

MACMIN SILVER LTD

A.B.N. 53 056 776 160

INDEX TO CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2006

	Page
DIRECTORS' REPORT	1
AUDITORS' INDEPENDENCE DECLARATION	2
INDEPENDENT REVIEW REPORT TO THE MEMBERS	3-4
DIRECTORS' DECLARATION	5
CONSOLIDATED INCOME STATEMENT	6
CONSOLIDATED BALANCE SHEET	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED CASH FLOW STATEMENT	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10-13

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Macmin Silver Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES

A.B.N. 53 056 776 160

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Macmin Silver Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2006.

DIRECTORS

The following persons were directors of Macmin Silver Ltd during the whole of the half-year and up to the date of this report:

Robert D. McNeil
Denis M. O'Neill
Peter A. McNeil
Garry G. Lowder
Edgar G. Newman

RESULTS AND DIVIDENDS

The consolidated entity loss after income tax for the half-year is \$3,257,035 (2005: \$911,320). There is no dividend paid or recommended.

The result for the half-year was significantly affected by:

- expenditure of \$1,055,341 (2005: \$134,308) in respect of exploration expenditure in accordance with company policy as outlined in Note 1; and
- the non-cash amount of \$1,493,039 (2005: \$186,079) included in Employee Benefits Expense in respect of options issued under the Macmin Employee Incentive Option Scheme during the period.

REVIEW OF OPERATIONS

During the half-year the consolidated entity;

- (i) funded ongoing exploration, evaluation and development work on its exploration areas, particularly the Texas Silver project located near the Queensland/New South Wales border. The Consolidated Entity also continued development work on the Twin Hills Mine at the Texas Silver Project, including commissioning and initial production activities;
- (ii) raised \$8,928,104 before costs by the issue of 31,272,629 ordinary shares in Macmin Silver Ltd; and
- (iii) acquired the Tally Ho exploration project by the issue of 937,500 ordinary shares in Macmin Silver Ltd in lieu of \$300,000 cash consideration.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 immediately follows this report.

This report is made in accordance with a resolution of the directors.

D.M. O'Neill
Managing Director

Bundall, Queensland
8 March 2007

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES

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Auditors' Independence Declaration

As lead auditor for the review of Macmin Silver Ltd for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Macmin Silver Ltd and the entities it controlled during the period.

Stephen R Snook
Partner
PricewaterhouseCoopers

Brisbane
9 March 2007

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MACMIN SILVER LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Macmin Silver Ltd and its controlled entities, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Macmin Group (the consolidated entity). The consolidated entity comprises both Macmin Silver Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Macmin Silver Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website
<http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES

A.B.N. 53 056 776 160

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MACMIN SILVER LTD (continued)

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Macmin Silver (the company) for the half-year ended 31 December 2006 included on Macmin Silver Limited's web site. The company's directors are responsible for the integrity of the Macmin Silver Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PricewaterhouseCoopers

Stephen R Snook
Partner

Brisbane
9 March 2007

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES

A.B.N. 53 056 776 160

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Macmin Silver Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

D.M. O'Neill
Managing Director

Bundall, Queensland
8 March 2007

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Notes	Half-year	
		2006	2005
		\$	\$
Revenue from continuing operations		735,258	304,348
Changes in inventories of work in progress		728,226	-
Raw materials and consumables used		(21,549)	-
Mine equipment contract costs		(610,132)	-
Employee benefits expense		(2,054,763)	(619,786)
Corporate compliance and shareholder relations		(171,269)	(151,140)
Exploration expenditure		(1,055,341)	(134,308)
Office rental, communications and consumables		(92,577)	(67,884)
Depreciation		(374,372)	(46,802)
Finance costs		(86,631)	(28,230)
Insurances		(65,615)	(24,607)
Net loss on disposal of plant and equipment		-	(1,505)
Company equipment use charged to exploration and development		18,920	27,720
Share of net loss of associates accounted for using the equity method		(119,620)	(141,888)
Other expenses from ordinary activities		(87,570)	(27,238)
Loss before income tax		(3,257,035)	(911,320)
Income tax expense			
Loss for the half-year		(3,257,035)	(911,320)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		Cents	Cents
Basic and diluted loss per share		(0.75)	(0.25)
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic and diluted loss per share		(0.75)	(0.25)

The above consolidated income statement above should be read in conjunction with the accompanying notes.

