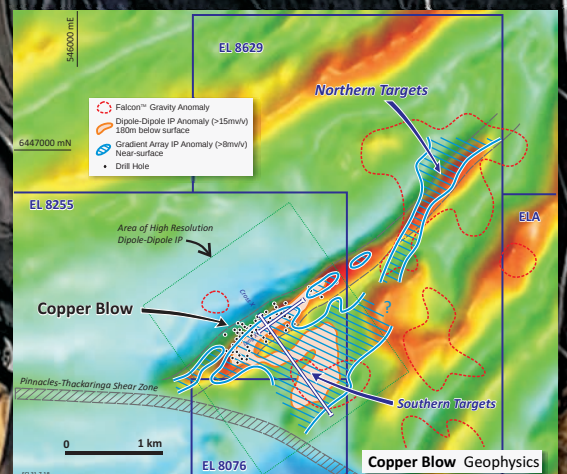


Silver City Minerals Limited

ANNUAL REPORT 2018



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Chairman's Letter

Dear Fellow Shareholders

The past year has seen good improvement in a number of commodity prices and an improved market for explorers particularly in the first half. Towards the end of the year prices softened and the junior end of the resources market was not as well supported.

Silver City Minerals has maintained a focus on copper and zinc as these metals have strong fundamental outlooks. Copper prices in Australian dollar terms have remained strong over the year with LME stocks showing a significant decline over the past 5 years. There is widespread recognition that copper is likely to continue in tight supply based on the growth of electric cars and energy metal needs. Zinc prices also remained strong during the year while LME stocks were at very low levels having declined from 1 million tonnes to 240,000 tonnes over the past 5 years. A number of large zinc mines have come to the end of their lives and limited new projects are in the pipeline.

The past year has delivered some exciting drill results for the Company that has uncovered a significant IOCG style copper-gold (+cobalt) deposit 20 kilometres south of Broken Hill. This is the Copper Blow deposit where drilling over the past year has intersected a number of high grade lenses of greater than 2% copper as well as broad of 1% copper along an 1000 metre strike length. Mineralisation tested to date is located in a 100-200 metre wide strongly altered and magnetite bearing shear zone that has been traced for 4.5 kilometres, much of which remains to be drill tested.

Geophysical and geochemical surveys completed over the last few months are indicating the IOCG style of mineralisation has a much larger footprint than initially recognised with very strong Induced Polarisation responses indicative of sulphide mineralisation extending up to 1 kilometre south east of Copper Blow and over 4 kilometres in a north west direction. This extensive system has the potential to host large tonnage copper-gold deposits and will be the focus of drilling programmes over the coming year.

The great advantage for development of the Copper Blow deposit is its close proximity to the established infrastructure at Broken Hill. Power, rail and sealed road are all within a few kilometres and the City of Broken Hill has all the facilities of a major mining centre. There are two operating mines with large processing facilities. Copper Blow is a contributing joint venture with CBH Resources (SCI 75%, CBH 25%) who operate the Rasp Mine at Broken Hill.

The Broken Hill District is a highly mineralised province that hosts the world's largest and highest grade zinc-lead-silver deposit. It is also part of the geological terrain that hosts large scale IOCG copper deposits across the Gawler Craton in SA and the Curnamona Craton in SA and NSW that includes the massive Olympic Dam deposit. Exploration activities by Silver City Minerals over several years has demonstrated that much of the Broken Hill District is poorly explored and the potential for discovery of world class orebodies is outstanding.

In addition to the copper-gold IOCG system at Copper Blow, the Company has been exploring a potential repeat of the Broken Hill ore system some 15 kilometres along strike to the north. This is the Razorback West project that is a fault displaced block of Broken Hill host rocks that has a strike length of 12 kilometres and is held 100% by Silver City. This zone is largely covered by outwash gravels but RAB drilling has identified lead and zinc anomalies that are 5 kilometres long. Prior to Silver City acquiring the ground this 12-kilometre trend had never been drill tested despite being within 15 kilometres along strike from world's richest base metal deposit.

Some 40 kilometres north of Broken Hill Silver City has established a belt of copper and cobalt mineralisation over a 25 kilometre strike length. Past data and recent SCI surface sampling along this zone has recorded values of greater than 0.5% copper in 107 of 723 samples (14%) with a maximum value of 38% copper. Anomalous cobalt was also recorded with a maximum value of 0.23% cobalt. This represents a significant regional copper-cobalt trend not previously recognised at Broken Hill.

The Company also holds exploration titles in the Cobar Basin some 400 kilometres east of Broken Hill, a prolific base and precious metal producer over many decades.

Everyone in the Company is very focused on achieving a commercial discovery in the Broken Hill and Cobar Districts. I would like to acknowledge the outstanding efforts of the entire team led by Chris Torrey our Managing Director.

Thank you for your continued support.



Bob Besley
Chairman

Review of Operations

Project activities

Silver City Minerals (ASX:SCI) has maintained a strong focus on the Copper Blow copper-gold project, located close to Broken Hill in western New South Wales (Figure 1). Last year at the time of writing the Annual Report, the Company had just completed its first drill hole at Copper Blow. Now it has completed thirty holes for just over 7600 metres drilled. A fourth round of drilling has commenced at the time of writing this year's report. The Company has also undertaken extensive ground geophysical surveys, surface geochemical surveys and preliminary metallurgical test work.

Drilling shows that copper-gold mineralisation occurs as sulphides within a magnetic ironstone. The ironstone forms within an elongate shear zone 4.5 kilometres long. Drilling is concentrated over a 1-kilometre portion of this magnetic rock located in the southwestern part of the shear zone. The remaining three and half kilometres remains to be tested.

Interpretation of geophysical surveys, particularly induced polarisation (IP), suggests that sulphide is not solely restricted to the ironstone horizon and that large, intense IP anomalies, indicative of sulphide mineralisation, are hosted in non-magnetic rock adjacent to the ironstone. One of these was being drill-tested at the time of writing.

The size and extent of IP anomalies both within magnetic and non-magnetic rocks suggest that the mineralised system is much larger than originally anticipated based solely on the distribution of magnetic ironstone. New anomalies to the southeast and northeast of known mineralisation at Copper Blow provide appreciable upside for abundant copper-gold mineralisation.

During the year the Company has had a strong focus on copper mineralisation in the Broken Hill district outside the Copper Blow project. It initiated an exploration program to review and sample copper-rich occurrences within existing tenements, especially those associated with ironstones. Initial work focussed on the Yalcowinna tenement to the northeast of Broken Hill where historic work identified a belt of copper and copper-cobalt rich rocks over 25 kilometres.

In the Cobar district the Company has begun geological work on the Tindery exploration licence located close to the Endeavor zinc-lead-silver mine and considers the tenements it has in the area have potential for both copper and zinc-lead-silver mineralisation.

SCI spent approximately \$2.2 million on in-ground exploration this year, almost \$1 million up on last year, largely due to positive results at Copper Blow. Of this almost all was spent in the Broken Hill district (\$2.14 million) with approximately \$60,000 spent in the Cobar district and evaluation of new projects. This year expenditure on drilling and associated expenses was \$1.65 million, considerably up on last year, and representing 75% of all inground costs. Approximately \$175,000 was expended on geophysics.

Administration expenditure for the year was \$659,000 consistent with previous years.

In July 2017 the Company raised \$428,000 through a share placement which was followed by a share purchase plan in August 2017 which raised a further \$250,000. In March 2018 the Company raised a further \$1.962 million (before costs). The purpose of those issues was to enable drill testing of the copper-gold mineralisation at the Copper Blow.

Broken Hill, New South Wales

Copper Blow (EL 8255 Coombarra, EL 8629 Saltbush and EL 8076 Lynor; SCI 75%, CBH Resources 25%; both contributing)

The Copper Blow project is located 20 kilometres south of Broken Hill (Figure 1). The Company was first drawn to the project when reviewing old drill holes data. An intersection from a hole drilled in 1988 returned 11.9 metres at 6.7% copper and 1.92 g/t gold (ASX Release 4 May 2017).

The key feature to the project is an elongate magnetic anomaly which is 100-200 metres wide and extends for 4.5 kilometres in a north-easterly direction (Figure 5). The anomaly serves to outline the extent of a high strain shear zone (the Copper Blow Shear) which hosts abundant iron oxide (ironstone) in the form of magnetite. The magnetite is not part of the host rock sedimentary sequence but was introduced into the shear zone as a hydrothermal fluid during deformation.

Copper, gold and cobalt mineralisation was similarly introduced into the shear to form sulphide minerals. The sulphides metasomatically replace and are intimately associated with magnetite. The shear zone is surrounded by a zone of strong potassium alteration with abundant potassium-rich minerals such as biotite and potassium feldspar. The magnetite-biotite-quartz component of the shear zone displays characteristics of high strain. The sulphide component of the shear locally displays breccia textures and is associated with coarse brecciated quartz veins.

Review of Operations

The copper-gold-rich zones drilled by SCI have a distinctive elevated trace element geochemistry characterised by elements including molybdenum, silver, rhenium, phosphorous, cobalt, lanthanum, indium, cerium and nickel. This distinctive geochemistry and the form and nature of the surrounding alteration minerals strongly suggests this mineralisation is of the iron oxide copper-gold (IOCG) type. This style of deposit produces significant quantities of copper and gold worldwide. Deposits range in size from 1 million tonnes of high grade gold ore at Tennent Creek in the Northern Territory to super-giants (+10 billion tonnes) such as Olympic Dam in South Australia which is mined for copper and uranium. Copper Blow displays geological similarities to several deposits in Australia including Ernest Henry (Qld), Prominent Hill (SA) and Selwyn (Qld).

