

SILVER CITY MINERALS

ABN 68 130 933 309

ANNUAL REPORT 2019



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Board of Directors

Josh Puckridge
Darren Wates
Tom Pickett

Principal and Registered Office

Suite 9, 330 Churchill Avenue
Subiaco, WA 6008

Company Secretary

Sonu Cheema

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ASX Share Register

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Telephone: +61 2 9290 9600
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Securities Exchange Listing

Australian Securities Exchange
ASX Code: SCI

Auditor

BDJ Partners
Level 8, 124 Walker Street
North Sydney, NSW 2060

Directors' Report

Letter to Shareholders

Dear Shareholders,

The year ending 30 June 2019 ("Period") has seen many changes to Silver City Minerals Limited ("Company") ("Silver City") ("SCI"), inclusive of the Company's board being reconstituted following the resignation of the Company's former Managing Director.

The Company's new board has conducted a review of the Company's projects with a focus on capital preservation and ensuring the Company is resourced in such a way that it can continue to progress its current Broken Hill and Copper Blow projects while also ensuring the Company may take still take advantage of new market trends and opportunities for shareholders.

Silver City Minerals continues to focus on its Copper Blow copper-gold (cobalt) project, located approximately 20 kilometres south of Broken Hill. Copper-gold mineralisation is associated with magnetite-bearing rocks in a shear zone which extends for over 4 kilometers. In addition to the shear zone hosted mineralisation, geochemical and geophysical surveys suggest widespread sulphide mineralisation in adjacent country rocks both north and south of the shear. A number of partly coincident magnetic and gravity anomalies occur in these zones and may host significant iron oxide copper-gold mineralization which appear to be associated with intrusive igneous rocks beneath alluvium and soil cover.

The Company also continues to assess the Razorback West project for zinc, lead and silver which is immediately to the north of the Broken Hill orebody. Reviews suggests the possibility of an elongated lead anomaly beneath alluvial cover corresponding to a prospective horizon known as the Hores Gneiss. It is coincident with favorable geophysical anomalies and remains untested by drilling for which the Company will likely test in the future. The host rocks of Razorback West are considered to be the fault-offset extension of the Broken Hill mine sequence and, as such, are prospective for Broken Hill-type zinc-lead-silver mineralisation.

In the Cobar Mining District the Company has conducted preliminary reconnaissance surveys over the Tindery Exploration Licence located 20 kilometres to the east of the Endeavor Zinc-Lead mine. The tenement is considered to be prospective for both zinc-lead and copper-gold deposits and is largely covered by alluvial wash, saprolite and deep soils. A number of electromagnetic conductors were identified in an historic exploration program and never fully assessed.

The Company's board, in keeping with its directors' duties to create value for shareholders, have also spent time assessing new opportunities for the Company's future sources of growth during the Period. The Company will continue to assess new opportunities for the Company to be pursued and developed in conjunction with its existing projects and activities.

For, and on behalf of, the board of the Company,



Josh Puckridge
Non-Executive Director
Silver City Minerals Limited

Directors' Report

Review of Operations

During the Period the Company continued to assess its Copper Blow project south of Broken Hill (Figure 1). Copper-gold mineralisation can be (and is) associated with magnetite (ironstone) which can be detected under cover using the results of an existing aeromagnetic survey. Results show a magnetically anomalous zone extending over 4.5 kilometres. Copper-gold mineralisation has been systematically tested over a strike length of 1 kilometre in the southwestern part of the anomaly (Figure 2).

The Company completed four rounds of drilling to test the depth extent of the copper-gold mineralisation at Copper Blow and an induced polarisation (IP) geophysical target to the southeast of Copper Blow.

Regional geophysical and geochemical surveys indicate the magnetic ironstone may be part of a much larger sulphide-mineralised complex. While strong anomalies occur in association with ironstones, other anomalies to the northeast and southeast of Copper Blow suggest widespread sulphide mineralisation at depth.

The current geological assumption remains that copper-gold and cobalt mineralisation is related to magmatic fluids derived from iron-magnesium igneous intrusions at depth.

During the Period the Company was granted two new tenements - EL 8862 (Clevedale) and EL 8863 (Himalaya) – see Table 1.