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	31-Dec-06	30-Jun-06
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		13,551,069	9,284,027
Trade and other receivables		889,029	337,303
Inventories and work in progress		755,555	-
TOTAL CURRENT ASSETS		15,195,653	9,621,330
NON-CURRENT ASSETS			
Receivables		198,763	198,763
Investments accounted for using the equity method		3,830,221	3,949,841
Available-for-sale financial assets		911,522	639,857
Property plant and equipment		8,203,320	8,407,928
Mineral exploration and evaluation expenditure		6,135,569	5,760,498
Mineral development expenditure		13,582,317	7,857,399
TOTAL NON-CURRENT ASSETS		32,861,712	26,814,286
TOTAL ASSETS		48,057,365	36,435,616
CURRENT LIABILITIES			
Trade and other payables		1,428,384	751,789
Borrowings		461,763	444,879
TOTAL CURRENT LIABILITIES		1,890,147	1,196,668
NON-CURRENT LIABILITIES			
Borrowings		931,439	1,166,113
Provisions		3,640,592	135,466
TOTAL NON-CURRENT LIABILITIES		4,572,031	1,301,579
TOTAL LIABILITIES		6,462,178	2,498,247
NET ASSETS		41,595,187	33,937,369
EQUITY			
Parent entity interest:			
Contributed equity		65,179,064	55,934,913
Reserves		6,386,951	4,716,249
Accumulated losses		(29,970,828)	(26,713,793)
TOTAL EQUITY		41,595,187	33,937,369

The above consolidated balance sheet above should be read in conjunction with the accompanying notes.

**MACMIN SILVER LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2006**

	Half-year	
	2006	2005
	\$	\$
Total equity at the beginning of the half-year	33,937,369	16,624,503
Changes in the fair value of available-for-sale financial assets	271,665	37,813
Net income recognised directly in equity	271,665	37,813
Loss for the half-year	(3,257,035)	(911,320)
Total recognised income and expense for the half-year	(2,985,370)	(873,507)
Transactions with equity holders in their capacity as equity holders:		
Share based payments reserve movements (note 3)	1,399,037	405,720
Contributions of equity, net of transaction costs (note 3)	9,244,151	4,622,622
	10,643,188	5,028,342
Total equity at the end of the half-year	41,595,187	20,779,338

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**MACMIN SILVER LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Notes	Half-year	
		2006	2005
		\$	\$
Cash Flows from Operating Activities			
Cash receipts in the course of operations (inclusive of goods and services tax)		509,245	218,754
Interest received		211,371	82,165
Payments to suppliers and employees not included as part of exploration and evaluation activities below		(2,484,136)	(1,269,138)
Goods and Services Tax refunded		463,674	333,580
Net cash inflow (outflow) from operating activities	8(a)	(1,299,846)	(634,639)
Cash Flows From Investing Activities			
Exploration and evaluation activities	8(b)	(1,017,479)	(291,039)
Development activities	8(b)	(1,899,696)	(1,000,826)
Payments for property, plant and equipment		(161,810)	(2,345,569)
Proceeds from sale of property, plant and equipment		13,514	1,614
Payments for investments		-	(255,305)
Net cash (outflow) inflow from investing activities		(3,065,471)	(3,891,125)
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of share issue costs)		8,850,149	4,622,621
Proceeds from subscription money held pending issue of shares		-	114,810
Proceeds from Borrowings		-	104,000
Repayment of borrowings		(217,790)	(145,898)
Net cash inflow (outflow) from financing activities		8,632,359	4,695,533
Net increase (decrease) in cash and cash equivalents		4,267,042	169,769
Cash and cash equivalents at the beginning of the half-year		9,284,027	2,324,013
Cash and cash equivalents at end of the half-year		13,551,069	2,493,782

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Macmin Silver Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. SEGMENT INFORMATION

Primary reporting format – geographical segments.

	Half Year	GEOGRAPHICAL SEGMENTS		
		Australia \$	Canada \$	Consolidated \$
Segment revenue	2006	735,258	-	735,258
	2005	304,348	-	304,348
Share of net loss of associate	2006	-	(119,620)	(119,620)
	2005	-	(141,888)	(141,888)
Segment results	2006	(3,137,415)	(119,620)	(3,257,035)
	2005	(769,432)	(141,888)	(911,320)

The consolidated entity operates predominantly in the mining industry. This comprises exploration and evaluation of gold, silver and base metals projects. Inter-segment transactions are priced at cost to the consolidated entity.

