



SILVER CITY MINERALS LIMITED

ABN 68 130 933 309

**31 DECEMBER 2015
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 2015.

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

Silver City Minerals Limited continued to focus work on the Broken Hill District with a drilling program completed at the Balaclava prospect south of Broken Hill mine.

Preliminary trials of new biogeochemical sample techniques were completed in order to determine potential for "looking through" alluvial and soil cover for buried and obscured mineral deposits.

Planning and permitting of drilling programs scheduled for Q1 and Q2 2016 were completed. Work in New Zealand was curtailed and tenure relinquished when access for continued work was denied by the landowner.

Financial results for the half year

The net loss after income tax expense for the half year to 31 December 2015 amounted to \$1,130,771 (2014: \$4,410,867).

Principal activities

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

Dividends

No dividends were paid or proposed during the period.

Significant events after the balance date

There were, at the date of this report, no matters or circumstances which have arisen since 31 December 2015 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 10th day of March 2016 in accordance with a resolution of the directors.



Bob Besley
Chairman



Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2015

	Note	31 Dec 2015 \$	31 Dec 2014 \$
Revenue	4	65,580	92,552
ASX and ASIC fees		(14,833)	(19,148)
Audit fees		(13,000)	(11,000)
Contract administration services		(65,399)	(85,555)
Employee costs (net of costs recharged to exploration projects)		(95,807)	(144,831)
Exploration expenditure expensed		(914,856)	(4,042,552)
Insurance		(7,714)	(9,285)
Marketing and conference cost		(14,770)	(15,135)
Rent		(14,070)	(15,888)
Share based payments		(6,600)	(100,290)
Travel and accommodation		(8,525)	(9,400)
Other expenses from ordinary activities		(40,777)	(50,335)
Loss before income tax expense		(1,130,771)	(4,410,867)
Income tax expense		-	-
Loss after income tax expense		(1,130,771)	(4,410,867)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		-	-
Total comprehensive loss attributable to members of Silver City Minerals Limited		(1,130,771)	(4,410,867)
Earnings per share			
Basic (loss) per share (cents per share)	10	(0.97)	(3.79)
Diluted (loss) per share (cents per share)	10	(0.97)	(3.79)

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



Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 Dec 2015 \$	30 Jun 2015 \$
Current assets			
Cash assets	5	1,391,572	2,050,188
Receivables		39,825	45,153
Tenement security deposits	7	20,000	10,000
Total current assets		1,451,397	2,105,341
Non-current assets			
Receivables		1,600	1,600
Tenement security deposits	7	110,000	130,000
Property, plant and equipment		37,984	54,917
Deferred exploration and evaluation expenditure	6	4,219,579	4,628,376
Total non-current assets		4,369,163	4,814,893
Total assets		5,820,560	6,920,234
Current liabilities			
Payables		116,398	64,762
Provisions		21,582	47,411
Total current liabilities		137,980	112,173
Non-current liabilities			
Provisions		33,573	43,552
Total non-current liabilities		33,573	43,552
Total liabilities		171,553	155,725
Net assets		5,649,007	6,764,509
Equity			
Contributed equity	8	13,773,496	13,773,496
Accumulated losses		(8,251,860)	(7,150,989)
Reserves	9	127,371	142,002
Total equity		5,649,007	6,764,509

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 2015

	Note	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2014		14,065,169	(3,599,638)	929,368	11,394,899
Loss for the period		-	(4,410,867)	-	(4,410,867)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(4,410,867)	-	(4,410,867)
Transactions with owners in their capacity as owners:					
Cost of share based payments taken directly to equity		-	-	100,290	100,290
Expired option value transferred to accumulated losses		(291,673)	1,119,013	(827,340)	-
Foreign currency translation		-	-	3,326	3,326
At 31 December 2014		13,773,496	(6,891,492)	205,644	7,087,648
At 1 July 2015		13,773,496	(7,150,989)	142,002	6,764,509
Loss for the period		-	(1,130,771)	-	(1,130,771)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	(1,130,771)	-	(1,130,771)
Transactions with owners in their capacity as owners:					
Cost of share based payments taken directly to equity	9	-	-	6,600	6,600
Expired option value transferred to accumulated losses	9	-	29,900	(29,900)	-
Foreign currency translation		-	-	8,669	8,669
At 31 December 2015		13,773,496	(8,251,860)	127,371	5,649,007

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 2015

	Note	31 Dec 2015 \$	31 Dec 2014 \$
Cash flows from operating activities			
Payment to suppliers and employees		(282,468)	(355,584)
JV income		44,029	9,886
Interest received		23,474	53,449
Net cash flows from/(used in) operating activities		(214,965)	(292,249)
Cash flows from investing activities			
Purchase of motor vehicle and fixed assets		-	(20,350)
Expenditure on mining interests (exploration)		(454,470)	(722,949)
Tenement security deposits		10,000	10,000
Net cash flows (used in) investing activities		(444,470)	(733,299)
Cash flows from financing activities			
Proceeds from issue of equity		-	-
Equity raising expenses		-	-
Net cash flows from financing activities		-	-
Net increase (decrease) in cash held		(659,435)	(1,025,548)
Net foreign exchange differences		819	346
Add opening cash brought forward		2,050,188	3,788,059
Closing cash carried forward	5	1,391,572	2,762,857

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 2015

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 10 March 2016. Silver City Minerals Limited (the parent) is a company incorporated in Australia and Limited by shares which are publicly traded on the Australian Securities Exchange using the ASX code SCI.