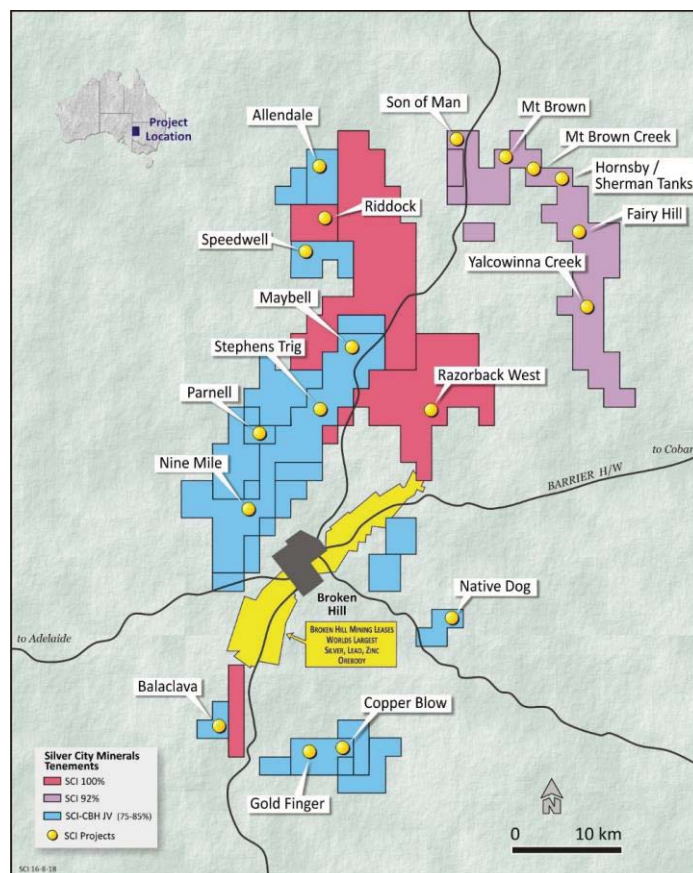


Figure 1 Silver City tenements at Broken Hill

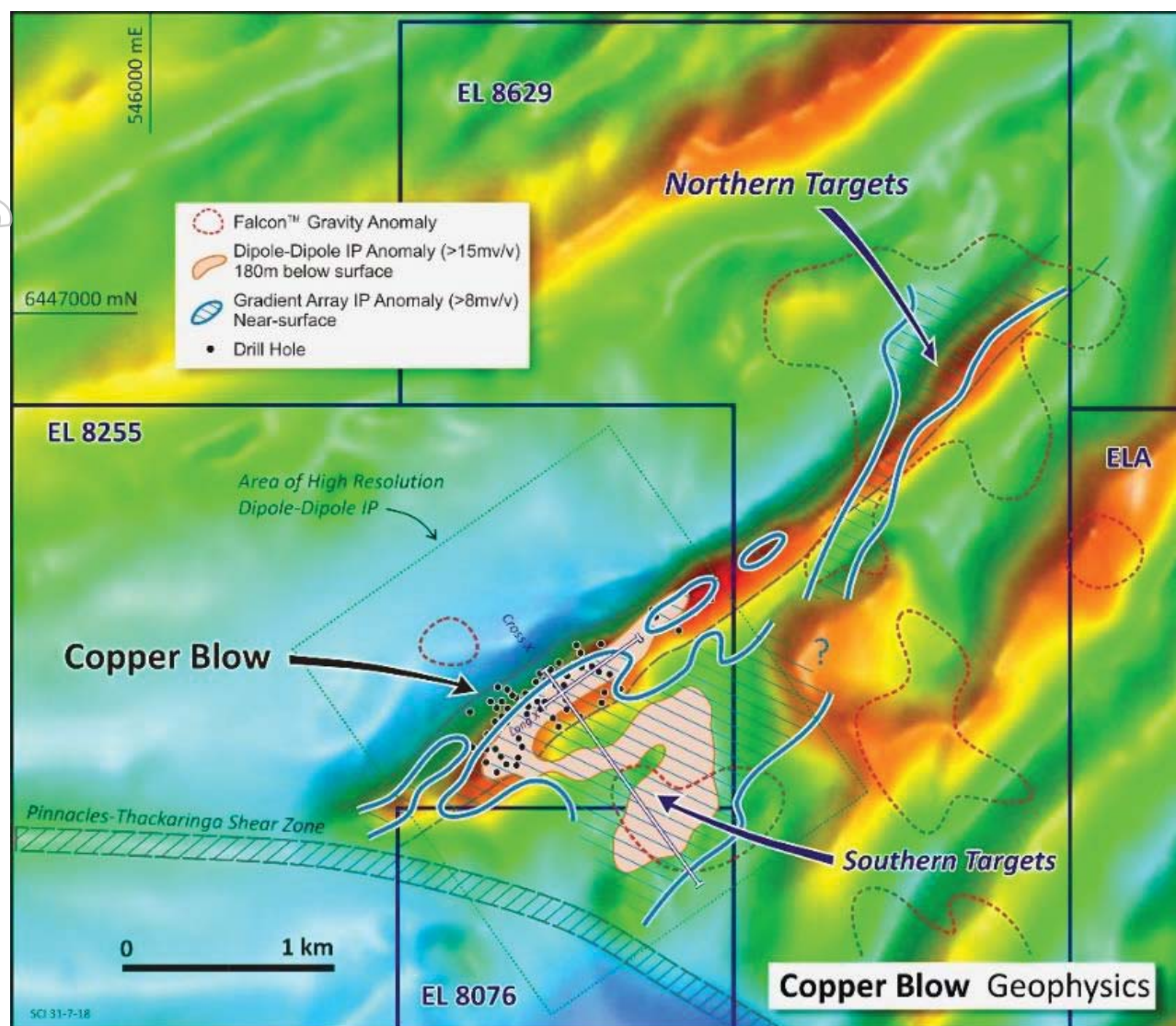


Figure 2 Simplified geophysical map showing background image of reduced-to-pole magnetics, gradient array contour at 8mv/v, the extent of the dipole-dipole IP survey, a horizontal slice of the IP model at 180 metres below surface (15mv/v contour) and Falcon™ gravity anomalies. Diagram shows that the 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. The Southern target has been tested by hole 18CB072 and results are pending. No significant work has been undertaken at the Northern Target zone.

OPERATIONS

Copper Blow (EL 8255, EL 8629, EL 8076; Joint venture with SCI 75%, CBH 25%)

Drilling

To date the Company has drilled approximately 8,500 metres at Copper Blow prospect (see ASX Release 4 October 2018).

Drilling has tested the mineral system over a strike length of 1 kilometre; the mineralisation demonstrates the geological characteristics of an iron oxide copper gold deposit (IOCG), similar to those which form within an arcuate domain on the eastern side of the Gawler Craton in South Australia.

Geochemistry

As reported and summarised in the former Period's activities report, the previously conducted soil geochemistry (December Quarterly Report 2018) tested the geochemical response within and adjacent to the Copper Blow shear zone.

Three zones of anomalism have been recognised to date (Figures 3 and 4)

1. Copper Blow Geochemical Anomaly

The zone has a strike length of 1.6 kilometres and is coincident with the magnetic ironstone at the southwest end of the belt. The soils are characterised by elevated copper (up to 2010 ppm), gold (up to 0.11 ppm), molybdenum (up to 35.2 ppm), nickel (up to 62.6 ppm) and cobalt (up to 114 ppm). Rare earth elements cerium and lanthanum are enriched as are yttrium and phosphorous.

2. Northern Targets

This zone extends for 1.1 kilometres. It is interpreted to extend both north and south beneath alluvial cover coincident with IP anomalism and may be connected to the Southern IP anomaly. This suggests a total untested strike of 2.7 kilometres.

In the central area, the outcropping rocks in the shear zone are characterised by specular hematite and magnetite. Gossanous breccias occur at surface and host an abundant of iron oxide and sulphate minerals with quartz; suggestive of sulphide at depth (Plate 1). The geochemical response in soils indicates anomalous molybdenum (up to 10 ppm), cobalt (up to 33 ppm) and nickel (up to 79 ppm). Rare earths cerium and lanthanum are similarly anomalous. Copper in this zone returned a best result of 76.3 ppm.

A rock chip sample located in the northern part of this anomaly returned elevated cobalt and gold with no significant copper (sample 30566; **1485 ppm cobalt**, **0.39 g/t gold** and 13 ppm copper; ASX Release 16 November 2017).