3. EQUITY SECURITIES ISSUED

Issues of ordinary shares during the half-year	2006 Shares	2005 Shares	2006 \$	2005 \$
Prospectus issue	-	14,331,357	-	2,006,390
Rights Issue	28,736,427	-	8,620,928	-
Private placement issues	-	14,076,667	-	1,689,200
Issued for no cash, to acquire tenement interests (note 8)	937,500	-	300,000	-
Exercise of employee options	590,000	512,500	95,500	85,000
Exercise of directors options	810,000	-	162,000	-
Exercise of listed options	198,702	8,391,828	49,676	1,007,482
Transfer from share-based payments reserve	-	-	94,002	-
Less cost of issues	-	-	(77,955)	(165,451)
	31,272,629	37,312,352	9,244,151	4,622,621

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

3. EQUITY SECURITIES ISSUED (continued)

Issues and exercise or cancellation of options during the half-year	2006	2005
	Options	Options
Issue of listed options (rights issue)	14,368,214	19,023,579
Issue of employee options	8,525,000	4,500,000
Transfer to share-based payments reserve	-	-
Issue of directors options	-	600,000
Exercise of listed options	(198,702)	(8,391,828)
Exercise of employee options	(590,000)	(512,500)
Exercise of directors options	(810,000)	-
Cancellation of employee options	(350,000)	(400,000)
Expiry of listed options	-	(81,982,718)
	20,944,512	(67,163,467)

4. LOSS FOR THE HALF YEAR	Notes	Half-year	
		2006	2005
		\$	\$

Loss for the half-year includes the following items that are unusual because of their nature, size or incidence:

Expenses

Non cash share based payments expense as a result of options issue to employees

1,493,039	186,079
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5. CONTINGENT LIABILITIES

Termination benefits are payable in certain circumstances under the employment agreements with the executive directors. Under these agreements, a sum equal to six months salary is payable at the date of such termination.

A former employee has lodged a common law claim for damages in respect of an injury. The matter is being handled by Workcover and the Company does not expect to incur any costs in relation to the claim.

6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Between 3 January and 5 February 2007 the Company issued 747,091 ordinary shares pursuant to the exercise of listed and unlisted options raising \$86,872 before costs.

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

7. CASH FLOW STATEMENT

	CONSOLIDATED	
	31-Dec-06	31-Dec-05
	\$	\$
(a) Reconciliation of the operating loss after income tax to the net cash flow from operations		
Operating loss after income tax	(3,257,035)	(911,320)
Adjustment for non cash items:-		
- Less exploration costs written off (relates to investing activities)	1,055,341	134,308
- Loss/(gain) on disposal of fixed assets	(2,808)	1,505
- Depreciation and amortisation expense	374,372	46,802
- Non-cash employee benefits expense – share based payments	1,493,039	186,079
- Loss attributable to equity accounting of investment	119,620	141,888
Change in operating assets and liabilities:-		
- Accounts payable and provisions	299,910	270,956
- Amounts receivable	(606,428)	(543,997)
- Prepayments	(20,302)	39,140
- Work in progress and inventories	(755,555)	-
Net cash inflow / (outflow) from operating activities	(1,299,846)	(634,639)
(b) Reconciliation of the exploration, evaluation and development expenditure:-		
Movement in Balance Sheet for the half year		
- Exploration, evaluation and development	6,099,989	2,319,892
Adjustment for Non Cash Items:-		
- Exploration costs written off	1,055,341	134,308
- Depreciation	-	(161,221)
- Employee share based remuneration	-	(219,641)
- Loan interest included in repayments	-	(31,146)
- Shares issued to acquire tenement interests	(300,000)	-
Change in assets and liabilities:-		
- Accounts payable and provisions	(421,577)	(750,327)
- Provision for rehabilitation	(3,516,578)	-
	2,917,175	1,291,865
Balance as per Statement of Cash Flows		
- Exploration and evaluation expenditure	1,017,479	291,039
- Development activities	1,899,696	1,000,826
	2,917,175	1,291,865

8. NON-CASH FINANCING AND INVESTING ACTIVITIES

	CONSOLIDATED	
	31-Dec-06	31-Dec-05
	\$	\$
Acquisition of 100% interest in the Tally Ho exploration projects by the issue of 937,500 ordinary shares to the vendors, Fayworth Pty Ltd (625,000 shares) and Fairground Pty Ltd (312,500 shares).	300,000	-

MACMIN SILVER LTD & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

9. EXPLORATION COMMITMENTS

CONSOLIDATED
31-Dec-06 31-Dec-05
\$ **\$**

Exploration Expenditure Commitments

In order to maintain rights of tenure to exploration tenements the company and the consolidated entity are required to perform exploration work to meet the minimum expenditure requirements as specified by various governments. Outstanding obligations are not provided for in the accounts and are payable:

Not later than 1 year	663,000	338,500
Later than 1 year but not later than 2 years	716,000	100,500
Later than 2 years but not later than 3 years	308,000	

	1,687,000	439,000
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Capital Expenditure Commitments

Drill rig purchase

Capital equipment, mine construction and commissioning at Twin Hills.
Outstanding obligations are not provided for in the accounts and are payable:

Not later than 1 year	3,050,000	4,880,000
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	3,050,000	4,880,000
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