Yalcowinna EL 8078 consolidates the following two ELs:
EL 7814 (Bitterkeep) and EL 7319 (Euriowie). Eaglehawk has an 8% interest in the 78 units of this licence that are currently EL 7319.

Note 4 Willyama EL 8075 consolidates the following six ELs:
EL 5646 (Mt Robe), EL 5764 (Yanco Glen), EL 6002 (Eldee Creek), EL 6132 (Stephens-Centennial), EL 6147 (Big Aller), EL 6475 (Apollyon Valley).

Directors' Report

Your directors submit their report for the year ended 30 June 2014.

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, now KBL Mining Limited, and is currently a non-executive director. He is a Director of the non listed company Murray Zircon that operates the Mindarie zircon mine in South Australia. Bob has served on a number of Government and Industry advisory boards.

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

- KBL Mining Limited - appointed 29 February 2008
- Queensland Mining Limited- appointed 29 February 2012, resigned June 2013.

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

Managing Director

Director since 23 August 2010

Chris is a geologist with over 30 years international exploration experience. He has worked for large mining companies, notable Noranda and Cyprus Amax where he held 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 also served as a director of the following other listed companies:

- Golden Cross Resources Limited - appointed 1 July 2003, resigned 1 March 2012

Gregory Jones, BSc (Hons), MAusIMM

Non-Executive Director

Director since 30 April 2009

Greg is a geologist with 33 years of exploration and operational experience gained in a broad range of metalliferous commodities both within Australia and overseas. Greg has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold and 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.

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 companies (Hancock Prospecting companies [Roy Hill Holdings, Hope Downs, Queensland Coal Investments] and TNT Mines Ltd). He represents Hancock Prospecting on the Lakes Oil NL Board (ASX: LKO) and Sun Resources NL (ASX: SUR). 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

Ian Hume

Non-Executive Director

Director since 29 July 2011

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.

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

- Marengo Mining Ltd – appointed 4 October 2012, resigned April 2014
- Iron Road Ltd – appointed 5 March 2009
- African Energy Resources – appointed September 2013

Yanina Barila, BAcc, MFin

Alternate Director to Ian Hume

Director since 29 July 2011

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.

During the past three years Yanina has also served as an alternative director / director of the following other listed companies:

- Senex Energy Limited – appointed March 2011
- Darwin Resources Corp. – appointed May 2013, resigned July 2014
- Tinka Resources Limited – appointed August 2014

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	1,129,269	-
C Torrey	351,267	2,000,000
G Jones	-	-
I Plimer	1,221,267	-
I Hume	290,845	-

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, KBL Mining Limited, and is a Director of ASX listed Eastern Iron 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 $526,022 (2013: $860,677).

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.

Pursuant to the Company's IPO in July 2011, the cash and assets readily convertible to cash at the time of admission on the ASX have been utilised during the year in a manner consistent with the company's stated business objectives.

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 2014 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.

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
29,167,263	Ordinary	$0.25	19 December 2014
3,000,000	Ordinary	$0.25	7 March 2015
1,000,000	Ordinary	$0.15	23 August 2015
1,000,000	Ordinary	$0.08	27 September 2016
1,500,000	Ordinary	$0.10	12 August 2017
35,667,263			

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.

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 Trade and Investment – Resources and Energy, Queensland Department of Natural Resources and Mines 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.

Auditor's independence and non-audit services

bdjpartners
incorporating Boulter Partners
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

manly office
Level 5, 22 Central Ave
Manly National Building
Manly NSW 2095

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

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 2014, 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

BDJ Partners

Chartered Accountants

....
Gregory W Cliffe
Partner
22 September 2014

Non-audit services

The Company's auditor, BDJ Partners did not provide non-audit services to the Company during the period ended 30 June 2014 (2013: 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 2014 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
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.

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.

Until the Company's listing on ASX in July 2011 Directors have been paid options in lieu of fees. Following listing on ASX in July 2011, the Directors have resolved that the Chairman's annual fee be $50,000 p.a. and that Non-Executive Director fees be $40,000 p.a. At present, no Committee fees are paid to Directors.

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: 12 months to 31 October 2014 renewable by mutual agreement of both parties. Either party may terminate the agreement with 30 days' notice.
- Fee rate: $200 per hour
- 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: $280,642 p.a. as at 30 June 2014 (2013: $280,000).
- Termination payments: Any applicable payments on Redundancy in accordance with the Act.

Non-Executive Director – Greg Jones

- Contract term: Rolling 12 month contract with PlatSearch NL (12.5% shareholder of Silver City) of which Greg is an employee. No notice is required from either party to terminate the agreement.
- Remuneration: $163 (2013: $163) per hour plus GST for consultancy services as at 30 June 2014. 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 2014 (2013: $1,350 per day).
- Termination payments: Nil

Director and key management personnel remuneration for the year ended 30 June 2014

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees $	Consulting $	Superannuation $	Options $	Total $	Consisting of options %
Directors						
B Besley	45,872	17,000	4,243	-	67,115	-
C Torrey	256,881	-	23,761	26,220	306,862	8.5%
G Jones	36,697	-	3,394	-	40,091	-
I Plimer	36,697	-	3,394	-	40,091	-
I Hume	36,697	-	3,394	-	40,091	-
Total Directors	412,844	17,000	38,186	26,220	494,250	
Other key management personnel						
I Polovineo	-	32,400	-	-	32,400	-
Total KMP	-	32,400	-	-	32,400	
Totals	412,844	49,400	38,186	26,220	526,650	

No performance based remuneration was paid in the 2014 and 2013 financial period.

