



SILVER CITY MINERALS LIMITED

ABN 68 130 933 309

**31 DECEMBER 2012
HALF YEAR FINANCIAL REPORT**

Silver City Minerals - Exploring the Past for the Future

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Directors' Report

Your directors submit their report for Silver City Minerals Limited for the half year ended 31 December 2012.

Directors

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

Robert Besley	Non-Executive Chairman
Chris Torrey	Managing Director
Greg Jones	Non-Executive Director
Ian Plimer	Non-Executive Director
Ian Hume	Non-Executive Director
Yanina Barila	(Alternate to Ian Hume)

Review and results of operations

During the period Silver City completed drilling programs and detailed geological assessments on eight projects. Of these the Company has focused exploration work on priority targets at Allendale and Razorback West where geophysical surveys have been completed. Drilling at Allendale has encountered numerous massive sulphide intersections containing elevated silver, lead and zinc ranging in thickness from 1 to 10 metres. A down-hole geophysical survey was designed to test for wider zones of mineralisation related to the hinge zones of folds. Results of this work are pending. A deep penetrating induced polarisation survey at Razorback West has outlined a series of chargeability anomalies coincident with an elongate gravity anomaly and elevated lead geochemistry. A drill test of the strongest anomaly is scheduled for March-April 2013. The Company plans to drill three new projects in the first half of 2013; Parnell, Mount Brown and Native Dog. These have geological characteristics of classic Broken Hill type (BHT) mineralisation and have been identified through detailed geological evaluation and/or RAB drilling.

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 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 2004 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.

Financial results for the half year

The net loss after income tax expense for the half year to 31 December 2012 amounted to \$574,723 (2011: loss \$1,024,918).

Principal activities

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

Dividends

No dividends were paid or proposed during the period.

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2012 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.

Auditor's independence declaration

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

Signed at Sydney this 14th day of March 2013 in accordance with a resolution of the directors.



Bob Besley
Chairman



Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2012

	Note	31 Dec 2012 \$	31 Dec 2011 \$
Revenue	4	146,639	284,083
ASX and ASIC fees		(38,093)	(23,240)
Audit fees		(10,000)	(9,000)
Conferences and training		(21,177)	(54,458)
Contract administration services		(54,695)	(54,965)
Employee costs (net of costs recharged to exploration projects)		(195,513)	(161,134)
Exploration expenditure expensed		(240,534)	(3,138)
Insurance		(12,241)	(11,216)
Marketing costs		(15,498)	(32,144)
Rent		(17,206)	(11,670)
Share based payments		(41,904)	(848,900)
Travel and accommodation		(4,534)	(24,737)
Other expenses from ordinary activities		(69,967)	(74,399)
Loss before income tax expense		(574,723)	(1,024,918)
Income tax expense		-	-
Loss after income tax expense		(574,723)	(1,024,918)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		-	-
Total comprehensive loss attributable to members of Silver City Minerals Limited		(574,723)	(1,024,918)
Earnings per share			
Basic (loss) per share (cents per share)	10	(0.59)	(1.05)
Diluted (loss) per share (cents per share)	10	(0.59)	(1.05)

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



Consolidated Statement of Financial Position

As at 31 December 2012

	Note	31 Dec 2012 \$	30 Jun 2012 \$
Current assets			
Cash assets	5	5,693,193	7,075,290
Receivables		67,635	63,439
Total current assets		5,760,828	7,138,729
Non-current assets			
Receivables		4,420	4,420
Tenement security deposits	7	110,000	100,000
Property, plant and equipment		146,961	161,402
Deferred exploration and evaluation expenditure	6	5,105,138	4,365,213
Total non-current assets		5,366,519	4,631,035
Total assets		11,127,347	11,769,764
Current liabilities			
Payables		172,400	297,684
Provisions		43,637	27,951
Total current liabilities		216,037	325,635
Total liabilities		216,037	325,635
Net assets		10,911,310	11,444,129
Equity			
Contributed equity	8	12,799,234	12,799,234
Accumulated losses		(2,838,542)	(2,457,924)
Reserves	9	950,618	1,102,819
Total equity		10,911,310	11,444,129