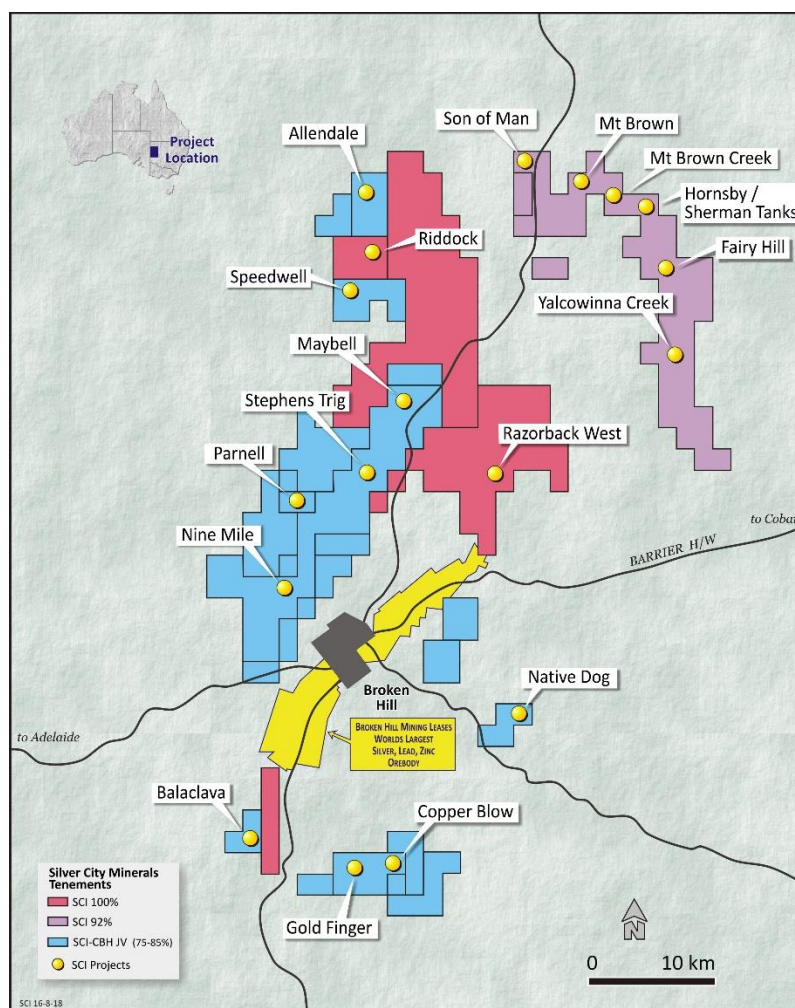


Figure 1. Silver City tenements at Broken Hill

Drilling

Copper Blow is in the southwestern portion of the shear zone where drilling has focussed over a strike length of 1 kilometre. Drill hole intersections have been presented in ASX releases and Quarterly Reports during the year. A summary of significant results is outlined below:

South Zone

- 4 metres at 6.1% copper, 4.23 g/t Au, 13 g/t Ag and 220 ppm cobalt from 188 metres, including 1 metre at 11.3% copper, 10.7 g/t gold, 25 g/t silver and 405 ppm cobalt from 191 metres in hole 17CB041 (ASX Release 5 October 2017)
- 8.22 metres at 1.9% copper and 0.53 g/t gold from 131.78 metres, including 4 metres at 2.5% copper and 0.83 g/t gold from 131.78 in hole 18CH043 (ASX Release 26 Sept 2018)
- 7 metres at 3.7% copper and 1.07 g/t gold from 126 metres, including 3 metres at 7.4% copper and 2.38 g/t gold from 127 metres in hole 17CB045 (ASX Release 26 Oct 2017)

Review of Operations

- 5 metres at 1.2 % copper and 0.42 g/t gold from 91 metres in hole 17CB048(ASX Release 26 Oct 2017)
- 9 metres at 1.0% copper and 0.26 g/t gold from 112 metres in hole 17CB048(ASX Release 26 Oct 2017)
- 5.2 metres at 0.14% cobalt from 400 metres in hole 17CB042(ASX Release 26 Oct 2017)

North Zone

- 41.2 metres at 1.3% copper and 0.40 g/t gold from 183.8 metres in hole 18CB054 including 7 metres at 2.0% copper and 0.99 g/t gold from 189 metres and 7 metres at 2.0% copper and 0.48 g/t gold from 208 metres (ASX Release 22 February 2018)
- 61 metres at 0.7% copper and 0.14 g/t gold from 184 metres in hole 18CB055(ASX Release 28 May 2018)
- 31 metres at 1.0% copper and 0.26 g/t gold from 270 metres including 15 metres at 1.6% copper and 0.32 g/t gold from 285 metres in hole 18CB057 (ASX Release 5 July 2018)
- 21 metres at 0.4% copper and 0.1 g/t gold from 139 metres in hole 18CB058 (ASX Release 5 July 2018)
- 16 metres at 0.5% copper and 0.18 g/t gold from 130 metres in hole 18CB063 (ASX Release 5 July 2018)

The North Zone hosts broad intersections of copper-gold mineralisation in a steeply plunging structure, has generally consistent, evenly distributed copper-gold mineralisation and is in a single magnetite-rich zone. The down-dip, down-plunge part of this structure is being drill tested at the time of writing (Figures 3 and 4). The South Zone hosts several steeply dipping magnetite lodes.

Geophysics and Geochemistry

Interpretation of geophysical surveys, particularly IP, suggests that potential copper-gold mineralisation is not solely restricted to the magnetic ironstone structure. Large, strong IP anomalies, indicative of sulphide mineralisation, are hosted in non-magnetic rock adjacent to the ironstone (Figures 2 and 3). A soil geochemical survey over the IP anomalies in the Southern Target zone (Figure 5) suggests it is related to the IOCG mineralisation in the adjacent ironstone.

On a more regional scale IP surveys indicate other zones of potential copper-gold mineralisation. Gradient array IP surveys show extensive anomalism within or adjacent to the magnetic ironstone rocks (Northern Targets in Figure 5). More extensive soil geochemical programs are being conducted over areas of IP anomalism to assist in drill target definition (ASX Release 3 Sept 2018).

Metallurgy

The Company completed preliminary test work on three samples. Each represents a style of mineralisation prevalent at Copper Blow. These have been classified based on their copper or cobalt content and were selected from SCI drill holes (ASX Release 27 March 2018).

Flotation test work was carried out on high-grade (7.6%) copper mineralisation located on the South Zone, a lower grade (0.9%) copper sample in the North Zone and a pyritic cobalt (0.13% Co) sample also from the South Zone.

The high-grade sample responded well to typical industry copper flotation conditions at moderate grind sizes and yielded high recoveries at 97% copper to a concentrate grading 26%.

The lower grade sample also responded well at a moderate grind size, and yielded a good recovery of 87.5% copper to a concentrate grading 26% copper after regrinding and cleaning.

Pyritic sample achieved a high cobalt recovery of 93% at a concentrate grade of 0.5% after a fine grind. Cleaning had minimal effect to the recovery. The work shows that cobalt is largely contained within pyrite.

Synopsis

Exploration work by the Company at Copper Blow has shown that the mineralised complex is large, extending for at least 4 kilometres along strike and covering an area of 2 to 3 square kilometres. This suggests a much larger mineralised complex and potentially more copper and gold than that solely hosted in the magnetic ironstone complex where drilling has been focussed. Favourable metallurgical recoveries were achieved for copper and cobalt in magnetic ironstone samples.

The Company has previously suggested that mineralisation might be related to intrusive igneous rock, or that the non-magnetic IP anomalies may be responding to sulphide hosted in hematite breccias, a common ore type in iron oxide copper-gold (IOCG) deposits.

Review of Operations

Company geologists suggest that not only is the Copper Blow magnetite-bearing shear zone an excellent conduit and trap for copper-gold mineralisation, but the likely source of mineralising fluids may be an adjacent, copper-gold mineralised, magmatic intrusive complex which is not well exposed.

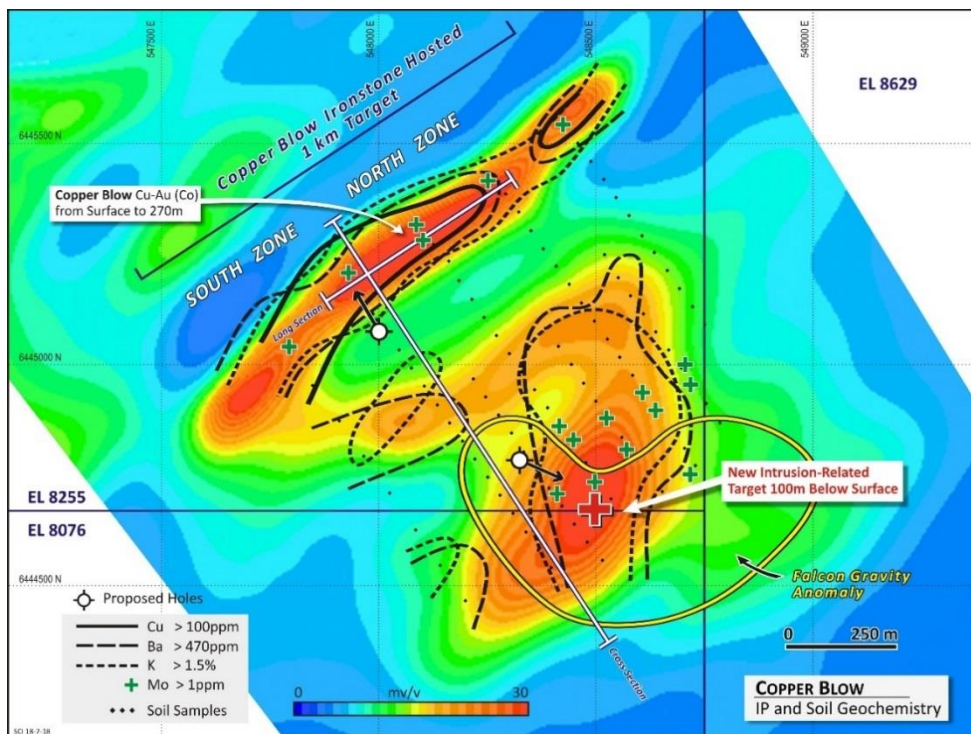


Figure 2. Image is a horizontal slice through the IP chargeability model at about 180 metres below surface. It shows elevated chargeabilities over the copper-sulphide-bearing magnetic ironstone at Copper Blow where drilling has taken place. The position of the Long Section (Figure 4) and the Cross Section (Figure 3) are shown. The Falcon gravity anomaly is derived from a publicly available gravity gradiometry survey flow in the district in 2001.