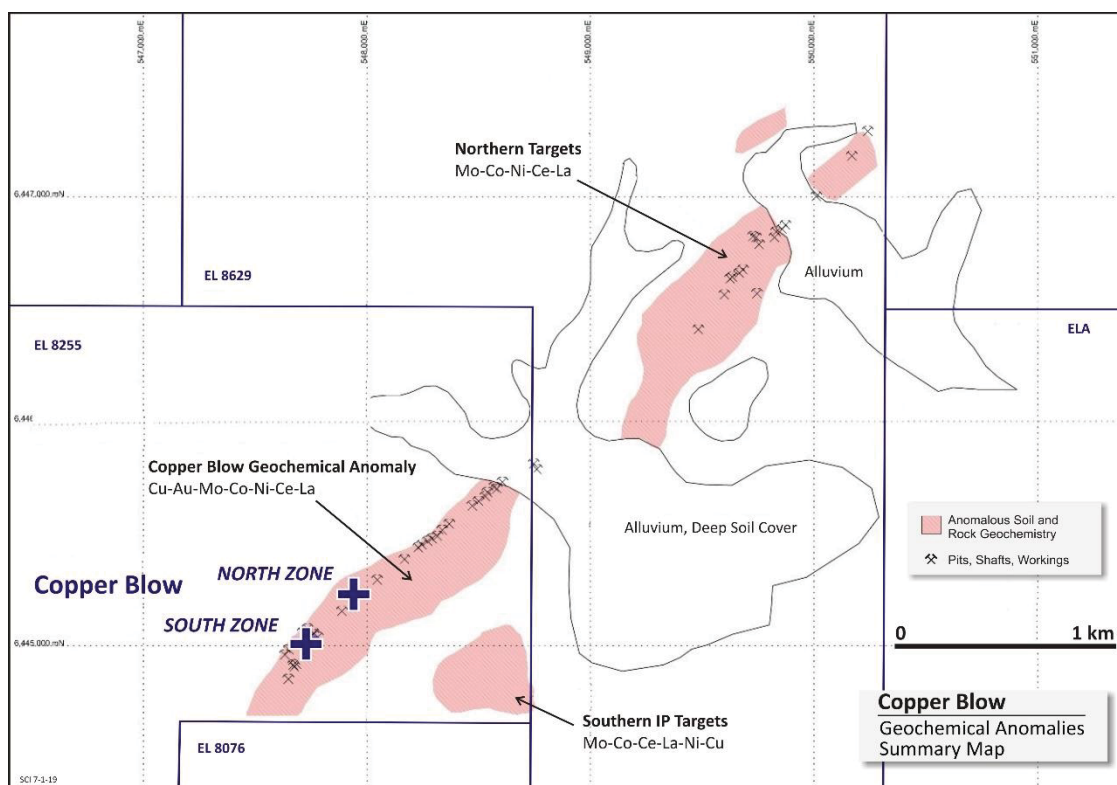
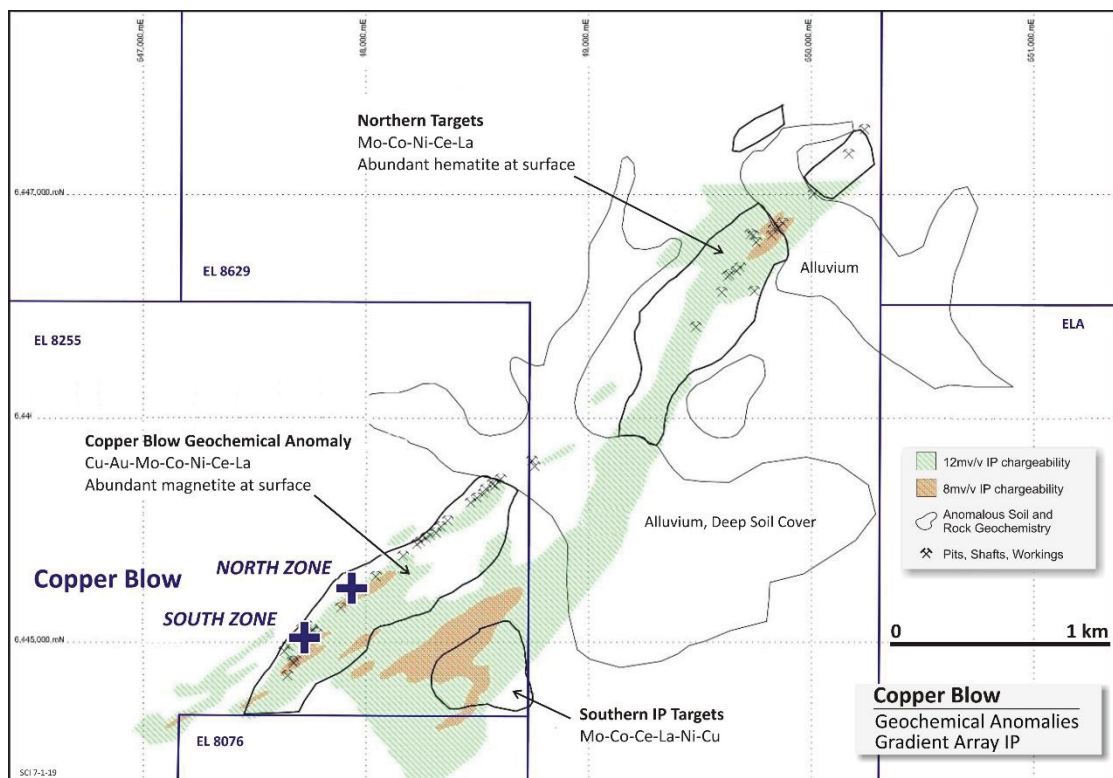


Figure 3 Diagram summarises anomalous elements and their distribution. To date drilling has been concentrated on the North and South Zones at Copper Blow



Directors' Report

This is a target identified using IP. Residual soils over the IP anomaly are characterised by molybdenum (up to 6.6 ppm), nickel (up to 37 ppm) and copper (up to 87.3 ppm) anomalism. Cerium and lanthanum are similarly elevated. Of interest is a consistent zinc anomaly with a peak value of 659 ppm. Drillhole 18CB072 drilled into this anomaly encountered anomalous zinc with copper, bismuth and molybdenum (December Quarterly Report).

The Company has obtained approval for a RAB drilling program designed to further test the surface expression of the Copper Blow mineralisation was received from the NSW Department of Planning and Environment. The program covers an area of approximately nine square kilometres across ELs 8255, 8629 and 8076 and comprises a total of over 630 RAB drillholes.

To date the Company has encountered significant copper-gold mineralisation in a magnetic ironstone located in a major crustal structure; the Copper Blow shear zone.

Geological models of IOCG deposits suggest there might also be intrusion-related mineralisation adjacent to the shear. Work already completed suggests widespread sulphide mineralisation and strong potassic hydrothermal alteration.

In the eastern part of the tenements there are several distinctive magnetic and gravity anomalies both north and south of the Copper Blow shear zone which have potential to host large copper-gold deposits.

Razorback West (EL 8077 100% SCI)

The Company has identified several new targets based on coincident lead geochemistry, IP chargeability and gravity. These targets coincide with a prospective part of the rock sequence interpreted to be the Hores Gneiss. At Broken Hill, located 15 kilometres to the south, this rock hosts, or occurs close to Broken Hill ore zones. To date the lead anomalies at Razorback West have been untested by drilling (Figure 5).

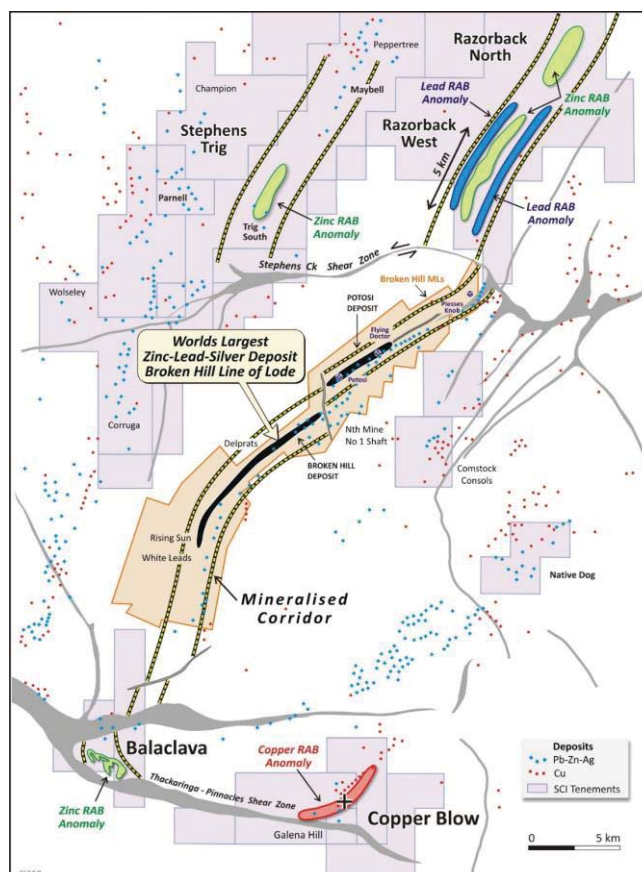


Figure 5 Razorback West project in relation to the Broken Hill and Potosi deposits

A widely used conceptual interpretation of the nature of the Broken Hill and Potosi ore bodies at Broken Hill can be depicted in a longitudinal section. It shows the doubly plunging nature of high-grade mineralisation and importantly the location of the Stephens Creek shear zone and Razorback West. The model suggests that high grade Pb-Zn-Ag ore should come close to surface within the Razorback West tenement (Figure 6).