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



Consolidated Statement of Changes in Equity

For the half year ended 31 December 2012

	Note	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2011		12,553,363	(1,067,267)	203,384	11,689,480
Loss for the period		-	(1,024,918)	-	(1,024,918)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(1,024,918)	-	(1,024,918)
Transactions with owners in their capacity as owners:					
Issue of equity, net of transaction		217,719	-	-	217,719
Cost of share based payments taken directly to equity		-	-	848,900	848,900
At 31 December 2011		12,771,082	(2,092,185)	1,052,284	11,731,181
At 1 July 2012		12,799,234	(2,457,924)	1,102,819	11,444,129
Loss for the period		-	(574,723)	-	(574,723)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(574,723)	-	(574,723)
Transactions with owners in their capacity as owners:					
Issue of equity, net of transaction	8	-	-	-	-
Cost of share based payments taken directly to equity	9	-	-	41,904	41,904
Expired option value transferred to Accumulated Losses	9	-	194,105	(194,105)	-
At 31 December 2012		12,799,234	(2,838,542)	950,618	10,911,310

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



Consolidated Statement of Cash Flows

For the half year ended 31 December 2012

	Note	31 Dec 2012 \$	31 Dec 2011 \$
Cash flows from operating activities			
Payment to suppliers and employees		(364,570)	(706,620)
Interest received		143,402	274,708
Net cash flows from/(used in) operating activities		(221,168)	(431,912)
Cash flows from investing activities			
Purchase of motor vehicle and fixed assets		(19,290)	(112,535)
Expenditure on mining interests (exploration)		(1,131,639)	(1,296,089)
Tenement security deposits		(10,000)	-
Net cash flows (used in) investing activities		(1,160,929)	(1,408,624)
Cash flows from financing activities			
Proceeds from issue of equity		-	268,177
Equity raising expenses		-	(580,084)
Net cash flows from financing activities		-	(311,907)
Net increase (decrease) in cash held		(1,382,097)	(2,152,443)
Add opening cash brought forward		7,075,290	10,409,294
Closing cash carried forward	5	5,693,193	8,256,851

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



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2012

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the half year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 14 March 2013. Silver City Minerals Limited (the parent) is a company incorporated in Australia and Limited by shares which are publicly traded on the Australian Securities Exchange using the ASX code SCI.

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

2. Summary of significant accounting policies

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

The half year financial report should be read in conjunction with the Annual Financial Report of SCI as at 30 June 2012.

It is also recommended that the half year financial report be considered together with any public announcements made by SCI during the half year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation

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

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

Significant accounting policies

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2012.

Management has reviewed and assessed the new accounting standards effective 1 July 2012 and these have been deemed to be not applicable to the Group.

Basis of consolidation

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

3. Segment information

The operating segments identified by management are as follows:

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

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

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



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2012

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.

4. Revenue

	31 Dec 2012	31 Dec 2011
	\$	\$
Interest received	146,639	284,083
	146,639	284,083

5. Cash and cash equivalents

	31 Dec 2012	30 Jun 2012
	\$	\$
Cash at bank	341,662	47,660
Money market securities – bank deposits	5,351,531	7,027,630
	5,693,193	7,075,290

6. Deferred exploration and evaluation expenditure

	31 Dec 2012	30 Jun 2012
	\$	\$
Costs brought forward	4,365,213	1,951,360
Costs incurred during the period	980,459	2,546,285
Expenditure written off during the period	(240,534)	(132,432)
Costs carried forward	5,105,138	4,365,213

7. Contingent assets and liabilities

The Company has provided guarantees totalling \$110,000 in respect of exploration tenements. These guarantees in respect of mining tenements are secured against deposits with various banking institutions. The Company does not expect to incur any material liability in respect of the guarantees.