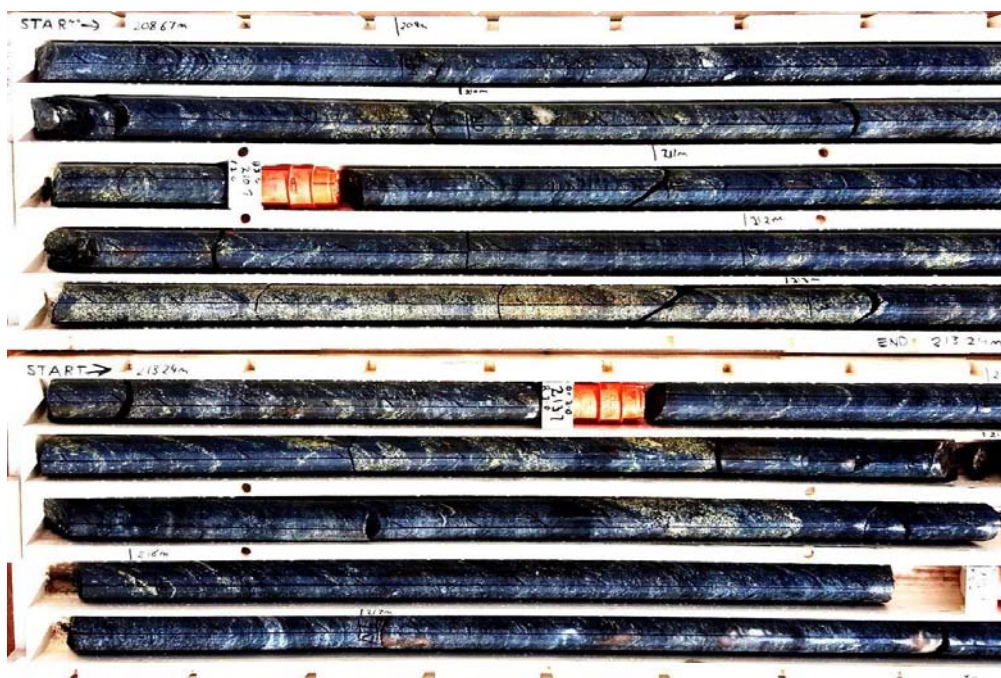


Plate 1. Example of abundant copper mineralisation in magnetite rich rocks in hole 18CB054. Black is predominantly magnetite, biotite and quartz. Yellow-bronze speckle is sulphide dominated by chalcopyrite (copper sulphide).

Review of Operations

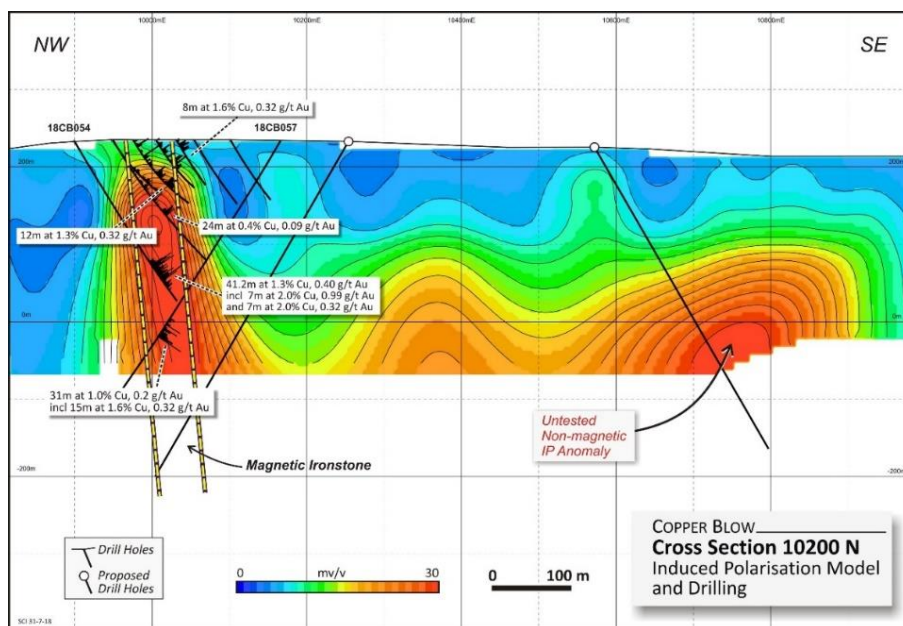


Figure 3. Image is a vertical slice through the IP chargeability model and shows a clear relationship between elevated chargeabilities in the magnetic ironstone and copper mineralisation (left-hand side of diagram). The anomaly to the southeast (right-hand side of diagram) has no appreciable magnetic signature and is being drill-tested at the time of writing.

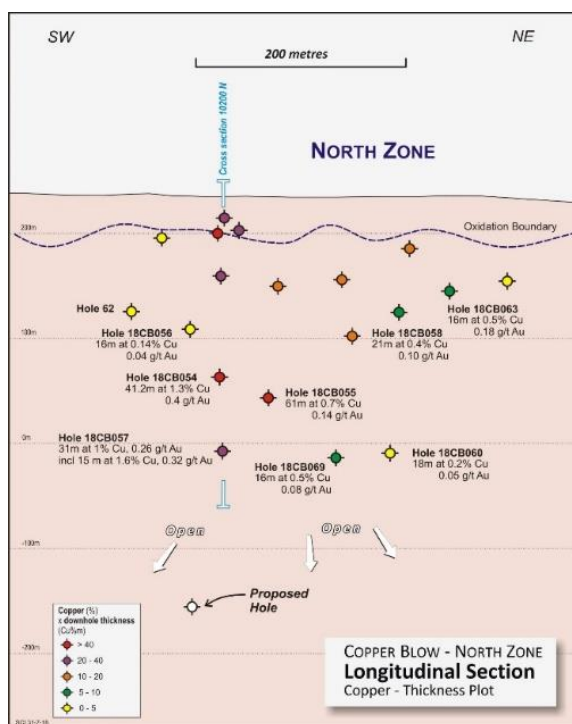


Figure 4. Longitudinal Section of the North Zone at Copper Blow. Grade x downhole thickness plot. Each point represents the piercement point of the centre of each drill hole intersection. The proposed hole located down-plunge of mineralisation was being drilled at the time of writing.

Review of Operations

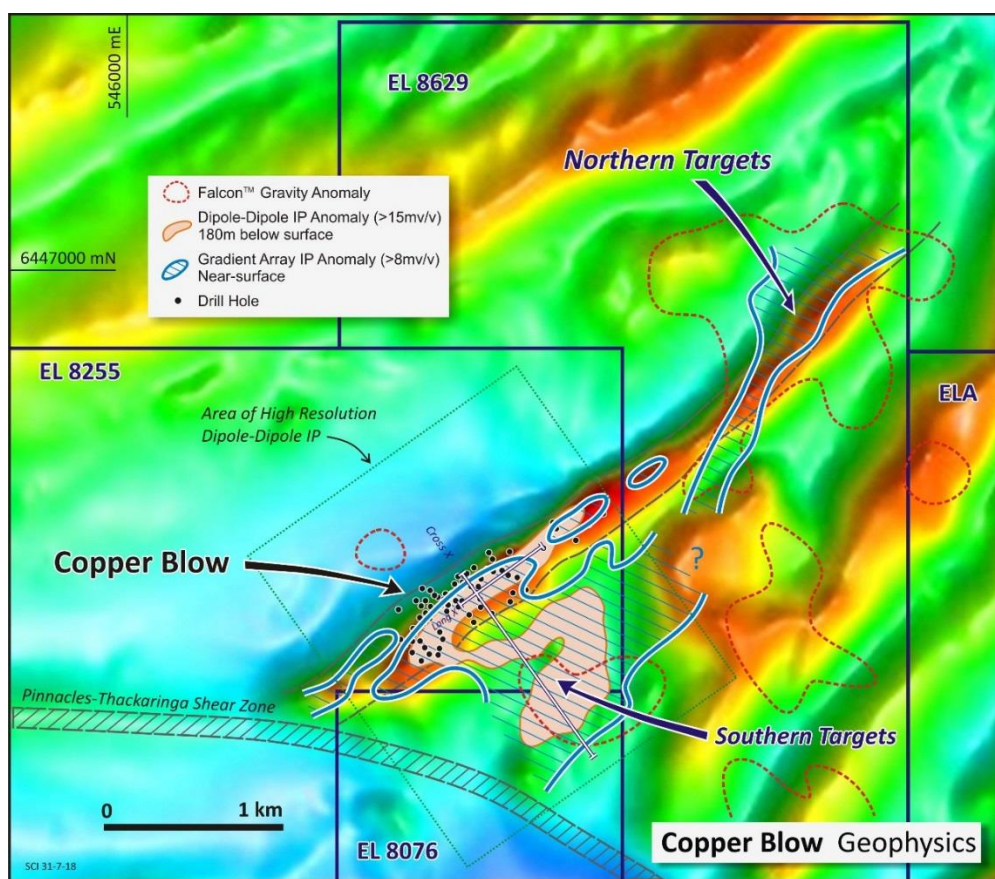


Figure 5. Simplified geophysical map showing background image of reduced-to-pole magnetics, gradient array contour at 8mv/v, the extent of the dipole-dipole IP survey, a horizontal slice of the IP model at 180 metres below surface (15mv/v contour) and Falcon TM gravity anomalies. Diagram shows that the location of interpreted sulphide-bearing rock defined by the 8mv/v contour is significantly larger than the linear magnetic anomaly which host known copper-gold mineralisation at Copper Blow.