Directors' Report

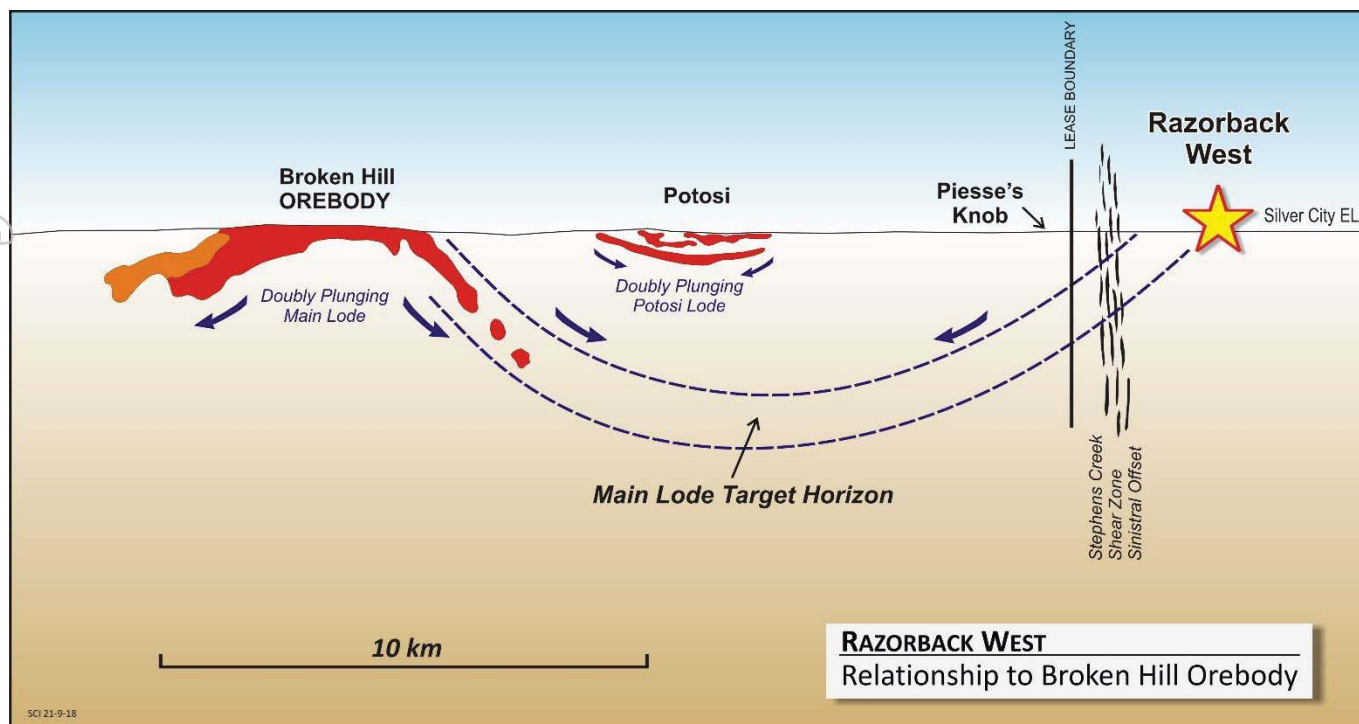


Figure 6 Longitudinal section oriented generally northeast-southwest shows the location of the Main Lode Target Horizon. Razorback West is located where this Horizon would come to surface.

Tenement Schedule

Tenement	Name	Granted Date	Expiry Date	Status	Blocks	Registered Holder	Operator	JV
EL 7300	Aragon	23/02/2009	22/02/2020	GRANTED	37	SCI	SCI	CBH 15% Eaglehawk 0.5% NSR
EL 8020	Riddock	23/11/2012	22/11/2023	GRANTED	6	SCI	SCI	
EL 8075	Willyama	15/04/2013	15/04/2022	GRANTED	40	SCI	SCI	SCI 75% CBH 25%
EL 8077	Razorback	15/04/2013	15/04/2022	GRANTED	23	SCI	SCI	
EL 8078	Yalcowinna	15/04/2013	15/04/2022	GRANTED	36	SCI	SCI	Eaglehawk 8% in area previously EL 7319
EL 8236	Native Dog	11/02/2014	10/02/2020	GRANTED	4	SCI	SCI	SCI 75% CBH 25%
EL 8333	Enmore	17/12/2014	16/12/2023	GRANTED	5	SCI	SCI	
EL 8454	Yanco	9/08/2016	9/08/2019	GRANTED	19	SCI	SCI	
EL 8495	Southern Cross	22/12/2016	21/12/2019	GRANTED	11	SCI	SCI	SCI 75% CBH 25%
EL 8579	Tindery	26/05/2017	25/05/2020	GRANTED	98	SCI	SCI	
EL 8685	Aspen	23/01/2018	22/01/2024	GRANTED	2	SCI	SCI	SCI 92% Eaglehawk 8%
EL 8862	Clevedale	17/06/2019	16/06/2022	GRANTED	8	SCI	SCI	SCI 75% CBH 25%
EL 8863	Himalaya	17/06/2019	16/06/2022	GRANTED	29	SCI	SCI	SCI 75% CBH 25%
EL 7390*	Yellow Stone	20/08/2009	29/10/2023	GRANTED	41	GCO	GCO	SCI has an agreement with Impact Minerals on the Pb-Zn rights of this EL

Table 1: Tenement Schedule

EL = Exploration Licence

Els 8075, 8078, 8236 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.

Silver City has an agreement with Impact Minerals on the lead-zinc-silver metal rights for EL 7390. Silver City's interest is free-carried to a Decision to Mine.

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. The percentages for ELs 8076, 8074, 8255 and 8629 should be 0% in 2019. These licences were cancelled and consolidated into ELs 8862 and 8863.