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

2. Summary of significant accounting policies

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

The half year financial report should be read in conjunction with the Annual Financial Report of SCI as at 30 June 2015.

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 2015 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 2015.

Management has reviewed and assessed the new accounting standards effective 1 July 2015 and these have been deemed to be not applicable to the Group.

Fair value measurement

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

Basis of consolidation

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



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2015

3. Segment information

The operating segments identified by management are as follows:

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

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

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

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

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

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

4. Revenue

	31 Dec 2015	31 Dec 2014
	\$	\$
Interest received	20,644	56,601
JV income	44,936	35,951
	65,580	92,552

5. Cash and cash equivalents

	31 Dec 2015	30 Jun 2015
	\$	\$
Cash at bank	157,322	277,666
Money market securities – bank deposits	1,234,250	1,772,522
	1,391,572	2,050,188

6. Deferred exploration and evaluation expenditure

	31 Dec 2015	30 Jun 2015
	\$	\$
Costs brought forward	4,628,376	7,449,657
Costs incurred during the period	498,205	1,278,503
Expenditure written off during the period	(914,856)	(4,099,784)
Foreign currency translation differences	7,854	-
Costs carried forward	4,219,579	4,628,376



Notes to the Consolidated Financial Statements

For the half year ended 31 December 2015

7. Contingent assets and liabilities

The Group has provided guarantees totalling \$130,000 (30 June 2015: \$140,000) in respect of exploration tenements. These guarantees in respect of mining tenements are secured against deposits a banking institution. The Group does not expect to incur any material liability in respect of the guarantees.

8. Contributed equity

Share capital

116,300,601 fully paid ordinary shares
(30 Jun 15: 116,300,601)

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share issue costs

31 Dec 2015	30 Jun 2015
\$	\$
14,686,700	14,686,700
(913,204)	(913,204)
13,773,496	13,773,496

Movements in ordinary shares on issue

At 31 December 2014

Shares issued

At 30 June 2015

Shares issued

At 31 December 2015

Number	\$
116,300,601	14,686,700
-	-
116,300,601	14,686,700
-	-
116,300,601	14,686,700

An amount of 10,500,000 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 2015

9. Reserves

Share based payments

		Number	\$
Movements in share based payments			
At 31 December 2014		13,500,000	202,910
Options expired	(i)	(3,000,000)	(46,500)
At 30 June 2015		10,500,000	156,410
Options issued	(ii)	1,000,000	6,600
Options expired	(iii)	(1,000,000)	(29,900)
At 31 December 2015		10,500,000	133,110

- (i) 3,000,000 options expired during the period ended 31 December 2014.
- (ii) 1,000,000 options were issued to the Managing Director of the Company and approved by shareholders at the Company's AGM held in November 2015. The options were issued with an exercise price of \$0.04 and expiry date of 24 November 2018.
- (iii) 1,000,000 options expired during the period ended 31 December 2015.

Foreign currency translation reserve

An additional amount of (\$5,739) (30 June 2015: (\$14,408)) is in a Foreign Currency Translation Reserve.

10. Earnings per share

	31 Dec 2015	31 Dec 2014
	Cents per share	Cents per share
Basic earnings (loss) per share	(0.97)	(3.79)
Diluted earnings (loss) per share	(0.97)	(3.79)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	116,300,601	116,300,601
	\$	\$
Earnings (loss) used in calculating basic and diluted EPS	(1,130,771)	(4,410,867)

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 2015 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 Group are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Group's financial position as at 31 December 2015 and the performance for the half year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Bob Besley
Chairman

Sydney, 10 March 2016



Auditor's Independent Review Report



CHARTERED ACCOUNTANTS

Independent Auditor's Review Report

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

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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 2015, 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 2015 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 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDJ Partners
Chartered Accountants



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Anthony J Dowell
Partner

10 March 2016

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Auditor's Independence Declaration



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

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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 2015 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

8 March 2016

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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

Level 1, 80 Chandos Street

St Leonards, NSW 2065

PO Box 956, Crows Nest, NSW 1585

Telephone: 02 9437 7137

Facsimile: 02 9906 5233

Website: www.silvercityminerals.com.au

E-mail: info@silvercityminerals.com.au

Share Registry

Boardroom Pty Limited

GPO Box 3993

Sydney, NSW 2001

Telephone:

+61 2 9290 9600

Email:

enquiries@boardroomlimited.com.au

Website:

www.boardroomlimited.com.au

Auditors

BDJ Partners

Bankers

Commonwealth Bank of Australia

Bank West

Securities Exchange Listing

Listed on Australian Securities Exchange Limited

ASX Code: SCI