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2012

8. Contributed equity

	31 Dec 2012	30 Jun 2012
	\$	\$
Share capital		
98,030,228 fully paid ordinary shares (30 Jun 12: 98,030,228)	13,389,500	13,389,500
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Listed options		
29,167,263 options (30 Jun 12: 29,167,263)	291,673	291,673
Unlisted Options on issue		
17,500,000 (30 Jun 12: 18,350,000)	4,100	4,100
Share issue costs	(886,039)	(886,039)
	12,799,234	12,799,234

	Number	\$
Movements in ordinary shares on issue		
At 31 December 2011	98,030,228	13,389,500
At 30 June 2012	98,030,228	13,389,500
At 31 December 2012	98,030,228	13,389,500

	Number	\$
Movements in options on issue		
At 31 December 2011	30,317,263	266,273
Options issued (i)	2,950,000	29,500
At 30 June 2012	33,267,263	295,773
At 31 December 2012	33,267,263	295,773

- (i) In February 2012 the company placed 2,950,000 listed options with the same terms and conditions as the Options issued pursuant to the Entitlement Offer of Options which was announced on 10 November 2011 and which closed undersubscribed on 14 December 2011. The options were issued for a consideration of \$0.01 each with an exercise price of \$0.25 and expiry date 19 December 2014.

An additional 13,400,000 options are on issue under Share based payments (Note: 9).

Terms and conditions of contributed equity

Ordinary shares

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

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

Options

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



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2012

9. Reserves (share based payments)

	Number	\$
Movements in share based payments		
At 31 December 2011	12,650,000	1,052,284
Options issued	3,000,000	29,580
Options expired	(1,400,000)	-
Value of options expensed over vesting period	-	20,955
At 30 June 2012	14,250,000	1,102,819
Options issued (i)	1,000,000	29,900
Options expired	(1,850,000)	(93,055)
Value of options expensed over vesting period	-	12,004
Expired option value transferred to Accumulated Losses	-	(101,050)
At 31 December 2012	13,400,000	950,618

- (i) 1,000,000 options were issued to the Managing Director and approved by shareholders at the Company's AGM held in November 2012. The options were issued with an exercise price of \$0.15 and expiry date of 23 August 2015.

10. Earnings per share

	31 Dec 2012	31 Dec 2011
	Cents per share	Cents per share
Basic earnings (loss) per share	(0.59)	(1.05)
Diluted earnings (loss) per share	(0.59)	(1.05)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	98,030,228	98,030,228
	\$	\$
Earnings (loss) used in calculating basic and diluted EPS	(574,723)	(1,024,918)

11. Events after the balance sheet date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2012 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.



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 Company are in accordance with the Corporations Act 2001, including:
 - (i) Give a true and fair view of the Company's financial position as at 31 December 2012 and the performance for the half year ended on that date; and
 - (ii) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Bob Besley
Chairman

Sydney, 14 March 2013



Auditor's Independent Review Report



partners
C H Barnes FCA
A J Dowell CA
B Kolevski CPA (Affiliate
ICAA)
M Galouzis CA
A N Fraser CA

associate
M A Nakkan CA

consultant
R H B Boulter FCA

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Independent Auditor's Review Report

To the members of Silver City Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Silver City Minerals Limited and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Silver City Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



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Auditor's Independent Review Report



Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDJ Partners
Chartered Accountants

A handwritten signature in black ink, appearing to read 'A. Dowell'.

.....
Anthony J Dowell
Partner

14 March 2013



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Auditor's Independence Declaration



partners
C H Barnes FCA
A J Dowell CA
B Kolevski CPA (Affiliate
ICAA)
M Galouzis CA
A N Fraser CA

associate
M A Nakkai CA

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R H B Boulter FCA

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

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2012 there have been:

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

BDJ Partners
Chartered Accountants

.....
Anthony J Dowell
Partner

11 March 2013



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Corporate Directory

Silver City Minerals Limited

ABN 68 130 933 309

Directors

Robert Besley	Non-Executive Chairman
Christopher Torrey	Managing Director
Greg Jones	Non-Executive Director
Ian Plimer	Non-Executive Director
Ian Hume	Non-Executive Director
Yanina Barila	Alternate to Ian Hume

Company Secretary

Ivo Polovineo

Registered and Administration Office

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Website: www.silvercityminerals.com.au

E-mail: info@silvercityminerals.com.au

Share Registry

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Sydney, NSW 2001

Telephone: +61 2 9290 9600

Facsimile: +61 2 9279 0664

Email: enquiries@boardroomlimited.com.au

Website: www.boardroomlimited.com.au

Auditors

BDJ Partners

Bankers

Commonwealth Bank of Australia

Bank West

Securities Exchange Listing

Listed on Australian Securities Exchange Limited

ASX Code: SCI