Directors' Report

ASX Listing Rules Compliance

In preparing the Annual Report for the period ended 30 June 2019, the Company has relied on the following ASX announcements

ASX Announcement	6 July 18	Copper-Gold intersections at Copper Blow
ASX Announcement	23 July 18	New Large Copper-Gold Target at Copper Blow
ASX Announcement	30 July 18	Quarterly Activities Report
ASX Announcement	3 September 18	Drilling Commences at Copper Blow
ASX Announcement	17 September 18	New Copper-Cobalt projects at Broken Hill
ASX Announcement	4 October 18	Extensive Sulphide Zone at Southern Anomaly
ASX Announcement	17 October 18	Presentation for Brisbane Resources Round-Up
ASX Announcement	25 October 18	Quarterly Activities Report
ASX Announcement	30 October 18	Soil Survey Confirms Extensive Mineral System at Copper Blow
ASX Announcement	9 November 18	Copper Blow Drill Results
ASX Announcement	21 November 18	Copper Blow Exploration Update
ASX Announcement	24 January 19	Quarterly Activities Report
ASX Announcement	30 April 19	Quarterly Activities Report and Appendix 5B
ASX Announcement	1 August 19	Quarterly Activities Report and Appendix 5B

Compliance Statement

This report contains information extracted from reports cited herein. These are available to view on the website www.silvercityminerals.com.au. In relying on the above ASX announcements and pursuant to ASX Listing Rule 5.23.2, the Company confirms that it is not aware of any new information or data that materially affects the information included in the abovementioned announcements or this Annual Report for the period ended 30 June 2019.

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.

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' Report

Darren Wates

Non-Executive Director

Director since 28 February 2019

Darren is a corporate lawyer with over 20 years' experience in equity capital markets, merger and acquisitions, resources, project acquisitions and corporate governance gained through private practice and in-house roles in Western Australia. Darren holds Bachelor degrees in Law and Commerce and a Graduate Diploma in Applied Finance and Investment.

Tom Pickett

Non-Executive Director

Director since 28 February 2019

Tom has experience in a range of sectors including mining, exploration, law, tourism and hotels, having held executive appointments in these areas for both ASX listed and private companies. Tom is currently the Executive Chairman of Cannindah Resources and has held numerous board positions on other ASX listed companies over the past 15 years. His experience in the management of exploration activity across a number of projects in North Queensland for both gold and copper is a valuable asset to Cannindah Resources Limited. Tom holds a Law Degree from Bond University, along with a Graduate Certificate in Applied Finance and Investment.

Bob Besley, BSc (Hons), MAusIMM, MAIG

Chairman

Director since 5 March 2010 - Resigned 28 February 2019

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 – Resigned 28 February 2019

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 – Resigned 28 February 2019

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

Directors' Report

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.

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

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	4,000,000
G Jones	-	1,000,000
J Puckridge	-	-
D Wates	-	-
T Pickett	-	-

Company Secretaries

Sonu Cheema, BCA, CPA

Sonu Cheema was appointed Company Secretary of the Company on 28 February 2019. Sonu has over 10 years' experience working with public and private companies in Australia and internationally. Sonu has completed a Bachelor of Commerce majoring in Accounting and is a CPA member.

Sonu is currently also Company Secretary for Corizon Limited, Comet Resources Limited, Yojee Limited, Technology Metals Australia Limited, Reffind Limited, Avira Resources Limited and Lone Star Energy Limited.

Ivo Polovineo, FIPA – Resigned 28 February 2019

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 loss of \$1,531,863 (2018: profit of \$43,520).

Directors' Report

Dividends

No dividends were paid or proposed during the period.

Review of operations

A review of the operations commences on page 4 of this Annual Financial Report. This, together with the Director'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 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments and expected results

As the Company's areas of interest are at an early stage of exploration, it is not possible to postulate likely developments and any expected results. The Company is hoping to establish resources from some of its current prospects and to identify further base and precious metal targets.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option for Silver City Minerals Limited as at the date of this report are:

Number of shares under option	Class of share	Exercise price of option	Expiry date of options
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
2,000,000	Ordinary	\$0.05	29 November 2019
26,750,000	Ordinary	\$0.03	27 February 2022
44,250,000			

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.

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.

Directors' Report

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.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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 2019, 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



Anthony Dowell

Partner

24 September 2019

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Accounting

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Super

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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 2019 (2018: 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 2019 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	
J Puckridge	Non-Executive Director
D Wates	Non-Executive Director - appointed 28 February 2019
T Pickett	Non-Executive Director - appointed 28 February 2019
B Besley	Chairman, Non-Executive Director - resigned 28 February 2019
C Torrey	Managing Director – resigned 28 February 2019
G Jones	Non-Executive Director - resigned 28 February 2019
Key management personnel	
S Cheema	Company Secretary – appointed 28 February 2019
I Polovineo	Company Secretary – resigned 28 February 2019

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.

Service agreements

Remuneration and other terms for key management personnel are formalised in contractor agreements. Details of these agreements are set out below:

Non-Executive Director – Josh Puckridge – appointed 3 February 2017

- ▶ Director Fee. Term: As per Constitution of the Company.
- ▶ Fee rate: \$40,000 per annum. (2018: \$40,000)
- ▶ Termination payments: Nil

Non-Executive Director – Darren Wates – appointed 28 February 2019

- ▶ Director Fee. Term: As per Constitution of the Company
- ▶ Fee rate: \$40,000 per annum.
- ▶ Termination payments: Nil

Non-Executive Director – Tom Pickett – appointed 28 February 2019

- ▶ Director Fee. Term: As per Constitution of the Company
- ▶ Fee rate: \$40,000 per annum.
- ▶ Termination payments: Nil

Company Secretary – Sonu Cheema – appointed 28 February 2019

- ▶ 12 month rolling contract. Either party may terminate the contract with 30 days' notice.
- ▶ Remuneration: \$10,000 per month plus GST as at 28 February 2019.¹
- ▶ Termination payment: Nil

¹Includes payments to Cicero Corporate, for all Financial reporting, corporate office rent and all administration services. Sonu Cheema is a director of Cicero Corporate Services Pty Ltd and a 15% shareholder of Cicero Corporate Services Pty Ltd.

Chairman – Bob Besley – resigned 28 February 2019

- ▶ 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. (2018: \$200)
- ▶ Termination payments: Not applicable

Managing Director – Chris Torrey – resigned 28 February 2019

- ▶ Contract term: No fixed term. Either party may terminate the letter of employment with three months' notice.
- ▶ Remuneration: \$196,750 as at 28th February 2019 (2018: \$281,285).
- ▶ Termination payment: Nil

Company Secretary – Ivo Polovineo – resigned 28 February 2019

- ▶ 12 month rolling contract. Either party may terminate the contract with 30 days' notice.

Directors' Report

- ▶ Remuneration: \$1,500 per day plus GST (2018: \$1,500 per day).
- ▶ Termination payment: Nil

Director and key management personnel remuneration for the year ended 30 June 2019

	Short-term benefits		Post employment	Share-based payments		
	Cash salary and fees \$	Consulting \$	Superannuation \$	Options \$	Total \$	Consisting of options %
Directors						
J Puckridge	56,163	-	-	-	56,163	-
D Wates (a)	13,333	-	-	-	13,333	-
T Pickett (a)	13,665	-	-	-	13,665	-
B Besley (b)	30,581	-	2,941	-	33,522	-
C Torrey (b)	180,481	-	16,269	5,200	201,950	-
G Jones (b)	28,148		2,674	-	30,822	-
Total Directors	322,371		21,884	5,200	349,455	
Other key management personnel						
S Cheema (a)	-	40,000	-	-	40,000	-
I Polovineo (b)	-	27,000	-	-	27,000	-
Total other KMP	-	67,000	-	-	67,000	-
Totals	322,371	67,000	21,884	5,200	416,455	-

No performance based remuneration was paid in the 2019 and 2018 financial period.