Director and key management personnel remuneration for the year ended 30 June 2013

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees $	Consulting $	Superannuation $	Options $	Total $	Consisting of options %
Directors						
B Besley	45,872	-	4,128	-	50,000	-
C Torrey	256,881	-	23,119	29,900	309,900	10%
G Jones	36,697	-	3,303	-	40,000	-
I Plimer	36,697	-	3,303	-	40,000	-
I Hume	36,697	-	3,303	-	40,000	-
Total Directors	412,844	-	37,156	29,900	479,900	
Other key management personnel						
I Polovineo	-	32,100	-	-	32,100	-
Total KMP	-	32,100	-	-	32,100	
Totals	412,844	32,100	37,156	29,900	512,000	

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 2014 there have been 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.

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 at the date of lapse $
Directors								
C Torrey	21 Nov 13	1,000,000	1,000,000	100%	26,220	-	-	-
Other key management personnel								
-	-	-	-	-	-	-	-	-

* Options that have been granted in prior year but have vested in this financial year are included in this amount.

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:

	Board of directors		Audit committee		Remuneration committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
B Besley	5	5	2	2	1	1
C Torrey	5	5	-	-	-	-
G Jones	5	5	2	1	1	1
I Plimer	5	5	2	2	1	1
I Hume	5	5	-	-	-	-

Signed at Sydney this 30th day of September 2014 in accordance with a resolution of the Directors.

Chris Torrey
Managing Director

Corporate Governance

The Board has adopted a corporate framework for the Company which is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) ("the Recommendations") applicable to ASX-listed entities.

This Section addresses each of the Corporate Governance Principles and, where the Company has not followed a Recommendation, this is identified with the reasons for not following the Recommendation.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – Functions reserved to the board and delegated to senior executives

The Company has established functions reserved to the Board and functions delegated to senior executives.

The functions reserved to the Board include:

(1) Oversight of the Company, including its control and accountability systems;

(2) Appointing and removing the Managing Director (MD) (or equivalent), including approving remuneration of the MD and the remuneration policy and succession plans for the MD;

(3) Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Secretary;

(4) Input into the final approval of management's development of corporate strategy and performance objectives;

(5) Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

(6) Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;

(7) Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;

(8) Approving and monitoring financial and other reporting;

(9) Appointment and composition of committees of the Board;

(10) On recommendation of the Audit Committee, appointment of external auditors; and

(11) On recommendation of the Nomination and Remuneration Committee, initiating Board and director evaluation.

The functions delegated to senior executives include:

(1) Implementing the Company's vision, values and business plan;

(2) Managing the business to agreed capital and operating expenditure budgets;

(3) Identifying and exploring opportunities to build and sustain the business;

(4) Allocating resources to achieve the desired business outcomes;

(5) Sharing knowledge and experience to enhance success;

(6) Facilitating and monitoring the potential and career development of the Company's people resources;

(7) Identifying and mitigating areas of risk within the business;

(8) Managing effectively the internal and external stakeholder relationships and engagement strategies;

(9) Sharing information and making decisions across functional areas;

(10) Determining the senior executives' position on strategic and operational issues; and

(11) Determining the senior executives' position on matters that will be referred to the Board.

Recommendation 1.2 – Performance evaluation of senior executives

The Board conducts a review of the performance of the Managing Director and executives to ensure they execute the Company's strategy through the efficient and effective implementation of the business objectives. The Managing Director and executives are assessed against the performance of the Company and individual performance.

Recommendation 1.3 – Performance evaluation of senior executives during the financial year

During the financial year ended 30 June 2014, given the company's current stage of development, an informal process of performance evaluation of the Managing Director and senior executives was carried out.

Principle 2: Structure the board to add value

Recommendation 2.1 – A majority of the board should be independent directors

Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

The Board has determined that only two of its four non-executive directors are independent as defined under Recommendation 2.1. The Company is therefore at variance with Recommendation 2.1 in that a majority of directors are not independent. Mr Jones is a director of Variscan and Mr Hume is a director of Sentient. Both Variscan and Sentient are substantial shareholders of the Company and accordingly Mr Jones and Mr Hume are not considered by the Board to be independent directors as defined in Recommendation 2.1.

Mr Torrey is the Managing Director and Chief Executive Officer of the Company. As the Chief Executive Officer of the Company, Mr Torrey is not an independent Director of the Company in accordance with the definition above.

Accordingly the directors considered by the Board to be independent are Messrs Besley and Plimer.

The Board has nevertheless determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise and that can understand and competently deal with current and emerging business issues.

Each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgment to bear on Board decisions.

Recommendation 2.2 – The chair should be an independent director

The Company's chairman, Mr Besley, is an independent director as defined under Recommendation 2.1.

Recommendation 2.3 – The roles of chair and managing director should be separated

The roles of the Chairman and the Managing Director are not exercised by the same individual. The Board charter summarises the roles and responsibilities of the Chairman, Mr Besley and the Chief Executive Officer, Mr Torrey.

Recommendation 2.4 – Nomination committee

The Board has established a Nomination and Remuneration Committee. A copy of the charter of the Nomination and Remuneration Committee is available on the Company's website.

Recommendation 2.5 – Process for evaluating the performance of the board

In accordance with the charter of the Nomination and Remuneration Committee, the Committee is responsible for the:

(1) Annual evaluation and review of the performance of the Board against both measurable and qualitative indicators established by the Committee;

(2) Evaluation and review of the performance of individual directors against both measurable and qualitative indicators established by the Committee;

(3) Review of and making of recommendations on the size and structure of the Board; and

(4) Review of the effectiveness and programme of Board meetings.

Recommendation 2.6 – Additional information concerning the board and directors

(1) The skills and experience of each Director is set out in the Directors section of the Director's Report,

(2) The period of office of each Director is as follows:

Name Term in office

R Besley - 4.3 years

C Torrey - 3.8 years

G Jones - 5.2 years

I Hume - 3 years

I Plimer - 3.2 years

(3) The reasons why Messrs Torrey, Jones and Hume are considered not to be independent Directors are disclosed in relation to Recommendation 2.1,

(4) There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense,

(5) Details of the names of members of the nomination and remuneration committee are disclosed in relation to Recommendation 2.4 and attendances at meetings are set out in the Directors Meetings section of the Director's Report,

(6) An evaluation of the performance of the Board, its committees and individual Directors took place during the financial year. That evaluation was in accordance with the process disclosed,

(7) The Nomination and Remuneration Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of:

(a) A plan for identifying, assessing and enhancing director competencies; and

(b) A succession plan that is designed to ensure that an appropriate balance of skills, experience and expertise is maintained on the Board.