Yalcowinna (EL 8078, SCI 92%, EGC 8% free carry to BFS)

During the year the Company embarked on a review of copper mineralisation within its existing tenements at Broken Hill. This review is ongoing and has been accompanied by field work and rock chip sampling. Results of this study were pending at the time of writing however an historic review of geochemical data for the Yalcowinna tenement has been completed. It indicates a belt of copper and copper-cobalt mineralisation located to the northeast of Broken Hill extends for over 25 kilometres (ASX Release 17 October 2017).

Copper mineralisation was identified during field mapping by the NSW Geological Survey and previous explorers. The review found data for 723 surface rock chip analyses, 126 of which were collected by SCI.

One hundred and seven (107) or 14% of all samples contain greater than or equal to 0.5% copper. Fifty-eight (58) samples returned 2% copper or more with a maximum value of 37.7% recorded at Fairy Hill. Ninety (90) or 12% of all samples contain greater than or equal to 200 ppm cobalt with a maximum value of 0.23% cobalt recorded at Parnalleroo.

Follow-up work has commenced within the licence with preliminary rock chip sampling and IP surveys ongoing at Yalcowinna Creek (Figure 6).

Review of Operations

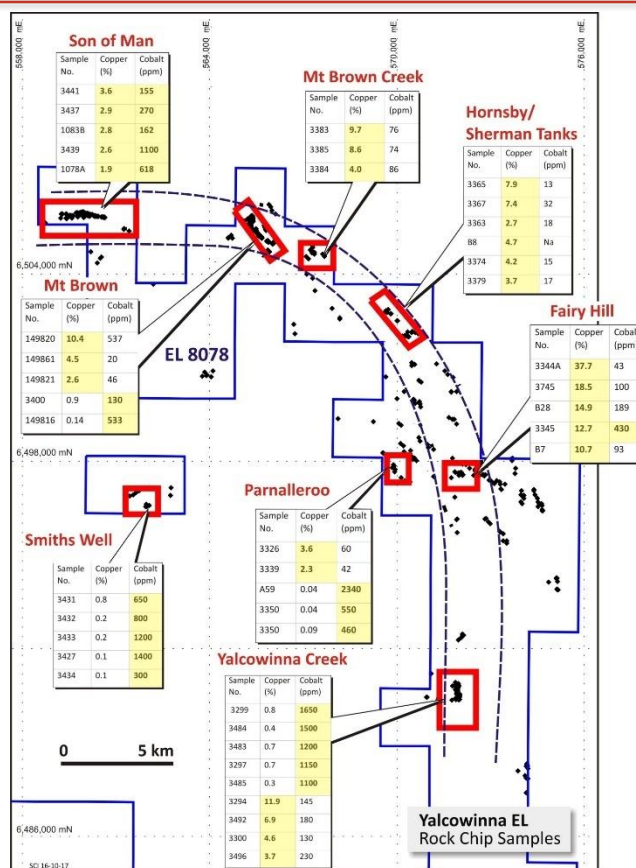


Figure 6. Historic rock chip samples from Yalcowinna EL

Razorback West (EL 8077 100% SCI)

Razorback West is a highly prospective zinc-lead-silver project hosted in the fault-offset, northern extension of the Broken Hill mine corridor. The corridor contains the same host rocks as the large Broken Hill orebody located 15 kilometres to the southwest. Within the SCI exploration licence these rocks extend for 12 kilometres along strike. SCI has concentrated exploration in the poorly exposed, southern part of this corridor where it has outlined zinc and lead geochemical anomalies beneath a veneer of alluvium and soil over 5 kilometres long. These are coincident with geophysical anomalies including IP, magnetics and gravity (ASX Release 15 January 2013). During the year a ground gravity survey was undertaken to map the prospective rocks in more detail.



Plate 2 Drilling Copper Blow

Review of Operations

Drilling by SCI focused on a central zinc anomaly and encountered a northwest-dipping zone of anomalous zinc and lead (Annual Report 2017). Limited historic rotary air blast (RAB) drilling in the northern part of the corridor hosts a similar zinc anomaly which has never been drilled (Figures 7). Of significant interest is an elongate lead anomaly to the west and subparallel to the main zinc anomaly. It extends for approximately 7 kilometres and is 100 to 300 metres wide. It coincides with an IP chargeability anomaly which is 1 kilometre long and hosts elevated ground gravity responses.

Geological interpretation, based on core drilling, suggests the western lead anomaly marks the stratigraphic position of the Hores Gneiss. This rock lies in the upper parts of the Broken Hill Group and is host to, or intimately associated with, some of the most significant zinc-lead-silver ore bodies at Broken Hill.

This western zone has never been drilled and the Company plans more detailed work including RAB and RC drilling. It considers there is significant potential for discovery of a Broken Hill type deposit in this area.

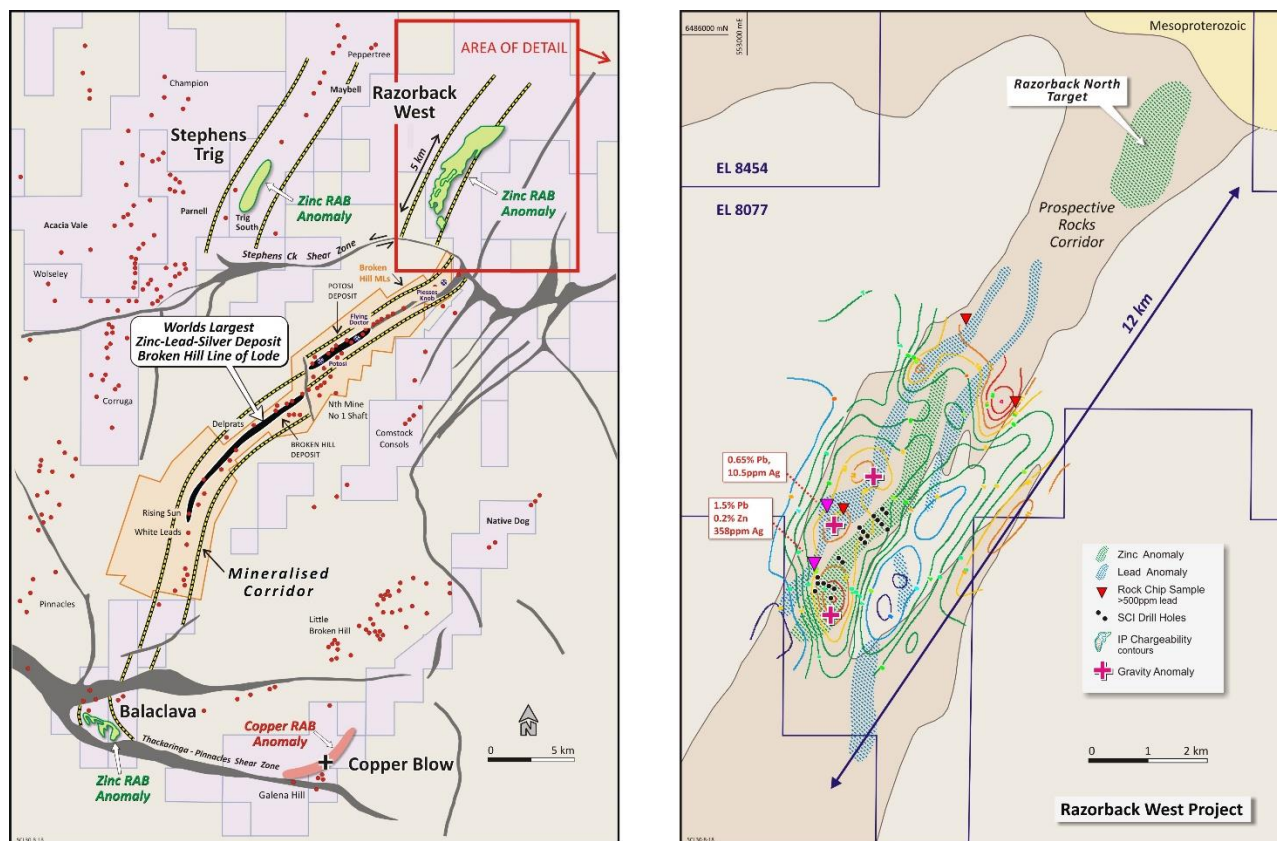


Figure 7. Regional diagram (left) shows relationship of Razorback West and Copper Blow with respect to the large Broken Hill orebody. The diagram to the right shows the Razorback West project in more detail. The prospective rock package extending for 12km is shown. Drilling to date has only focussed on the central zinc anomaly. The western lead anomaly is interpreted to lie in the same stratigraphic position as the Broken Hill orebody, it hosts IP and gravity anomalies and has not yet been drill tested.

Other Projects

Silver City remains focussed on the Broken Hill and Cobar mining districts. It has recently embarked on both regional and detailed assessments of copper mineralisation within its tenements in both districts. Both host significant metalliferous deposits and mines and potential for discovery is high.