- (a) Appointed 28 February 2019
- (b) Resigned 28 February 2019

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 other KMP	347,996	32,700	30,059	-	32,700	-
Totals	374,996	54,700	30,059	-	432,755	-

- (a) Resigned 20 November 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 2019 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

Chris Torrey received \$5,200 in a share based payment 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
J Puckridge	14	14	2	2	-	-
D Wates	2	2	-	-	-	-
T Pickett	2	2	-	-	-	-
B Besley	12	12	2	2	1	1
C Torrey	12	12	2	2	1	1
G Jones	12	12	2	2	1	1

Signed at Perth this 26th day of September 2019 in accordance with a resolution of the Directors.



Josh Puckridge
Non-executive Director

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	Consolidated 2019 \$	Consolidated 2018 \$
Revenue	3	252,141	645,376
ASX and ASIC fees		(35,357)	(37,291)
Audit fees		(28,200)	(26,300)
Computer services/licences		(17,196)	(18,994)
Contract administration services		(129,531)	(103,848)
Employee costs		(259,451)	(201,630)
Exploration expenditure written off		(1,107,222)	(12,287)
Insurances		(19,182)	(16,543)
Marketing and conference costs		(40,568)	(74,803)
Rent		(56,032)	(34,215)
Share based payments		(5,200)	-
Travel and accommodation		(15,211)	(22,926)
Other expenses from ordinary activities		(70,854)	(53,019)
Profit/(loss) before income tax expense		(1,531,863)	43,520
Income tax expense	4	-	-
Profit/(loss) after income tax expense	13	(1,531,863)	43,520
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		(1,531,863)	43,520
Basic earnings/(loss) per share (cents per share)	15	(0.56)	0.02
Diluted earnings/(loss) per share (cents per share)	15	(0.56)	0.02

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	Consolidated 2019 \$	Consolidated 2018 \$
Current assets			
Cash assets	5	446,586	1,170,664
Receivables	6	35,189	140,475
Total current assets		481,775	1,311,139
Non-current assets			
Receivables	6	6,801	1,280
Tenement security deposits	7	160,000	150,000
Property, plant and equipment	8	5,288	9,850
Deferred exploration and evaluation expenditure	9	5,776,029	6,113,964
Total non-current assets		5,948,118	6,275,094
Total assets		6,429,893	7,586,233
Current liabilities			
Payables	10	42,005	158,774
Provisions	11	-	9,112
Total current liabilities		42,005	167,886
Non-current liabilities			
Provisions	11	-	33,731
Total non-current liabilities		-	33,731
Total liabilities		42,005	201,617
Net assets		6,387,888	7,384,616
Equity			
Contributed equity	12	18,597,102	18,067,440
Accumulated losses	13	(12,287,206)	(10,761,763)
Reserves	14	77,812	78,939
Total equity		6,387,888	7,384,616

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 2019

Cash flows from operating activities

Payment to suppliers and employees

R&D tax concession offset

JV and consulting income

Interest received

Net cash flows (used in) operating activities

Cash flows from investing activities

Rental Bond

Purchase of fixed assets

Expenditure on mining interests (exploration)

Tenement security deposits

Net cash flows (used in) investing activities

Cash flows from financing activities

Proceeds from issue of shares

Equity raising expenses

Net cash flows from financing activities

Net increase/(decrease) in cash held

Net foreign exchange differences

Add opening cash brought forward

Closing cash carried forward

Note	Consolidated 2019 \$	Consolidated 2018 \$
	(573,891)	(701,616)
	37,035	120,468
	185,845	449,455
	8,805	17,631
25	(369,206)	(114,062)
	(5,531)	-
	(5,733)	(6,856)
	(853,543)	(2,090,102)
	(10,000)	10,000
	(874,807)	(2,086,958)
	570,000	2,556,228
	(50,338)	(82,469)
	519,662	2,473,759
	(724,351)	272,739
	273	(776)
	1,170,664	898,701
25	446,586	1,170,664

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 2019

Consolidated				
Note	Issued capital \$	Accumulated losses \$	Reserves \$	Total equity \$
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	-	-	(584)	(584)
At 30 June 2018	18,067,440	(10,761,763)	78,939	7,384,616
At 1 July 2018	18,067,440	(10,761,763)	78,939	7,384,616
Loss for the period	-	(1,531,863)	-	(1,531,863)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	(1,531,863)	-	(1,531,863)
Transactions with owners in their capacity as owners:				
Issue of share capital (net of share issue costs)	529,662	-	-	529,662
Share-based payments	-	-	5,200	5,200
Expired option value	-	6,600	(6,600)	-
Foreign currency translation	-	-	273	273
At 30 June 2019	18,597,102	(12,287,206)	77,812	6,387,888

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 2019

1. Corporate information

The financial report of Silver City Minerals Limited (the Company) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 26 September 2019.

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 2019

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 2019

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 2019

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. 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 cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Binomial option pricing model. In valuing transactions settled by way of issue of options, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled and the new award are treated as if there was a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share except where such dilution would serve to reduce a loss per share.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- ▶ Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- ▶ Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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 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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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.

Going Concern

The financial report is prepared on the going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent upon it maintaining sufficient funds for its operations and commitments. The Company has a high level of confidence in its ability to successfully complete another share placement before the end of the calendar year which will supplement existing funds. This is supported by the Company's strong track record in successfully raising capital, to which the Company had raised \$0.57 million via a share placement in January 2019. The Directors are confident that projected funds are sufficient in the near term to enable the Company to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis. The Directors continue to monitor the ongoing funding requirements of the Company and as stated, have the ability to raise monies via a share placement in the near term.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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 2019. The Consolidated Entity plans to adopt these standards at their application dates as detailed below.

AASB 16 Leases (effective for annual periods commencing on or after 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 July 2019.

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

	Consolidated 2019 \$	Consolidated 2018 \$
Joint venture and consulting income	180,222	507,837
Rent	27,078	-
R&D tax concession	37,035	120,468
Interest received – other financial institutions	7,806	17,071
	252,141	645,376

4. Income tax

	Consolidated 2019 \$	Consolidated 2018 \$
Prima facie income tax (credit) on operating profit/(loss) at 27.5% (2018: 27.5%)	(421,262)	11,968
Deferred income tax liability in respect of carried forward tax losses – not recognised	421,262	(11,968)
Income tax expense	-	-

No provision for income tax is considered necessary in respect of the Company for the period 30 June 2019.

The Group has a deferred income tax liability of Nil (2018: 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 available tax losses, except to the extent offset against deferred tax liabilities. The Company has estimated its losses at \$17,227,753 (2018: \$15,695,890) as at 30 June 2019.

A benefit of 27.5% (2018: 27.5%) of approximately \$4,737,632 (2018: \$4,316,370) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

5. Cash and cash equivalents

	Consolidated 2019 \$	Consolidated 2018 \$
Cash at bank	186,523	83,601
Money market securities – bank deposits	260,063	1,087,063
	446,586	1,170,664

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 2019 \$	Consolidated 2018 \$
Current		
GST receivables	2,779	30,159
Interest receivable	-	999
Prepayments	24,123	33,347
Trade and other debtors	8,287	75,970
	35,189	140,475
Non - current		
Rental bonds	6,801	1,280

7. Tenement security deposits

	Consolidated 2019 \$	Consolidated 2018 \$
Cash at bank – bank deposits	160,000	150,000
	160,000	150,000

These deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (refer to Note 21). The bank deposits are interest bearing.