The charter of the Nomination and Remuneration Committee requires that prior to identifying an individual for nomination for directorship, the Committee must evaluate the range of skills, experience and expertise currently existing on the Board to ensure that the Committee identifies the particular diverse skills, experience and expertise that will most effectively complement the Board's current composition. If a new candidate is approved by the Nomination and Remuneration Committee, the appointment of that new candidate is ultimately subject to shareholder approval in accordance with the *Corporations Act 2001* and the Company's Constitution.

Further details are set out in the charter of the Nomination and Remuneration Committee. A copy of the charter of the Nomination and Remuneration Committee is available on the Company's website.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1 – Code of conduct

The Company has established a code of conduct as to the:

(1) Practices necessary to maintain confidence in the Company's integrity;

(2) Practices necessary to take into account the Company's legal obligations and the expectations of stakeholders; and

(3) Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A copy of the code of conduct is available on the Company's website.

Recommendation 3.2 – Diversity policy

The Company has established a policy concerning diversity. The Company recognises the need to set diversity measures in each of its operating locations taking into account the differing diversity issues within each geographic location in which it operates. A copy of the diversity policy is available from the Company's website. The policy includes requirements for the Board, at the appropriate stage of its development, to establish measurable objectives for achieving gender diversity and for the Board to assess annually thereafter both the objectives and progress in achieving them.

Recommendation 3.3 – Measurable objectives for achieving gender diversity

Due to the size of the Company and its workforce and the current stage of the development the Board does not consider it appropriate to set measurable objectives at this time.

The Company intends to establish measurable objectives at the appropriate stage of its development.

Recommendation 3.4 – Proportion of women employees

Refer Recommendation 3.3 above.

At the date of this report the Company has only 4 employees (including the Managing Director) all of which are male.

The Company has a services contract with Variscan Mines Limited ("Variscan"), a major shareholder, whereby PlatSearch provides the Company with technical, accounting and administrative services.

The Board comprises of 5 directors all of whom are male with one female alternate director.

Recommendation 3.5 – Documents on Company website

Copies of the Code of Conduct and the Diversity Policy are available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – Audit committee

The Company has established an Audit Committee.

Recommendation 4.2 – Structure of the audit committee

The Company's Audit Committee complies with all of the requirements of Recommendation 4.2. Details are as follows:

(1) The Audit Committee has three members all of which are non-executive directors with a majority of independent directors. The members of the Audit Committee are Messrs Plimer, Besley and Jones.

(2) Mr Jones is not considered to be independent directors for the reasons given under Recommendation 2.1.

(3) The Audit Committee is chaired by Mr Plimer, who is an independent director and not Chairman of the Board.

Although not all of the members of the Audit Committee are independent the Board has nevertheless determined that the composition of the Audit Committee represents a only practical mix of directors that have an appropriate range of qualifications and expertise and that can understand and competently deal with current and emerging relevant business.

Recommendation 4.3 – Audit committee charter

The Company has adopted an Audit Committee charter which sets out its role, responsibilities and membership requirements and reflects the matters set out in the commentary and guidance for Recommendation 4.3.

Recommendation 4.4 – Additional information concerning the audit committee

The skills and experience of each member of the Audit Committee and the number of Audit Committee meetings attended by each member is set out in the Director's Report.

In accordance with the guide to reporting on Principle 4, the Company's Audit Committee charter is available on the Company's website.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – ASX listing rule disclosure requirements

The Company has established a Continuous Disclosure Policy which sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The policy also provides procedures for internal notification and external disclosures, as well as procedures for promoting understanding of compliance with disclosure requirements.

The policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

Recommendation 5.2 – Continuous disclosure policy

There were no departures from Recommendation 5.1 during the financial year.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 – Shareholder communications policy

The Company has adopted a shareholder communications policy for:

(1) Promoting effective communication with shareholders; and

(2) Encouraging shareholder participation at annual and other general meetings.

A copy of the Company's shareholder communications policy is available on the Company's website.

Recommendation 6.2 – Availability of shareholder communications policy

A copy of the Company's shareholder communications policy is available on the Company's website.

Principle 7: Recognise and manage risk

Recommendation 7.1 – Risk management policies

The Company has established policies for the oversight and management of its material business risks as follows:

(1) The Audit Committee oversees financial risks pursuant to the Audit Committee charter. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

(2) The finance department of the Company manages financial risks.

(3) A Risk Committee will, when appropriate, oversee the Company's other material business risks.

Recommendation 7.2 – Risk management and internal control system

The Company has developed a risk management framework which is supported by the Board of directors and management.

The Board has required management to design and implement a risk management and internal control system to manage the Company's business risks.

The Board requires management to report to it on whether those risks are being managed effectively.

Recommendation 7.3 – Statement from the chief executive officer and the chief financial officer

When considering the Audit Committee's review of financial reports the Board will receive a signed statement declaration in accordance with section 295A of the Corporations Act. This statement will also confirm whether the Company's financial reports are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.

Similarly, in a separate written statement the Chief Executive Officer and the Chairman of the Audit Committee will also confirm to the Board whether the Company's risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks and that nothing has occurred since period-end that would materially change the position.

Recommendation 7.4 – Additional information concerning risk management

The Board has received the report from management under Recommendation 7.2 and the Board has received assurance from the chief executive officer and the chief financial officer under Recommendation 7.3.