In the Broken Hill area, the Company is undertaking rock chip sampling, geological mapping and ground geophysical programs. At Cobar it plans to drill the Wilga Downs magnetic anomaly which is a joint venture with Thomson Resources (Annual Report 2017). It has also commenced reconnaissance work within the Tindery licence (EL 8579), near the Endeavor Mine at Cobar, where several electromagnetic geophysical and other geological targets exist. It anticipates RAB drilling within this tenement in the coming year (Figure 8).

Review of Operations

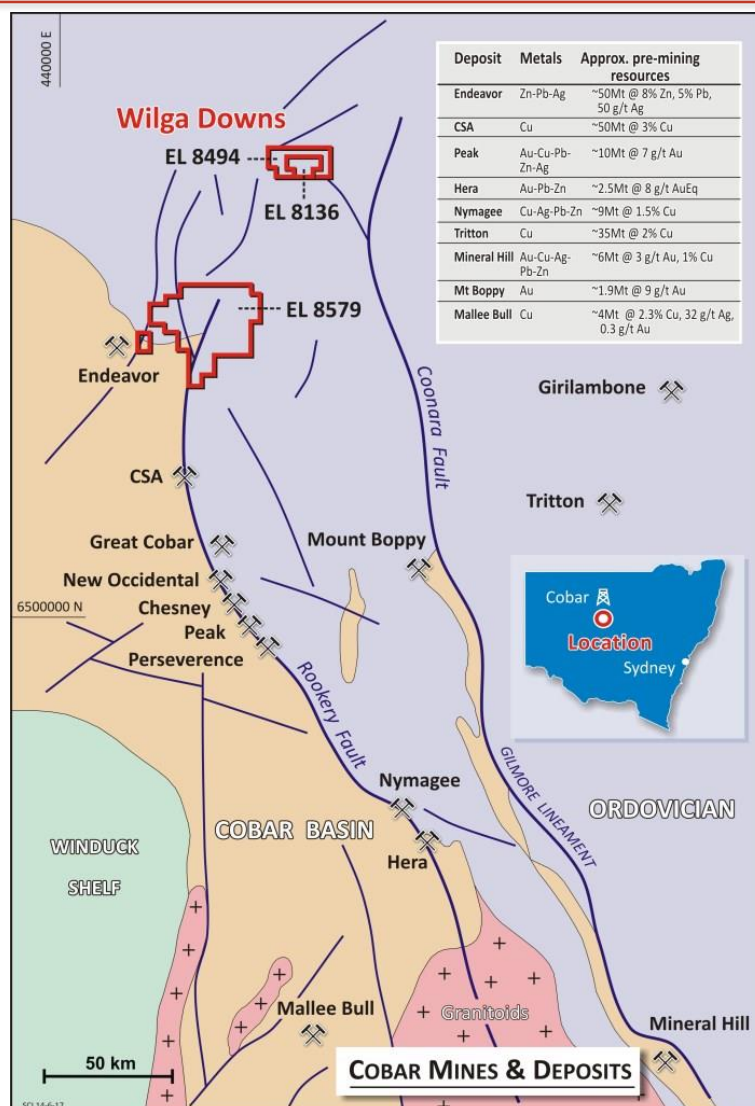


Figure 8. SCI tenements in the Cobar district

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.

This report contains information extracted from the reports to the ASX cited in the body of this report. All are available to view on the website www.silvercityminerals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Schedule of Tenements

As at 6 September 2018

Tenement	Tenement no.	SCI interest	Joint venture details
New South Wales			
Aragon	EL 7300	85%	CBH 15%, Eaglehawk 0.5% NSR
Aspen	EL 8685	92%	Eaglehawk 8%, Note 3
Coombarra	EL 8255	75%	CBH 25% contributing interest
Enmore	EL 8333	100%	
Lynor	EL 8076	75%	CBH 25% contributing interest
Native Dog	EL 8236	75%	CBH 25%, Note 1
Rantygga	ELA 5702	100%	
Razorback	EL 8077	100%	
Riddock	EL 8020	100%	
Rildar	EL 8074	75%	CBH 25% contributing interest
Saltbush	EL 8629	75%	CBH 25% contributing interest
Southern Cross	EL 8495	75%	CBH 25%
Tindery	EL 8579	100%	
White Tank	EL 8496	100%	
Wilga Downs	EL 8136	0%	SCI can earn 80%, Thomson Resources 100%
Willyama	EL 8075	75%	CBH 25%, Note 1
Yalcowinna	EL 8078	92%	Eaglehawk 8% in area of previous EL 7319, Notes 1 and 3
Yanco	EL 8454	100%	
Yellowstone	EL 7390	20%	Note 2 Impact Minerals 80%

EL = Exploration Licence

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

Note 2 Silver City has an agreement with Impact Minerals on the lead-zinc-silver metal rights for this EL. Silver City's interest is free-carried to a Decision to Mine.

Note 3 Eaglehawk has an 8% interest carried to the completion of a BFS in EL 8695 and in 45 of the 50 units that are now EL 8078. On completion of a BFS, Eaglehawk can contribute to retain the 8% interest or revert to a 0.2% NSR.

Directors' Report

Your directors submit their report for the year ended 30 June 2018.

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, that became KBL Mining Limited. He is a Director and Chairman of the listed company Image Resources that is building a new mineral sands mine in Western Australia. Bob has served on a number of Government and Industry advisory boards.

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

- ▶ KBL Mining Limited - appointed 29 February 2008, resigned November 2016
- ▶ Image Resources NL- appointed 9th June 2016

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

Managing Director

Director since 23 August 2010

Chris is a geologist with over 35 years international exploration experience. He started his career with large north American mining companies, notable Noranda and Cyprus Amax where he attained 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 not served as a director of any other listed companies.

Gregory Jones, BSc (Hons), MAusIMM, MAIG

Non-Executive Director

Director since 30 April 2009

Greg is a geologist with over 30 years of exploration and operational experience gained in a broad range of metalliferous commodities within Australia and overseas. Greg has held senior positions in a number of resource companies including Western Mining Corporation and Sino Gold Mining Limited. 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.

Directors' Report

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, resigned 27 November 2017
- ▶ Thomson Resources Ltd – appointed 17 July 2009
- ▶ Moly Mines Limited – appointed August 2014, resigned 17 April 2018

Professor Ian Plimer, BSc (Hons), PhD, FGS, FTSE, FAIMM

Non-Executive Director

Director since 21 February 2011 (resigned 20 November 2017)

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, resigned March 2016

Josh Puckridge

Non-Executive Director

Director since 3 February 2017

Josh is a Corporate Finance Executive formerly working as a specialist Equity Capital Markets Advisor for Fleming Australia, a Corporate Advisory and Funds Management firm. He has significant experience within funds management, capital raising, mergers, acquisitions and divestments of projects by companies listed on the Australian Securities Exchange.

Formerly Executive Director and Chief Executive of Discovery Resources Limited, Mr Puckridge structured the acquisition of the Canberra Casino and the relisting of the Company as Aquis Entertainment Limited. He was a founding Director of Windward Resources Limited, seeding and listing the Company and raising more than \$11m. Mr Puckridge coordinated the change of Board of TopTung Ltd (then, Krucible Metals Limited), returning \$5m to its shareholders in 2015; subsequently, the Company acquired a NSW based tungsten project. Mr Puckridge also holds various positions on private company boards.

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

- ▶ Blaze International Ltd – appointed 4 December 2015
- ▶ MCS Services Ltd – appointed 27 May 2015, resigned 14 July 2017
- ▶ Fraser Range Metals Group Ltd – appointed 20 January 2016
- ▶ Alcidion Group Ltd – appointed 9 March 2015, resigned 29 November 2016

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	3,157,044	1,500,000
C Torrey	1,430,889	2,750,000
G Jones	-	1,000,000
J Puckridge	-	-

Directors' Report

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 Thomson Resources Ltd and Lynas Corporation Ltd.

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 profit of \$43,520 (2017: loss of \$1,673,633).

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.

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 2018 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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.

Directors' Report

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
750,000	Ordinary	\$0.04	24 November 2018
11,722,540	Ordinary	\$0.067	21 July 2019
8,500,000	Ordinary	\$0.06	24 November 2019
3,000,000	Ordinary	\$0.03	16 January 2021
4,000,000	Ordinary	\$0.06	5 June 2022
27,972,540			

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 250,000 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 Planning and Environment – Resources and Geoscience, 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.

Directors' Report

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

consultant

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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 2018, 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

.....
Anthony J Dowell

Partner

25 September 2018

Liability limited by a scheme approved under Professional Standards Legislation.
Please refer to the website for our standard terms of engagement.



Directors' Report

Non-audit services

The Company's auditor, BDJ Partners did not provide non-audit services to the Company during the period ended 30 June 2018 (2017: 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 2018 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 (resigned 20 November 2017)
J Puckridge	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.

Directors' Report

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.

The Chairman's fee is set at \$50,000 p.a. and Non-Executive Director fees at \$40,000 p.a. At present, no Committee fees are paid to Directors.

On 1 October 2015 the Directors temporarily reduced their fees by 25% until 31 May 2018, whereby the Chairman's fees and Directors fees reverted to their full fees.

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: Rolling forward arrangement. Either party may terminate the agreement with 30 days' notice.
- ▶ Fee rate: \$200 per hour as at 30 June 2018. (2017: \$200)
- ▶ 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: \$281,285 p.a. as at 30 June 2018 (2017: \$281,285).
- ▶ Termination payments: Any applicable payments on Redundancy in accordance with the Act.