8. Property, plant and equipment

	Motor vehicle	Plant and equipment	Total
Year ended 30 June 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
Year ended 30 June 2019 (Consolidated)			

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

Opening net book amount	-	9,850	9,850
Additions	-	5,733	5,733
Depreciation expense	-	(10,295)	(10,295)
Closing net book amount	-	5,288	5,288
At 30 June 2019			
Cost	93,101	125,431	218,532
Accumulated depreciation	(93,101)	(120,143)	(213,244)
Net book amount	-	5,288	5,288

*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 2019 \$	Consolidated 2018 \$
Costs brought forward	6,113,964	3,892,787
Costs incurred during the period	769,287	2,233,464
Expenditure written off during period	(1,107,222)	(12,287)
Costs carried forward	5,776,029	6,113,964
Exploration expenditure costs carried forward are made up of:		
► Expenditure on joint venture areas	4,678,552	4,660,725
► Expenditure on non joint venture areas	1,097,477	1,453,239
Costs carried forward	5,776,029	6,113,964

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 2019

10. Current liabilities – payables

	Consolidated 2019 \$	Consolidated 2018 \$
Trade creditors	27,580	96,992
Accrued expenses	14,000	45,378
GST payable	-	6,832
PAYG payable	425	9,572
	42,005	158,774

11. Liabilities – provisions

	Consolidated 2019 \$	Consolidated 2018 \$
Current		
Annual leave	-	9,112
Non-current		
Long Service Leave	-	33,731

12. Contributed equity

	Consolidated 2019 \$	Consolidated 2018 \$
Share capital		
293,710,253 fully paid ordinary shares (2018: 245,839,883)	(a) 19,702,464	19,122,464
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
Share issue costs	(1,419,357)	(1,369,019)
Option issue consideration reserve		
11,722,540 unlisted options on issue (2018: 18,722,540)	313,995	313,995
	18,597,102	18,067,440

(a) Movements in ordinary shares on issue

At 30 June 2017

	Number	\$
Shares issued	158,578,962	16,461,005
Shares issued (i)	23,785,844	428,145
Shares issued (ii)	13,916,632	250,500
Shares issued (ii)	49,070,350	1,962,814
Shares issued (iv)	250,000	10,000
Shares issued (v)	238,095	10,000

At 30 June 2018

	Number	\$
Shares issued (vi)	370,370	10,000
Shares issued (vii)	47,500,000	570,000
	293,710,253	19,702,464

(i) In July 2017, 23,785,844 shares were issued at \$0.018 per share under a share placement.

(ii) In August 2017, 13,916,632 shares were issued at \$0.018 per share under a Share Purchase Plan.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

- (iii) In March 2018, 49,070,350 shares were issued at \$0.04 per share under a share placement.
- (iv) In March 2018, 250,000 shares were issued on exercise of \$0.04 options expiring 24 November 2018.
- (v) 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.
- (vi) In September 2018, 370,370 shares were issued at \$0.027 per share in consideration of a land access agreement.
- (vii) In December 2018, 47,500,000 shares were issued at \$0.012 per share under a share placement.

Terms and conditions of contributed equity

Ordinary shares

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

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

Options

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

13. Accumulated losses

Balance at 1 July
Operating loss/(profit) after income tax expense
Expired option value transferred to Accumulated Losses
Balance at 30 June

Consolidated 2019 \$	Consolidated 2018 \$
10,761,763	10,907,223
1,531,863	(43,520)
(6,600)	(101,940)
12,287,206	10,761,763

14. Reserves/share-based payments

Reserves

Balance at 1 July
Share-based payment expensed during the financial year
Expired option value transferred to Accumulated Losses
Foreign currency translation reserve
Balance at 30 June

Consolidated 2019 \$	Consolidated 2018 \$
78,939	181,463
5,200	-
(6,600)	(101,940)
273	(584)
77,812	78,939

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 2019 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 2019 and 2018.

Summary of options granted

Outstanding at the beginning of the year

Consolidated 2019 no.	Consolidated 2018 no.
9,250,000	18,000,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

Granted during the year	2,000,000	-
Forfeited during the year	-	-
Exercised during the year	-	(250,000)
Expired during the year	(750,000)	(8,500,000)
Outstanding at the end of the year	10,500,000	9,250,000

The outstanding balance as at 30 June 2019 is represented by:

- ▶ 8,500,000 options exercisable at \$0.06, expiry 24 November 2019
- ▶ 2,000,000 options exercisable at \$0.06, expiry 9 October 2021

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 16	8,500,000	\$0.06	24 Nov 19	73.60%	1.89%	3.0 years	\$0.0094	Binomial	(a)
Oct 18	2,000,000	\$0.05	9 Oct 21	70.00%	2.00%	3.0 years	\$0.0026	Binomial	(b)
	10,500,000								

- (a) 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.
- (b) 2,000,000 options were granted to Directors and employees of the Company which were approved by shareholders at the AGM in November 2018. The options vested immediately.

Weighted average disclosures on options

	2019	2018
Weighted average exercise price of options at 1 July	\$0.06	\$0.08
Weighted average exercise price of options granted during period	\$0.03	-
Weighted average exercise price of options outstanding at 30 June	\$0.05	\$0.06
Weighted average exercise price of options exercisable at 30 June	\$0.05	\$0.06
Weighted average contractual life	1.56 years	1.32 years
Range of exercise price	\$0.03 - \$0.06	\$0.04 - \$0.06

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

15. Earnings per share

	2019	2018
Net profit/(loss) used in calculating basic and diluted gain/(loss) per share	(1,531,863)	43,520
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	271,960,481	208,521,531
	Cents per share	Cents per share
Basic earnings (loss) per share	(0.56)	0.02
Diluted earnings (loss) per share	(0.56)	0.02

16. Key management personnel

Key management personnel compensation

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

	Consolidated 2019 \$	Consolidated 2018 \$
Short term employee benefits	389,371	402,696
Post-employment benefits	21,884	30,059
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	5,200	-
	416,455	432,755

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.
2019						
B Besley (a)	2,657,044	-	-	-	2,657,044	-
C Torrey (b)	1,430,889	-	-	-	1,430,889	-
D Wates	-	-	-	-	-	-
T Pickett	-	-	-	-	-	-
J Puckridge	-	-	-	-	-	-
Total	4,087,933	-	-	-	4,087,933	-
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 (c)	1,554,600	-	-	-	1,554,600	-
Total	4,059,200	-	250,000	1,333,333	5,642,533	-

*2018 Net change other consists of shares purchased under the Company's SPP and on market trades.

(a) Resigned 28 February 2019

(b) Resigned 28 February 2019

(c) Resigned 20 November 2017

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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.
2019									
B Besley (a)	1,500,000	-	-	-	1,500,000	1,500,000	-	1,500,000	-
C Torrey (b)	2,750,000	2,000,000	-	(750,000)	4,000,000	4,000,000	-	4,000,000	-
G Jones (c)	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
I Polovineo (d)	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000	-
Total	6,250,000	2,000,000	-	(750,000)	7,500,000	7,500,000	-	7,500,000	-
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 (e)	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	-

(a) Resigned 28 February 2019.