The Company is in the process of developing a Risk Committee charter together with a risk management framework.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – Remuneration committee

The Company has established a Nomination and Remuneration Committee which has delegated responsibilities in relation to the Company's remuneration policies as set out in the Company's Nomination and Remuneration Committee charter. The charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

Recommendation 8.2 – Remuneration of executive directors, executives and non-executive directors

The Company complies with Recommendation 8.2 by clearly distinguishing the structure of non-executive directors' remuneration from that of executive directors and senior executives. The commentary that follows each Recommendation does not form part of the Recommendation. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors is not to exceed $200,000 per annum.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Recommendation 8.3 – Additional information concerning remuneration

The skills and experience of each member of the Nomination and Remuneration Committee and the number of Committee meetings attended by each member is set out in the Director's Report.

A copy of the Company's Nomination and Remuneration Committee charter is available on the Company's website.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	3	584,780	677,467
ASX and ASIC fees		(30,852)	(40,525)
Audit fees		(25,500)	(18,500)
Contract administration services		(126,416)	(112,172)
Employee costs		(277,841)	(333,092)
Exploration expenditure written off		(361,695)	(699,340)
Insurances		(18,623)	(25,572)
Marketing and conference costs		(69,775)	(83,945)
Rent		(31,885)	(34,318)
Share based payments		(26,220)	(45,906)
Travel and accommodation		(25,761)	(13,143)
Other expenses from ordinary activities		(116,234)	(131,631)
Loss before income tax expense		(526,022)	(860,677)
Income tax expense	4	-	-
Loss after income tax expense	13	(526,022)	(860,677)
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		(526,022)	(860,677)
Basic loss per share (cents per share)	15	0.51	0.88
Diluted loss per share (cents per share)	15	0.51	0.88

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

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Current assets			
Cash assets	5	3,788,059	4,255,177
Receivables	6	73,663	507,918
Tenement security deposits	7	10,000	60,000
Total current assets		3,871,722	4,823,095
Non-current assets			
Receivables	6	4,740	4,740
Tenement security deposits	7	212,800	100,000
Property, plant and equipment	8	92,171	125,007
Deferred exploration and evaluation expenditure	9	7,449,657	5,783,658
Total non-current assets		7,759,368	6,013,405
Total assets		11,631,090	10,836,500
Current liabilities			
Payables	10	155,507	141,199
Provisions	11	44,231	58,926
Total current liabilities		199,738	200,125
Non-current liabilities			
Provisions	11	36,453	7,017
Total non-current liabilities		36,453	7,017
Total liabilities		236,191	207,142
Net assets		11,394,899	10,629,358
Equity			
Contributed equity	12	14,065,169	12,799,234
Accumulated losses	13	(3,599,638)	(3,073,616)
Reserves	14	929,368	903,740
Total equity		11,394,899	10,629,358

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 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Payment to suppliers and employees		(659,544)	(713,549)
R&D tax concession offset		850,184	-
JV income		12,942	-
Interest received		155,532	224,170
Net cash flows (used in) operating activities	25	359,114	(489,379)
Cash flows from investing activities			
Purchase of fixed assets		(2,155)	(21,294)
Expenditure on mining interests (exploration)		(2,031,312)	(2,249,440)
Tenement security deposits		(62,800)	(60,000)
Net cash flows (used in) investing activities		(2,096,267)	(2,330,734)
Cash flows from financing activities			
Proceeds from issue of shares		1,297,200	-
Equity raising expenses		(27,165)	-
Net cash flows from financing activities		1,270,035	-
Net increase/(decrease) in cash held		(467,118)	(2,820,113)
Add opening cash brought forward		4,255,177	7,075,290
Closing cash carried forward	25	3,788,059	4,255,177

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 2014

		Consolidated			
	Note	Issued capital $	Accumulated losses $	Reserves $	Total equity $
At 1 July 2012		12,799,234	(2,457,924)	1,102,819	11,444,129
Loss for the period		-	(860,677)	-	(860,677)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(860,677)	-	(860,677)
Transactions with owners in their capacity as owners:					
Share-based payments	14	-	-	45,906	45,906
Issue of equity, net of transaction costs	12	-	-	-	-
Expired option value transferred to Accumulated Losses		-	244,985	(244,985)	-
At 30 June 2013		**12,799,234**	**(3,073,616)**	**903,740**	**10,629,358**
At 1 July 2013		12,799,234	(3,073,616)	903,740	10,629,358
Loss for the period		-	(526,022)	-	(526,022)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(526,022)	-	(526,022)
Transactions with owners in their capacity as owners:					
Share-based payments	14	-	-	26,220	26,220
Issue of equity, net of transaction costs	12	1,270,035	-	-	1,270,035
Expired option value		(4,100)	-	-	(4,100)
Foreign currency translation		-	-	(592)	(592)
At 30 June 2014		**14,065,169**	**(3,599,638)**	**929,368**	**11,394,899**

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

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30 September 2014.

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

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.

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.

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.

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 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.

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

Both the functional and presentation currency is Australian dollars (A$).

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 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 2014. The Consolidated Entity plans to adopt these standards at their application dates as detailed below.

AASB 9 Financial Instruments (Application date 1 January 2018)

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.

(a) Financial assets are classified based on (1) the objective of the entity’s business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.

(b) AASB 9 allows 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.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127] (Application date 1 January 2018)

The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

The change attributable to changes in credit risk are presented in other comprehensive income (OCI)

The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

3. Revenue from ordinary activities

	Consolidated 2014 $	Consolidated 2013 $
R&D tax concession offset	419,211	430,972
Joint venture income	12,942	-
Interest received – other financial institutions	152,627	246,495
	584,780	677,467

4. Income tax

	Consolidated 2014 $	Consolidated 2013 $
Prima facie income tax (credit) on operating (loss) at 30%	157,807	258,203
Future income tax benefit in respect of timing differences – not recognised	(157,807)	(258,203)
Income tax expense	-	-

No provision for income tax is considered necessary in respect of the Company for the period 30 June 2014.