Company Secretary – Ivo Polovineo

- ▶ 12 month rolling contract. Either party may terminate the contract with 30 days' notice.
- ▶ Remuneration: \$1,500 per day plus GST as at 30 June 2018 (2017: \$1,350 per day).
- ▶ Termination payments: Nil

Directors' Report

Director and key management personnel remuneration for the year ended 30 June 2018

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees \$	Consulting \$	Superannuation \$	Options \$	Total \$	Consisting of options %
Directors						
B Besley	35,360	22,000	3,359	-	60,719	-
C Torrey	242,061	-	22,996	-	265,057	-
G Jones	28,274	-	2,615	-	30,889	-
I Plimer (a)	11,468	-	1,089	-	12,557	-
J Puckridge	30,833	-	-	-	30,833	-
Total Directors	347,996	22,000	30,059	-	400,055	
Other key management personnel						
I Polovineo	-	32,700	-	-	32,700	-
Total KMP	-	32,700	-	-	32,700	
Totals	347,996	54,700	30,059	-	432,755	

No performance based remuneration was paid in the 2018 and 2017 financial period.

(a) Resigned 20 November 2017.

Director and key management personnel remuneration for the year ended 30 June 2017

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees	Consulting	Superannuation	Options	Total	Consisting of options
	\$	\$	\$	\$	\$	%
Directors						
B Besley	34,404	2,000	3,268	14,100	53,772	26%
C Torrey	256,881	-	24,404	18,800	300,085	6%
G Jones	27,523	-	2,615	9,400	39,538	24%
I Plimer	27,523	-	2,615	9,400	39,538	24%
J Puckridge (a)	12,500	-	-	-	12,500	-
I Hume (b)	16,055	-	1,525	9,400	26,980	35%
Total Directors	374,886	2,000	34,427	61,100	472,413	
Other key management personnel						
I Polovineo	-	32,400	-	9,400	41,800	22%
Total KMP	-	32,400	-	9,400	41,800	
Totals	374,886	34,400	34,427	70,500	514,213	

(a) Appointed 3 February 2017.

(b) Resigned 31 January 2017.

Directors' Report

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). At 30 June 2018 there were 2,000,000 options on issue pursuant to the Plan. The Plan is 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

There were no share based payments granted to Directors and Key Management personal during the financial year.

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:

Directors	Board of directors		Audit committee		Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
B Besley	7	7	2	2	2	2
C Torrey	7	7	-	-	-	-
G Jones	7	6	2	1	2	2
I Plimer	3	3	1	1	1	1
J Puckridge	7	5	1	1	1	1

Signed at Sydney this 26th day of September 2018 in accordance with a resolution of the Directors.



Chris Torrey
Managing Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	Consolidated 2018 \$	Consolidated 2017 \$
Revenue	3	645,376	185,427
ASX and ASIC fees		(37,291)	(23,127)
Audit fees		(26,300)	(26,500)
Computer services/licences		(18,994)	(21,145)
Contract administration services		(103,848)	(95,718)
Employee costs		(201,630)	(204,159)
Exploration expenditure written off		(12,287)	(1,211,203)
Insurances		(16,543)	(14,325)
Marketing and conference costs		(74,803)	(83,579)
Rent		(34,215)	(31,740)
Share based payments		-	(79,900)
Travel and accommodation		(22,926)	(14,304)
Other expenses from ordinary activities		(53,019)	(53,360)
Profit/(loss) before income tax expense		43,520	(1,673,633)
Income tax expense	4	-	-
Profit/(loss) after income tax expense	13	43,520	(1,673,633)
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		43,520	(1,673,633)
Basic earnings/(loss) per share (cents per share)	15	0.02	(1.06)
Diluted earnings/(loss) per share (cents per share)	15	0.02	(1.06)

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

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	Consolidated 2018 \$	Consolidated 2017 \$
Current assets			
Cash assets	5	1,170,664	898,701
Receivables	6	140,475	52,259
Tenement security deposits	7	-	-
Total current assets		1,311,139	950,960
Non-current assets			
Receivables	6	1,280	1,600
Tenement security deposits	7	150,000	160,000
Property, plant and equipment	8	9,850	11,798
Deferred exploration and evaluation expenditure	9	6,113,964	3,892,787
Total non-current assets		6,275,094	4,066,185
Total assets		7,586,233	5,017,145
Current liabilities			
Payables	10	158,774	86,521
Provisions	11	9,112	27,617
Total current liabilities		167,886	114,138
Non-current liabilities			
Provisions	11	33,731	45,087
Total non-current liabilities		33,731	45,087
Total liabilities		201,617	159,225
Net assets		7,384,616	4,857,920
Equity			
Contributed equity	12	18,067,440	15,583,680
Accumulated losses	13	(10,761,763)	(10,907,223)
Reserves	14	78,939	181,463
Total equity		7,384,616	4,857,920

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 2018

	Note	Consolidated 2018 \$	Consolidated 2017 \$
Cash flows from operating activities			
Payment to suppliers and employees		(701,616)	(475,844)
R&D tax concession offset		120,468	35,139
Government grant		-	79,197
JV and consulting income		449,455	10,105
Interest received		17,631	35,392
Net cash flows (used in) operating activities	25	(114,062)	(316,011)
Cash flows from investing activities			
Purchase of fixed assets		(6,856)	(5,309)
Expenditure on mining interests (exploration)		(2,090,102)	(1,304,053)
Tenement security deposits		10,000	(20,000)
Net cash flows (used in) investing activities		(2,086,958)	(1,329,362)
Cash flows from financing activities			
Proceeds from issue of shares		2,556,228	1,117,497
Equity raising expenses		(82,469)	(25,240)
Net cash flows from financing activities		2,473,759	1,092,257
Net increase/(decrease) in cash held		272,739	(553,116)
Net foreign exchange differences		(776)	(32)
Add opening cash brought forward		898,701	1,451,849
Closing cash carried forward	25	1,170,664	898,701

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 2018

Consolidated				
Note	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
At 1 July 2016	14,471,415	(9,259,810)	127,801	5,339,406
Loss for the period	-	(1,673,633)	-	(1,673,633)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	(1,673,633)	-	(1,673,633)
Transactions with owners in their capacity as owners:				
Issue of share capital (net of share issue costs)	12 939,944	-	-	939,944
Option issue consideration	12 172,321	-	-	172,321
Share-based payments	14 -	-	79,900	79,900
Expired option value	13 -	26,220	(26,220)	-
Foreign currency translation	14 -	-	(18)	(18)
At 30 June 2017	15,583,680	(10,907,223)	181,463	4,857,920
At 1 July 2017	15,583,680	(10,907,223)	181,463	4,857,920
Profit/(loss) for the period	-	43,520	-	43,520
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	43,520	-	43,520
Transactions with owners in their capacity as owners:				
Issue of share capital (net of share issue costs)	2,342,086	-	-	2,342,086
Option issue consideration	141,674	-	-	141,674
Expired option value	-	101,940	(101,940)	-
Foreign currency translation	14 -	-	(584)	(584)
At 30 June 2018	18,067,440	(10,761,763)	78,939	7,384,616

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 26 September 2018.

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
- ▶ Motor Vehicle – 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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

Functional currency translation

The functional and presentation currency for the parent company is Australian dollars (\$). The functional currency of overseas subsidiaries is the local currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the translation. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency

The results of the New Zealand subsidiary are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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 2017. The Consolidated Entity plans to adopt these standards at their application dates as detailed below.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

AASB 16 Leases (effective 1 January 2019)

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. The Directors are yet to assess the full impact of AASB 16 and will apply the new standard from 1 January 2019.

AASB 9 Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards which may impact on the Group include:

- ▶ simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- ▶ allowing 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
- ▶ financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- ▶ requirements for impairment of financial assets

The Group is yet to assess its full impact however initial indications are that it may affect the Group's accounting of its available-for-sale financial assets.

The Director's assessment of the impact of all other new standards and interpretations is that they will not have a material impact on the financial report of the Company.

3. Revenue from ordinary activities

Joint venture and consulting income
Government grant
R&D tax concession
Interest received – other financial institutions

Consolidated 2018 \$	Consolidated 2017 \$
507,837	36,383
-	79,197
120,468	35,139
17,071	34,708
645,376	185,427

4. Income tax

Prima facie income tax (credit) on operating profit/(loss) at 27.5% (2017: 30%)
Future income tax benefit in respect of timing differences – not recognised
Deferred income tax liability in respect of carried forward tax losses – not recognised
Income tax expense

Consolidated 2018 \$	Consolidated 2017 \$
11,968	(502,090)
-	502,090
(11,968)	-
-	-

No provision for income tax is considered necessary in respect of the Company for the period 30 June 2018.

The Group has a deferred income tax liability of Nil (2017: Nil) 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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

available tax losses, except to the extent offset against deferred tax liabilities. The Company has estimated its losses at \$15,695,890 (2017: \$13,828,567) as at 30 June 2018.