(b) Resigned 28 February 2019.

(c) Resigned 28 February 2019.

(d) Resigned 28 February 2019.

(e) Resigned 20 November 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:

Name	Country of incorporation	% Equity interest	
		2019	2018
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 2019 \$	Consolidated 2018 \$
28,200	26,300
-	-
28,200	26,300

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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 2019 were as follows:

Joint Venture	Percentage interest 2019	Percentage interest 2018
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%
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%	75%
EL 8495	75%	75%
EL 8236	75%	75%
EL 8075	75%	-
EL 8862	75%	-
EL 8863	75%	-

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

* The percentages for ELs 8076, 8074, 8255 and 8629 should be 0% in 2019. These licences were cancelled and consolidated into ELs 8862 and 8863.

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 Board 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

21. Contingent liabilities

The Group has provided guarantees totalling \$160,000 (2018: \$150,000) 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 2019

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 2019 \$	Consolidated 2018 \$
Cash and cash equivalents	446,586	1,170,664
Receivables	8,287	141,755
Deposits with banks and Joint Venture Partner	160,000	150,000
	614,873	1,462,419

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 \$
2019				
Payables	39,226	39,226	-	-
	39,226	39,226	-	-
2018				
Payables	158,774	158,774	-	-
	158,774	158,774	-	-

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

Financial assets	Carrying amount \$	< 12 months \$	1-3 years \$	>3 years \$
2019				
Cash at bank and term deposits	446,586	446,586	-	-
Receivables	8,287	8,287	-	-
Deposits with banks and Joint Venture Partner	160,000	-	160,000	-
	614,873	454,873	160,000	-
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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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 2019	Consolidated 2018
Weighted average rate of cash balances	0.03%	0.03%
Cash balances	\$186,523	\$83,601
Weighted average rate of term deposits	1.64%	1.94%
Term deposits	\$260,063	\$1,087,063

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 \$
2019					
Cash and cash equivalents	446,586	4,466	-	(4,466)	-
Tax charge of 27.5%	-	(1,228)	-	1,228	-
After tax profit increase/(decrease)	446,586	3,238	-	(3,238)	-
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)	-

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 2019

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 2019 \$	Consolidated 2018 \$
Payable not later than one year	-	-
Payable later than one year but not later than two years	-	-
	-	-

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 2019 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

25. Statement of cash flows

	Consolidated 2019 \$	Consolidated 2018 \$
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
(a) Operating profit/(loss) after income tax	(1,531,863)	43,520
Depreciation	10,295	8,804
Share based payments	(5,200)	-
Exploration costs in opening and closing creditors	-	69,033
Annual and long service leave written back (expensed)	-	(29,861)
Exploration expenditure written off	1,107,222	12,287
Other	-	25,922
Change in assets and liabilities:		
(Increase)/decrease in receivables	105,296	(87,896)
(Decrease)/increase in trade and other creditors	(22,513)	72,253
(Decrease)/increase in provisions	(42,843)	-
Net cash outflow from operating activities	(369,206)	(114,062)
(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 2019 comprised:		
Cash assets	186,523	83,601
Bank deposits (Note 5)	260,063	1,087,063
Cash on hand	446,586	1,170,664

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

26. Parent entity information

	2019 \$	2018 \$
Current assets	477,098	1,306,000
Total assets	6,698,765	7,856,877
Current liabilities	39,226	167,032
Total liabilities	39,226	200,763
Issued capital	18,597,102	18,067,440
Accumulated losses	(12,021,013)	(10,496,176)
Reserves	83,450	84,850
Total shareholders' equity	6,659,539	7,656,114
Profit/(loss) of the parent entity	(1,531,437)	44,915
Total comprehensive income/(loss) of the parent entity	(1,531,437)	44,915

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 2019 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 2019.

On behalf of the Board



Josh Puckridge
Non-executive Director
Perth, 26 September 2019

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 2019, 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 2019 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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Please refer to the
website for our
standard terms of
engagement.

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 \$5.8 million Refer to Note 9	
<p>The consolidated entity owns the rights to several exploration licenses in New South Wales and Queensland. Expenditure relating to these areas 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.</p> <p>This area is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance; • The inherent uncertainty of the recoverability of the amount involved; and • The substantial amount of audit work performed. 	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> • 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 employee's 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 2019 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.

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.

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 2019.

In our opinion, the Remuneration Report of Silver City Minerals Limited for the year ended 30 June 2019 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



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Anthony Dowell
Partner

26 September 2019

Additional Information

Information relating to shareholders

Information relating to shareholders at 25 September 2019 (per ASX Listing Rule 4.10)

Ordinary fully paid shares

There was a total of 293,710,253 fully paid ordinary shares on issue.

Options

There was a total of 44,250,000 unlisted options on issue.

Substantial shareholders	Shareholding
UPSKY EQUITY PTY LTD <UPSKY INVESTMENT A/C>	17,333,334

Top 20 shareholders of ordinary shares	Number	%
UPSKY EQUITY PTY LTD <UPSKY INVESTMENT A/C>	17,333,334	5.902%
JENNINGS FAMILY INVESTMENTS PTY LTD	14,460,584	4.923%
L&M GROUP LIMITED	13,250,000	4.511%
INKEX PTY LTD <INKEX SUPER FUND A/C>	9,038,730	3.077%
MR BILAL AHMAD	8,333,334	2.837%
MR LEIGH DAVID KALAZICH	8,000,000	2.724%
MR BIN LIU	7,237,618	2.464%
GECKO RESOURCES PTY LTD	6,000,000	2.043%
CAS SUPER NOMINEES PTY LTD <CAS SUPER FUND A/C>	6,000,000	2.043%
CITICORP NOMINEES PTY LIMITED	4,377,567	1.490%
BNP PARIBAS NOMS PTY LTD <DRP>	4,351,515	1.482%
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	4,296,392	1.463%
SKYWALKER HOLDINGS WA PTY LTD	4,166,667	1.419%
CALM HOLDINGS PTY LTD <CLIFTON SUPER FUND A/C>	3,967,672	1.351%
WINDELL HOLDINGS PTY LTD <THE THOMPSON INVESTMENT A/C>	3,800,000	1.294%
WILDGLADE PTY LTD <THE RALSTON FAMILY A/C>	3,196,999	1.088%
SMAC NOMINEES PTY LTD <SMAC INVESTMENT A/C>	3,150,000	1.072%
ESM LIMITED	3,000,000	1.021%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	2,786,992	0.949%
DR KEVIN SOUTAR	2,320,429	0.790%
Total of top 20 holdings	129,067,833	43.94
Total number of shares	293,710,253	100.00

Additional Information

Distribution of shareholders		
Range	Number of shareholders	Ordinary shares
1 – 1,000	67	9,408
1,001 – 5,000	33	118,553
5,001 – 10,000	104	909,907
10,001 – 100,000	471	21,801,614
100,001 – and over	354	270,870,771
	1,029	293,710,253

At the prevailing market price of \$0.011 per share at 25 September 2019, there were 58 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	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – and over	24	44,250,000
	24	44,250,000

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