The Group has a deferred income tax liability of $499,800 (2013: $425,534) 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 $6,682,799 (2013: $7,812,508) as at 30 June 2014.

A benefit of 30% of approximately $2,004,840 (2013: $2,343,752) 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 2014 $	Consolidated 2013 $
Cash at bank	383,809	81,934
Money market securities – bank deposits	3,404,250	4,173,243
	3,788,059	4,255,177

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 2014 $	Consolidated 2013 $
Current		
GST receivables	14,064	18,303
Interest receivable	32,304	35,209
Prepayments	27,295	23,334
Other debtors	-	431,072
	73,663	507,918

	Consolidated 2014 $	Consolidated 2013 $
Non - current		
Rental bonds	4,740	4,740

7. Tenement security deposits

	Consolidated 2014 $	Consolidated 2013 $
Cash at bank – bank deposits	150,000	160,000
Cash with government mines department and other parties	72,800	-
	222,800	160,000

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.

8. Property, plant and equipment

	Motor vehicle	Plant and equipment	Total
Year ended 30 June 2013 (Consolidated)			
Opening net book amount	80,719	80,683	161,402
Additions	-	15,670	15,670
Disposals	-	-	-
Depreciation expense	(18,620)	(33,445)	(52,065)
Closing net book amount	62,099	62,908	125,007
At 30 June 2013			
Cost	93,101	129,296	222,397
Accumulated depreciation	(31,002)	(66,388)	(97,390)
Net book amount	62,099	62,908	125,007
Year ended 30 June 2014 (Consolidated)			
Opening net book amount	62,099	62,908	125,007
Additions	-	22,505	22,505
Disposals	-	-	-
Depreciation expense	(18,620)	(36,721)	(55,341)
Closing net book amount	43,479	48,692	92,171
At 30 June 2014			
Cost	93,101	151,801	244,902
Accumulated depreciation	(49,622)	(103,109)	(152,731)
Net book amount	43,479	48,692	92,171

9. Deferred exploration and evaluation expenditure

	Consolidated 2014 $	Consolidated 2013 $
Costs brought forward	5,783,658	4,365,213
Costs incurred during the period	2,031,794	2,117,785
Expired options	(4,100)	-
Expenditure written off during period	(361,695)	(699,340)
Costs carried forward	7,449,657	5,783,658
Exploration expenditure costs carried forward are made up of:		
▶ Expenditure on joint venture areas	6,230,241	4,678,723
▶ Expenditure on non joint venture areas	1,219,416	1,104,935
Costs carried forward	7,449,657	5,783,658

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.

10. Current liabilities – payables

	Consolidated 2014 $	Consolidated 2013 $
Trade creditors	83,045	70,574
Accrued expenses	49,940	49,396
GST payable	1,293	-
PAYG payable	21,229	21,229
	155,507	141,199

11. Liabilities – provisions

	Consolidated 2014 $	Consolidated 2013 $
Current		
Annual leave	44,231	58,926
Non-current		
Long Service Leave	36,453	7,017

12. Contributed equity

		Consolidated 2014 $	Consolidated 2013 $
Share capital			
116,300,601 fully paid ordinary shares (2013: 98,030,228)	(a)	14,686,700	13,389,500
Fully paid ordinary shares carry one vote per share and carry the right to dividends.			
Listed options			
29,167,263 options (2013: 29,167,263)	(b)	291,673	291,673
Options on issue			
Nil (2013: 4,100,000)	(b)	-	4,100
Share issue costs		(913,204)	(886,039)
		14,065,169	12,799,234

		Number	$
(a) Movements in ordinary shares on issue			
At 30 June 2012		98,030,228	13,389,500
Shares issued		-	-
At 30 June 2013		98,030,228	13,389,500
Shares issued	(i)	18,270,373	1,297,200
At 30 June 2014		116,300,601	14,686,700

(i) In March 2014 5,911,268 shares were issued at $0.071 per share under a placement. In April 2014 12,359,105 shares were issued at $0.071 per share pursuant to a Share Purchase Plan.

		Number	$
(b) Movements in options on issue			
At 30 June 2012		33,267,263	295,773
Options issued		-	-
At 30 June 2013		33,267,263	295,773
Options issued		-	-
Options expired	(i)	(4,100,000)	(4,100)
At 30 June 2014		29,167,263	291,673

(i) 4,100,000 options expired on 1 July 2013. The options had an exercise price of $0.01 and were issued for acquisitions of tenements.

An additional 13,200,000 options are on issue under Share based payments (Note: 14).

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 2014 $	Consolidated 2013 $
Balance at 1 July	3,073,616	2,457,924
Operating loss after income tax expense	526,022	860,677
Expired option value transferred to Accumulated Losses	-	(244,985)
Adjustment on write off of subsidiary	-	-
Balance at 30 June	3,599,638	3,073,616

14. Reserves/share-based payments

Reserves

	Consolidated 2014 $	Consolidated 2013 $
Balance at 1 July	903,740	1,102,819
Share-based payment expensed during the financial year	26,220	45,906
Expired option value transferred to Accumulated Losses	-	(244,985)
Foreign currency translation reserve	(592)	-
Balance at 30 June	929,368	903,740

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 2014 there were 1,500,000 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 2013 and 2014.