A benefit of 27.5% (2017: 30%) of approximately \$4,316,370 (2017: \$4,148,570) 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 2018 \$	Consolidated 2017 \$
Cash at bank	83,601	77,869
Money market securities – bank deposits	1,087,063	820,832
	1,170,664	898,701

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 2018 \$	Consolidated 2017 \$
Current		
GST receivables	30,159	4,806
Interest receivable	999	1,560
Prepayments	33,347	23,508
Trade and other debtors	75,970	22,385
	140,475	52,259
Non - current		
Rental bonds	1,280	1,600

7. Tenement security deposits

	Consolidated 2018 \$	Consolidated 2017 \$
Cash at bank – bank deposits	150,000	160,000
	150,000	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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

8. Property, plant and equipment

	Motor vehicle	Plant and equipment	Total
Year ended 30 June 2017 (Consolidated)			
Opening net book amount	6,239	15,093	21,332
Additions	-	5,309	5,309
Depreciation expense	(6,239)	(8,604)	(14,843)
Closing net book amount	-	11,798	11,798
At 30 June 2017			
Cost	93,101	157,110	250,211
Accumulated depreciation	(93,101)	(145,312)	(238,413)
Net book amount	-	11,798	11,798
Year ended 30 June 2018 (Consolidated)			
Opening net book amount	-	11,798	11,798
Additions	-	6,856	6,856
Depreciation expense	-	(8,804)	(8,804)
Closing net book amount	-	9,850	9,850
At 30 June 2018			
Cost	93,101	119,699*	212,800
Accumulated depreciation	(93,101)	(109,849)*	(202,950)
Net book amount	-	9,850	9,850

*Note: An amount of \$37,411 was written off for obsolete plant and equipment with a written down value of Nil at 30 June 2018.

9. Deferred exploration and evaluation expenditure

	Consolidated 2018 \$	Consolidated 2017 \$
Costs brought forward	3,892,787	3,845,267
Costs incurred during the period	2,233,464	1,258,723
Expenditure written off during period	(12,287)	(1,211,203)
Costs carried forward	6,113,964	3,892,787
Exploration expenditure costs carried forward are made up of:		
► Expenditure on joint venture areas	4,660,725	2,546,282
► Expenditure on non joint venture areas	1,453,239	1,346,505
Costs carried forward	6,113,964	3,892,787

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

10. Current liabilities – payables

	Consolidated 2018 \$	Consolidated 2017 \$
Trade creditors	96,992	48,919
Accrued expenses	45,378	22,590
GST payable	6,832	2,037
PAYG payable	9,572	12,975
	158,774	86,521

11. Liabilities – provisions

	Consolidated 2018 \$	Consolidated 2017 \$
Current		
Annual leave	9,112	27,617
Non-current		
Long Service Leave	33,731	45,087

12. Contributed equity

	Consolidated 2018 \$	Consolidated 2017 \$
Share capital		
245,839,883 fully paid ordinary shares (2017: 158,578,962)	(a) 19,122,464	16,461,005
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Share issue costs	(1,369,019)	(1,049,646)
Option issue consideration reserve		
18,722,540 unlisted options on issue (2017: 11,722,540)	313,995	172,321
	18,067,440	15,583,680

	Number	\$
(a) Movements in ordinary shares on issue		
At 30 June 2016	133,745,691	15,471,729
Shares issued	(i) 24,833,271	1,117,497
Shares issued	(ii) -	(128,221)
At 30 June 2017	158,578,962	16,461,005
Shares issued	(iii) 23,785,844	428,145
Shares issued	(iv) 13,916,632	250,500
Shares issued	(v) 49,070,350	1,962,814
Shares issued	(vi) 250,000	10,000
Shares issued	(vii) 238,095	10,000
At 30 June 2018	245,839,883	19,122,464

(i) In July 2016, 24,833,271 shares were issued at \$0.045 per share under a Share Purchase Plan.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

- (ii) In July 2016, 8,722,540 unlisted options were granted with an exercise price of \$0.067 per option and expiry date of 21 July 2019. These options were issued in pursuant to the placement of shares above (i) which entitled the subscribers to one unlisted option for every two shares issued. The value of these options (\$128,221) has been transferred to an option issue consideration reserve.
- (iii) In July 2017, 23,785,844 shares were issued at \$0.018 per share under a share placement.
- (iv) In August 2017, 13,916,632 shares were issued at \$0.018 per share under a Share Purchase Plan.
- (v) In March 2018, 49,070,350 shares were issued at \$0.04 per share under a share placement.
- (vi) In March 2018, 250,000 shares were issued on exercise of \$0.04 options expiring 24 November 2018.
- (vii) In May 2018, 238,095 shares were issued at \$0.042 per share as approved at the Company's General Meeting on 24 May 2018 in lieu of a creditor payment.

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 2018 \$	Consolidated 2017 \$
Balance at 1 July	10,907,223	9,259,810
Operating loss/(profit) after income tax expense	(43,520)	1,673,633
Expired option value transferred to Accumulated Losses	(101,940)	(26,220)
Balance at 30 June	10,761,763	10,907,223

14. Reserves/share-based payments

Reserves

	Consolidated 2018 \$	Consolidated 2017 \$
Balance at 1 July	181,463	127,801
Share-based payment expensed during the financial year	-	79,900
Expired option value transferred to Accumulated Losses	(101,940)	(26,220)
Foreign currency translation reserve	(584)	(18)
Balance at 30 June	78,939	181,463

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 2018 there were 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. There have been no cancellations or modifications to any of the plans during 2018 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

Summary of options granted

	Consolidated 2018 no.	Consolidated 2017 no.
Outstanding at the beginning of the year	18,000,000	10,500,000
Granted during the year	-	8,500,000
Forfeited during the year	-	-
Exercised during the year	(250,000)	-
Expired during the year	(8,500,000)	(1,000,000)
Outstanding at the end of the year	9,250,000	18,000,000

The outstanding balance as at 30 June 2018 is represented by:

- ▶ 750,000 options exercisable at \$0.04, expiry 24 November 2018
- ▶ 8,500,000 options exercisable at \$0.06, expiry 24 November 2019

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 and KMP options									
Nov 15	750,000	\$0.04	24 Nov 18	80.00%	1.93%	3.0 years	\$0.0066	Binomial	(a)
Nov 16	8,500,000	\$0.06	24 Nov 19	73.60%	1.89%	3.0 years	\$0.0094	Binomial	(b)
	9,250,000								

- (a) 1,000,000 options were granted to the Managing Director of the Company which were approved by shareholders at the AGM in November 2015. The options vested immediately. 250,000 of these options were exercised during the period.
- (b) 8,500,000 options were granted to Directors and employees of the Company which were approved by shareholders at the AGM in November 2016. The options vested immediately.

Weighted average disclosures on options

	2018	2017
Weighted average exercise price of options at 1 July	\$0.08	\$0.09
Weighted average exercise price of options granted during period	-	\$0.06
Weighted average exercise price of options outstanding at 30 June	\$0.06	\$0.08
Weighted average exercise price of options exercisable at 30 June	\$0.06	\$0.08
Weighted average contractual life	1.32 years	1.39 years
Range of exercise price	\$0.04 - \$0.06	\$0.04 - \$0.10

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

15. Earnings per share

	2018	2017
Net profit/(loss) used in calculating basic and diluted gain/(loss) per share	43,520	(1,673,633)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	208,521,531	158,578,962
	Cents per share	Cents per share
Basic earnings (loss) per share	0.02	(1.06)
Diluted earnings (loss) per share	0.02	(1.06)

16. Key management personnel

Key management personnel compensation

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

	Consolidated 2018 \$	Consolidated 2017 \$
Short term employee benefits	402,696	409,286
Post-employment benefits	30,059	34,427
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	-	70,500
	432,755	514,213

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 change other * no.	Balance at 30 June no.	Balance held nominally no.
2018						
B Besley	1,407,044	-	-	1,250,000	2,657,044	-
C Torrey	1,097,556	-	250,000	83,333	1,430,889	-
I Plimer (a)	1,554,600	-	-	-	1,554,600	-
Total	4,059,200	-	250,000	1,333,333	5,642,533	-
2017						
B Besley	1,129,267	-	-	277,777	1,407,044	-
C Torrey	754,223	-	-	343,333	1,097,556	-
I Plimer	1,221,267	-	-	333,333	1,554,600	-
I Hume (b)	290,845	-	-	-	290,845	-
Total	3,395,602	-	-	954,443	4,350,045	-

*2018 Net change other consists of shares purchased under the Company's SPP and on market trades (2017: Net change other consists of shares purchased under the Company's SPP and an off market transfer).

- (a) Resigned 20 November 2017.
- (b) Resigned 31 January 2017.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

Option holdings of key management personnel

Share options held in Silver City Minerals Limited

	Balance at 1 July no.	Granted as compensation no.	Exercised no.	Net other change no.	Balance at 30 June no.	Balance vested at 30 June no.	Vested but not exercisable no.	Vested and exercisable no.	Options vested during year no.
2018									
B Besley	2,500,000	-	-	(1,000,000)	1,500,000	1,500,000	-	1,500,000	-
C Torrey	5,000,000	-	(250,000)	(2,000,000)	2,750,000	2,750,000	-	2,750,000	-
G Jones	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	-	1,000,000	-
I Plimer (a)	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	-	1,000,000	-
I Polovineo	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	-	1,000,000	-
Total	13,500,000	-	(250,000)	(6,000,000)	7,250,000	7,250,000	-	7,250,000	-
2017									
B Besley	1,000,000	1,500,000	-	-	2,500,000	2,500,000	-	2,500,000	1,500,000
C Torrey	4,000,000	2,000,000	-	(1,000,000)	5,000,000	5,000,000	-	5,000,000	2,000,000
G Jones	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
I Plimer	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
I Hume (b)	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
I Polovineo	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
Total	9,000,000	7,500,000	-	(1,000,000)	15,500,000	15,500,000	-	15,500,000	7,500,000

(a) Resigned 20 November 2017.

(b) Resigned 31 January 2017.