Summary of options granted

	Consolidated 2014 no.	Consolidated 2013 no.
Outstanding at the beginning of the year	12,200,000	14,250,000
Granted during the year	1,000,000	1,000,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	(3,050,000)
Outstanding at the end of the year	13,200,000	12,200,000

The outstanding balance as at 30 June 2014 is represented by:

- 2,200,000 options exercisable at $0.25, expiry 9 August 2014
- 6,000,000 options exercisable at $0.25, expiry 8 September 2014
- 3,000,000 options exercisable at $0.25, expiry 7 March 2015
- 1,000,000 options exercisable at $0.15, expiry 23 August 2015
- 1,000,000 options exercisable at $0.08, expiry 27 September 2016

There are an additional 29,167,263 options granted under contributed equity (see Note: 12) which is represented by:

- 29,167,263 listed options exercisable at $0.25, expiry 19 December 2014

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 options									
Nov 11	6,000,000	$0.25	8 Sep 14	124.71%	3.85%	3.0 years	$0.1116	Binomial	(a)
Nov 12	1,000,000	$0.15	23 Aug 15	58.96%	4.75%	2.7 years	$0.0299	Binomial	(b)
Employee/consultant options									
Aug 11	2,200,000	$0.25	9 Aug 14	85.56%	4.75%	3.0 years	$0.0717	Binomial	(c)
Mar 12	1,500,000	$0.25	7 Mar 15	39.94%	4.75%	3.0 years	$0.0151	Binomial	(d)
Mar 12	1,500,000	$0.25	7 Mar 15	39.94%	4.75%	3.0 years	$0.0159	Binomial	(d)
Nov 13	1,000,000	$0.08	27 Sep 16	58.96%	2.71%	2.8 years	$0.0262	Binomial	(e)
	13,200,000								

(a) 6,000,000 options were granted to the Directors of the Company which were approved by shareholders at the AGM in November 2011. 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 2012. The options vested immediately.

(c) 2,200,000 options were granted to employees and consultants of the Company as a performance incentive. The options vested immediately.

(d) 3,000,000 options were granted to employees and consultants of the Company as a performance incentive. 50% of the options vested immediately with the remaining 50% vesting on 7 March 2013.

(e) 1,000,000 options were granted to the Managing Director of the Company which were approved by shareholders at the AGM in November 2013. The options vested immediately.

Weighted average disclosures on options

	2014	2013
Weighted average exercise price of options at 1 July	$0.24	$0.25
Weighted average exercise price of options granted during period	$0.08	$0.15
Weighted average exercise price of options outstanding at 30 June	$0.23	$0.24
Weighted average exercise price of options exercisable at 30 June	$0.23	$0.24
Weighted average contractual life	0.52 years	1.38 years
Range of exercise price	$0.08 - $0.25	$0.15 - $0.25

15. Earnings per share

	2014	2013
Net profit/(loss) used in calculating basic and diluted gain/(loss) per share	(526,022)	(860,677)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	102,554,412	98,030,228
	Cents per share	**Cents per share**
Basic earnings (loss) per share	(0.51)	(0.88)
Diluted earnings (loss) per share	(0.51)	(0.88)

16. Key management personnel

Key management personnel compensation

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

	Consolidated 2014 $	Consolidated 2013 $
Short term employee benefits	462,244	444,944
Post-employment benefits	38,186	37,156
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	26,220	29,900
	526,650	512,000

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 other change no.	Balance at 30 June no.	Balance held nominally no.
2014						
B Besley	600,000	-	-	529,269	1,129,269	-
C Torrey	140,000	-	-	211,267	351,267	-
G Jones	-	-	-	-	-	-
I Plimer	1,010,000	-	-	211,267	1,221,267	-
I Hume	150,000	-	-	140,845	290,845	-
I Polovineo	-	-	-	-	-	-
Total	1,900,000	-	-	1,092,648	2,992,648	-
2013						
B Besley	600,000	-	-	-	600,000	-
C Torrey	140,000	-	-	-	140,000	-
G Jones	-	-	-	-	-	-
I Plimer	1,010,000	-	-	-	1,010,000	-
I Hume	150,000	-	-	-	150,000	-
I Polovineo	-	-	-	-	-	-
Total	1,900,000	-	-	-	1,900,000	-

Option holdings of key management personnel

Share options held in Silver City Minerals Limited

	Balance at 1 July no.	Granted as compen-sation no.	Exercised no.	Net other change no.	Balance at 30 June no.	Balance vested at 30 June no.	Vested but not exercis-able no.	Vested and exercis-able no.	Options vested during year no.
2014									
B Besley	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
C Torrey	3,000,000	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	500,000	-	-	-	500,000	500,000	-	500,000	-
Total	7,500,000	1,000,000	-	-	8,500,000	8,500,000	-	8,500,000	1,000,000
2013									
B Besley	1,500,000	-	-	(500,000)	1,000,000	1,000,000	-	1,000,000	-
C Torrey	3,000,000	1,000,000	-	(1,000,000)	3,000,000	3,000,000	-	3,000,000	1,000,000
G Jones	1,400,000	-	-	(400,000)	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	500,000	-	-	-	500,000	500,000	-	500,000	250,000
Total	8,400,000	1,000,000	-	(1,900,000)	7,500,000	7,500,000	-	7,500,000	1,250,000

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:

		% Equity interest	
Name	Country of incorporation	2014	2013
Mining Exploration Pty Ltd (MEPL)	Australia	100	100
Silver City NZ PTY Limited	New Zealand	100	-

Transactions with other related parties

Variscan Mines Limited (formerly PlatSearch NL)
Variscan Mines Limited (Variscan) together with its subsidiary, Bluestone 23 Limited is a 12.5% shareholder of Silver City. The Company engaged Variscan to provide the consulting services of Greg Jones, with nil payments as at 30 June 2014 (2013: nil).

The Company has paid Variscan for rent and reimbursement of office costs totalling $12,660 (2013: $12,660) for the period ended 30 June 2014. The contract with Variscan is based on normal commercial terms and conditions.