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	2018	2017
Mining Exploration Pty Ltd (MEPL)	Australia	100	100
Silver City NZ PTY Limited	New Zealand	100	100

18. Auditors' remuneration

Total amounts receivable by the current auditors of the Company for:

Audit of the Company's accounts

Other services

Consolidated 2018 \$	Consolidated 2017 \$
26,300	26,500
-	-
26,300	26,500

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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 2018 were as follows:

Joint Venture	Percentage interest 2018	Percentage interest 2017
Silver City Farm In and Joint Venture Agreement		
EL 7300	85%	85%
EL 8075	75%	75%
Silver City Broken Hill Project Sale Agreement – Variscan Mines Limited		
ELs 8236 and 8075	75%	75%
EL 8078	100%	100%
Agreement relating to EL 8078 (Yalcowinna – formerly Ziggys EL 6036 and Euriowie 7319) with Eaglehawk Geological Consulting Pty Ltd		
EL 8078 (Eaglehawk has an 8% interest in this EL)	92%	92%
Broken Hill Base Metals Project with Impact Minerals Limited*		
EL 7390	20%	20%
Silver City JV with CBH		
ELs 8076, 8074 and 8255	75%	75%
EL 8629	75%	0%
EL 8495	75%	100%
EL 8236	75%	75%

* Silver City's interest is free-carried to a decision to mine.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

21. Contingent liabilities

The Group has provided guarantees totalling \$150,000 (2017: \$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 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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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 2018 \$	Consolidated 2017 \$
Cash and cash equivalents	1,170,664	898,701
Receivables	141,755	53,859
Deposits with banks and Joint Venture Partner	150,000	160,000
	1,462,419	1,112,560

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 \$
2018				
Payables	158,774	158,774	-	-
	158,774	158,774	-	-
2017				
Payables	86,521	86,521	-	-
	86,521	86,521	-	-

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

Financial assets	Carrying amount \$	< 12 months \$	1-3 years \$	>3 years \$
2018				
Cash at bank and term deposits	1,170,664	1,170,664	-	-
Receivables	141,755	140,475	1,280	-
Deposits with banks and Joint Venture Partner	150,000	-	-	150,000
	1,462,419	1,311,139	1,280	150,000
2017				
Cash at bank and term deposits	898,701	898,701	-	-
Receivables	53,859	52,259	1,600	-
Deposits with banks and Joint Venture Partner	160,000	-	-	160,000
	1,112,560	950,960	1,600	160,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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 2018	Consolidated 2017
Weighted average rate of cash balances	0.03%	0.02%
Cash balances	\$83,601	\$77,869
Weighted average rate of term deposits	1.94%	2.05%
Term deposits	\$1,087,063	\$820,832

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:

Sensitivity analysis		+1.0% of AUD IR		-1.0% of AUD IR	
	Carrying amount \$	Profit \$	Other equity \$	Profit \$	Other equity \$
2018					
Cash and cash equivalents	1,170,664	11,707	-	(11,707)	-
Tax charge of 30%	-	(3,512)	-	3,512	-
After tax profit increase/(decrease)	1,170,664	8,195	-	(8,195)	-
2017					
Cash and cash equivalents	898,701	8,987	-	(8,987)	-
Tax charge of 30%	-	(2,696)	-	2,696	-
After tax profit increase/(decrease)	898,701	6,291	-	(6,291)	-

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 amounts 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

23. Commitments

In order to maintain the Company's tenements in good standing with the New South Wales Department of Planning and Environment – Resources and Geoscience, the Company may be required to incur exploration expenditure under the terms of each licence. Exploration licences renewed or granted in NSW after 1 July 2016 have no exploration expenditure commitment. These commitments are not binding as exploration tenements can be reduced or relinquished at any time.

	Consolidated 2018 \$	Consolidated 2017 \$
Payable not later than one year	0	40,766
Payable later than one year but not later than two years	0	0
	0	40,766

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 2018 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

25. Statement of cash flows

	Consolidated 2018 \$	Consolidated 2017 \$
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
(a) Operating profit/(loss) after income tax	43,520	(1,673,633)
Depreciation	8,804	14,843
Share based payments	-	79,900
Exploration costs in opening and closing creditors	69,033	65,338
Annual and long service leave expensed	(29,861)	15,416
Exploration expenditure written off	12,287	1,211,203
Other	25,922	13
Change in assets and liabilities:		
(Increase)/decrease in receivables	(87,896)	29,425
(Decrease)/increase in trade and other creditors (excluding exploration costs in creditors)	72,253	(58,516)
Net cash outflow from operating activities	(114,062)	(316,011)
(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.		
The balance at 30 June 2016 comprised:		
Cash assets	83,601	77,869
Bank deposits (Note 5)	1,087,063	820,832
Cash on hand	1,170,664	898,701

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

26. Parent entity information

	2018 \$	2017 \$
Current assets	1,306,000	944,950
Total assets	7,856,877	5,286,664
Current liabilities	167,032	114,138
Total liabilities	200,763	159,225
Issued capital	18,067,440	15,583,680
Accumulated losses	(10,496,176)	(10,643,031)
Reserves	84,850	186,790
Total shareholders' equity	7,656,114	5,127,439
Profit/(loss) of the parent entity	44,915	(1,672,076)
Total comprehensive income/(loss) of the parent entity	44,915	(1,672,076)

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 2018 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 2018.

On behalf of the Board



Chris Torrey
Managing Director
Sydney, 26 September 2018

Independent Auditor's Report



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

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Independent Auditor's Report

To the members of Silver City Minerals Limited

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Silver City Minerals Limited (the company and its subsidiaries) (the group), which comprises the consolidated statements of financial position as at 30 June 2018, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated 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.

In our opinion the accompanying financial report of the group is 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 2018 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

• Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalised Deferred Exploration and Evaluation Expenditure \$6.1m Refer to Note 9	
The group owns the rights to several exploration licences in New South Wales. Expenditure relating to these areas of interest is capitalised and carried forward to the extent they are expected to be recovered through the successful development of the respective area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. This area is a key audit matter due to: • The significance of the balance; • The inherent uncertainty of the recoverability of the amount involved; and • The substantial amount of audit work performed.	Our audit procedures included amongst others: • Assessing whether any facts or circumstances exist that may indicate impairment of the capitalised assets; • Performing detailed testing of source documents to ensure capitalised expenditure was allocated to the correct area of interest; • Performing detailed testing of source documents to ensure expenditure was capitalised in accordance with Australian Accounting Standards; • Obtaining external confirmations to ensure the exploration licences are current and accurate; and • Assessing the reasonableness of the capitalisation of the employees' salaries.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditor's Report

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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent Auditor's Report

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Silver City Minerals Limited for the year ended 30 June 2018 complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDJ Partners
Chartered Accountants



.....
Anthony J Dowell
Partner

26 September 2018

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Additional Information

Information relating to shareholders

Information relating to shareholders at 10 September 2018 (per ASX Listing Rule 4.10)

Ordinary fully paid shares

There was a total of 245,839,883 fully paid ordinary shares on issue.

Options

There was a total of 27,972,540 unlisted options on issue.

Substantial shareholders	Shareholding
L&M GROUP LIMITED	13,250,000

Top 20 shareholders of ordinary shares	Number	%
L&M GROUP LIMITED	13,250,000	5.39
UPSKY EQUITY PTY LTD <UPSKY INVESTMENT A/C>	8,250,000	3.36
DEAD KNICK PTY LTD	7,745,081	3.15
INKEX PTY LTD <INKEX SUPER FUND A/C>	7,365,750	3.00
CALM HOLDINGS PTY LTD <CLIFTON SUPER FUND A/C>	6,250,000	2.54
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,750,334	2.34
MR LEIGH DAVID KALAZICH	5,535,066	2.25
SMAC NOMINEES PTY LTD <SMAC INVESTMENT A/C>	5,111,112	2.08
JENNINGS FAMILY INVESTMENTS PTY LTD	4,993,841	2.03
BNP PARIBAS NOMS PTY LTD <DRP>	4,351,515	1.77
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	4,296,392	1.75
WILLSTREET PTY LTD	4,000,000	1.63
BECK CORPORATION PTY LTD	4,000,000	1.63
HOWARD WALKER & ELIZABETH WALKER <DALESMAN FUND A/C>	3,750,000	1.53
MR DEAN JONATHAN PRICE	3,250,000	1.32
WILDGLADE PTY LTD <THE RALSTON FAMILY A/C>	3,196,999	1.30
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	2,786,992	1.13
FRANCIS ROBERT HAWDON HARPER	2,607,850	1.06
COMSEC NOMINEES PTY LIMITED	2,348,830	0.96
FLEXIPLAN SUPERANNUATION FUND PTY LTD <FLEXIPLAN SUPER A/C>	2,200,000	0.90
Total of top 20 holdings	101,039,762	41.12
Other holdings	144,800,121	58.88
Total number of shares	245,839,883	100.00

Additional Information

Distribution of shareholders		
Range	Number of shareholders	Ordinary shares
1 – 1,000	64	6,469
1,001 – 5,000	31	110,712
5,001 – 10,000	113	989,907
10,001 – 100,000	495	22,337,767
100,001 – and over	334	222,395,028
	1,037	245,839,883

At the prevailing market price of \$0.027 per share at 11 September 2018, there were 301 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.

There is no current on-market buy-back.

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	2	99,999
100,001 – and over	30	27,872,541
	32	27,972,540

Corporate governance statement

Silver City Minerals is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board has adopted a comprehensive framework of Corporate Governance Guidelines.

The Group's Corporate Governance Statement can be viewed at: www.silvercityminerals.com.au/corporate/corporate-governance

Corporate Directory

Board of Directors

Robert Besley
Non-Executive Chairman

Christopher Torrey
Managing Director

Gregory Jones
Non-Executive Director

Josh Puckridge
Non-Executive Director

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

Email: info@silvercityminerals.com.au

Website: www.silvercityminerals.com.au

Share Registry

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001

Telephone: 02 9290 9600

Website: www.boardroomlimited.com.au

Auditors

BDJ Partners
Level 13, 122 Arthur Street, North Sydney, NSW 2060

Bankers

Bankwest
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