18. Auditors' remuneration

	Consolidated 2014 $	Consolidated 2013 $
Total amounts receivable by the current auditors of the Company for:		
Audit of the Company's accounts	25,500	18,500
Other services	-	-
	25,500	18,500

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 2014 were as follows:

Joint Venture	Percentage interest 2014	Percentage interest 2013
Silver City Farm In and Joint Venture Agreement		
ELs 5646, 5764, 5919, 6132, 6147, and 6475	-	30%
EL 7300	85%	76.5%
EL 8075	75%	-
Silver City Broken Hill Project Sale Agreement – PlatSearch NL		
ELs 4657, 6863, 6864, 7203, 7228 and 3478	-	100%
ELs 8236 and 8075	75%	-
EL 8078	100%	-
Silver City Broken Hill Project Sale Agreement – Eaglehawk Geological Consulting Pty Ltd		
EL 7203	-	100%
Agreement relating to Ziggys EL 6036 and Euriowie 7319 with Eaglehawk Geological Consulting Pty Ltd		
EL 6036	-	0%
EL 7319	-	92%
EL 8078 (Eaglehawk has an 8% interest in a small area of this EL)	100%	-
Broken Hill Base Metals-Silver-Gold Farm-In and JV HOA with Golden Cross Operations Pty Ltd		
EL 7390	0%	0%
Silver City JV with CBH		
ELs 8076 and 8074	75%	-
EL 8236	75%	-
Sellheim HOA with Nedex		
EPMs 13499, 15778 and 17573 and MLs 10248, 10269 and 10270	0%	-

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.

21. Contingent liabilities

The Group has provided guarantees totalling $150,000 (2013: $160,000) in respect of exploration tenements in NSW. These guarantees in respect of exploration tenements are secured against deposits with a banking institution. The Group has an environmental bond totalling $72,800 (2013: nil) with a Joint Venture Partner. 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.

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 2014 $	Consolidated 2013 $
Cash and cash equivalents	3,788,059	4,255,177
Receivables	78,403	512,658
Deposits with banks and Joint Venture Partner	222,800	160,000
	4,089,262	4,927,835

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 $
2014				
Payables	155,507	155,507	-	-
	155,507	155,507	-	-
2013				
Payables	141,199	141,199	-	-
	141,199	141,199	-	-

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

Financial assets	Carrying amount $	< 12 months $	1-3 years $	>3 years $
2014				
Cash at bank and term deposits	3,788,059	3,788,059	-	-
Receivables	78,403	73,663	4,740	-
Deposits with banks and Joint Venture Partner	222,800	10,000	-	212,800
	4,089,262	3,871,722	4,740	212,800
2013				
Cash at bank and term deposits	4,255,177	4,255,177	-	-
Receivables	512,658	507,918	4,740	-
Deposits with banks and Government Departments	160,000	60,000	-	100,000
	4,927,835	4,823,095	4,740	100,000

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 2014	Consolidated 2013
Weighted average rate of cash balances	0.40%	1.46%
Cash balances	$383,809	$81,934
Weighted average rate of term deposits	3.66%	4.05%
Term deposits	$3,404,250	$4,173,243

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:

		+1.0% of AUD IR		-1.0% of AUD IR	
Sensitivity analysis	Carrying amount $	Profit $	Other equity $	Profit $	Other equity $
2014					
Cash and cash equivalents	3,788,059	37,881	-	(37,881)	-
Tax charge of 30%	-	(11,364)	-	11,364	-
After tax profit increase/(decrease)	3,788,059	26,517	-	(26,517)	-
2013					
Cash and cash equivalents	4,255,177	42,552	-	(42,552)	-
Tax charge of 30%	-	(12,765)	-	12,765	-
After tax profit increase/(decrease)	4,255,177	29,787	-	(29,787)	-

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.

23. Commitments

Exploration licence expenditure requirements

In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. The Company has commitments to expend funds towards earning or retaining an interest under its joint venture agreements with CBH Resources Ltd and Nedex.

	Consolidated 2014 $	Consolidated 2013 $
Payable not later than one year	153,586	75,070
Payable later than one year but not later than two years	231,731	65,662
	385,317	140,732

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 2014 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.

25. Statement of cash flows

		Consolidated 2014 $	Consolidated 2013 $
Reconciliation of net cash outflow from operating activities to operating loss after income tax			
(a)	Operating (loss) after income tax	(526,022)	(860,677)
	Depreciation	55,341	52,065
	Share based payments	26,220	45,906
	Exploration expenditure written off	361,695	699,340
	Other	(90)	137,279
	Change in assets and liabilities:		
	(Increase)/decrease in receivables	434,256	(444,799)
	(Decrease)/increase in trade and other creditors (excluding exploration costs in creditors	(7,026)	(156,485)
	(Decrease)/increase in provisions	14,740	37,992
	Net cash outflow from operating activities	359,114	(489,379)

(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.

	2014	2013
The balance at 30 June 2014 comprised:		
Cash assets	383,809	81,934
Bank deposits (Note 5)	3,404,250	4,173,243
Cash on hand	3,788,059	4,255,177

26. Parent entity information

	2014 $	2013 $
Current assets	3,871,722	4,823,095
Total assets	11,631,682	10,836,500
Current liabilities	199,739	200,125
Total liabilities	236,191	207,142
Issued capital	14,065,169	12,799,234
Accumulated losses	(3,599,638)	(3,073,616)
Share based payment reserve	929,960	903,740
Total shareholders' equity	11,395,491	10,629,358
Profit/(loss) of the parent entity	(526,022)	(860,677)
Total comprehensive income/(loss) of the parent entity	(526,022)	(860,677)

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 2014 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 2014.

On behalf of the Board

Chris Torrey
Managing Director
Sydney, 30 September 2014

bdjpartners
incorporating Boulter Partners
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

manly office
Level 5, 22 Central Ave
Manly National Building
Manly NSW 2095

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

Independent Auditor's Report

To the members of Silver City Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Silver City Minerals Limited, which comprises the statements of financial position as at 30 June 2014, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the 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 of the company and the consolidated entity.

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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

bdjpartners
incorporating Boulter Partners
CHARTERED ACCOUNTANTS

Independence

In conducting our audit, 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.

Opinion

In our opinion:

(a) the financial report of Silver City Minerals Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Silver City Minerals Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDJ Partners
Chartered Accountants

Gregory W Cliffe
Partner

30 September 2014

Shareholder Information

Information relating to shareholders at 16 September 2014 (per ASX Listing Rule 4.10)

Ordinary fully paid shares
There were a total of 116,300,601 fully paid ordinary shares on issue.

Options
There were a total of 29,167,263 listed options on issue and 6,500,000 unlisted options on issue.

Substantial shareholders	Shareholding
SENTIENT EXECUTIVE GP IV LTD	20,628,437
VARISCAN MINES LIMITED (formerly PLATSEARCH NL)	14,506,190

Top 20 shareholders of ordinary shares as at 16 September 2014	Number	%
SENTIENT EXECUTIVE GP IV LTD	20,628,437	17.74
VARISCAN MINES LIMITED (formerly PLATSEARCH NL)	11,188,267	9.62
FITEL NOMINEES LIMITED	6,434,227	5.53
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	4,318,182	3.71
DMG & PARTNERS SECURITIES PTE LTD <CLIENTS A/C>	4,296,392	3.69
BLUESTONE 23 LIMITED	3,318,182	2.85
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	2,786,992	2.40
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,143,837	1.84
MILSTERN ENTERPRISES PTY LTD	1,375,270	1.18
MS REGINE MAJA SAINISCH-PLIMER <THE INKEX SUPER FUND A/C>	1,211,267	1.04
CORAZON MINING LIMITED	1,089,000	0.94
CPAC HOLDINGS PTY LIMITED <CPAC INVESTMENT A/C>	1,022,534	0.88
YERONDA NOMINEES PTY LTD	978,440	0.84
MR JOHN ANTHONY VLADICH	902,357	0.78
MRS JANE MARION BESLEY & MR ROBERT ELLIS BESLEY <R & J BESLEY SUPER FUND A/C>	811,267	0.70
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	765,211	0.66
MR JOHN ANTHONY VLADICH	700,000	0.60
MR STEPHEN GORDON PATTRICK	699,540	0.60
MR PAUL JENKINS & MRS IRENE JENKINS <JENKINS SUPER FUND A/C>	611,267	0.53
ATKINS PARTNERSHIP PTY LTD <ATKINS PARTNERSHIP SF A/C>	600,000	0.52
Total of top 20 holdings	**65,880,669**	**56.65**
Other holdings	50,419,932	43.35
Total number of shares	**116,300,601**	**100.00**

Distribution of shareholders		
Range	Number of shareholders	Ordinary shares
1 – 1,000	16	433
1,001 – 5,000	37	140,283
5,001 – 10,000	154	1,365,003
10,001 – 100,000	481	20,731,359
100,001 – and over	144	94,063,523
	832	**116,300,601**

Shareholder Information

At the prevailing market price of $0.042 per share at 16 September 2014, there were 219 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.

Top 20 holders of $0.25 options expiring 19 December 2014	Number	%
SENTIENT EXECUTIVE GP IV LTD	5,702,437	19.55
VARISCAN MINES LIMITED (formerly PLATSEARCH NL)	3,659,000	12.55
FITEL NOMINEES LIMITED	1,765,317	6.05
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	1,569,394	5.38
DMG & PARTNERS SECURITIES PTE LTD <CLIENTS A/C>	1,500,000	5.14
MR PETER JOHN DOUGLASS <NEEHAR SUPER FUND A/C>	1,430,965	4.91
BLUESTONE 23 LIMITED	1,106,061	3.79
STANFORD HILL PTY LTD	1,000,000	3.43
LOCANTRO SPECULATIVE INVESTMENTS LIMITED	1,000,000	3.43
MR FOON KEONG LEW	939,394	3.22
MR PETER JOHN DOUGLAS <NEEHAR S/F A/C>	614,802	2.11
MR CHRISTOPHER BRYCKI	500,000	1.71
BUDBERTH PTY LIMITED <IPSEITY SUPER FUND A/C>	421,070	1.44
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	400,000	1.37
YERONDA NOMINEES PTY LTD	362,547	1.24
MS REGINE MAJA SAINISCH-PLIMER <THE INKEX SUPER FUND A/C>	333,334	1.14
COVERAGE PR PTY LIMITED <COVERAGE S/F A/C>	301,980	1.04
PANSTYN INVESTMENTS PTY LTD	300,000	1.03
MR GARY CHARLES LOEPER	300,000	1.03
SIDAN SUPER PTY LTD <SIDAN SUPERFUND A/C>	285,705	0.98
Total of top 20 holdings	**23,492,006**	**80.54**
Other holdings	5,675,257	19.46
Total number of options	**29,167,263**	**100.00**

Distribution of holders of listed options		
Range	**Number of optionholders**	**Options**
1 – 1,000	3	2,834
1,001 – 5,000	77	301,030
5,001 – 10,000	31	261,650
10,001 – 100,000	88	3,361,938
100,001 – and over	31	25,239,811
	230	**29,167,263**

Shareholder Information

Distribution of holders of unlisted options		
Range	**Number of optionholders**	**Options**
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	8	800,000
100,001 – and over	11	5,700,000
	19	**6,500,000**

Corporate Directory

Board of Directors	Robert Besley Non-Executive Chairman Christopher Torrey Managing Director Gregory Jones Non-Executive Director Ian Plimer Non-Executive Director Ian Hume Non-Executive Director Yanina Barila (alternate to Ian Hume)
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 Fascimile: 02 9906 5233 Email: info@silvercityminerals.com.au Website: www.silvercityminerals.com.au
Share Registry	Boardroom Pty Limited GPO Box 3993 Sydney, NSW 2001 Phone: (+61 2) 9290 9600 Website: www.boardroomlimited.com.au
Auditors	BDJ Partners Level 13, 122 Arthur Street, North Sydney, NSW 2060 PO Box 1644, North Sydney, NSW 2059
Solicitors	Gadens Lawyers Skygarden Building, 77 Castlereagh Street, Sydney, NSW 2000
Bankers	Bank West 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