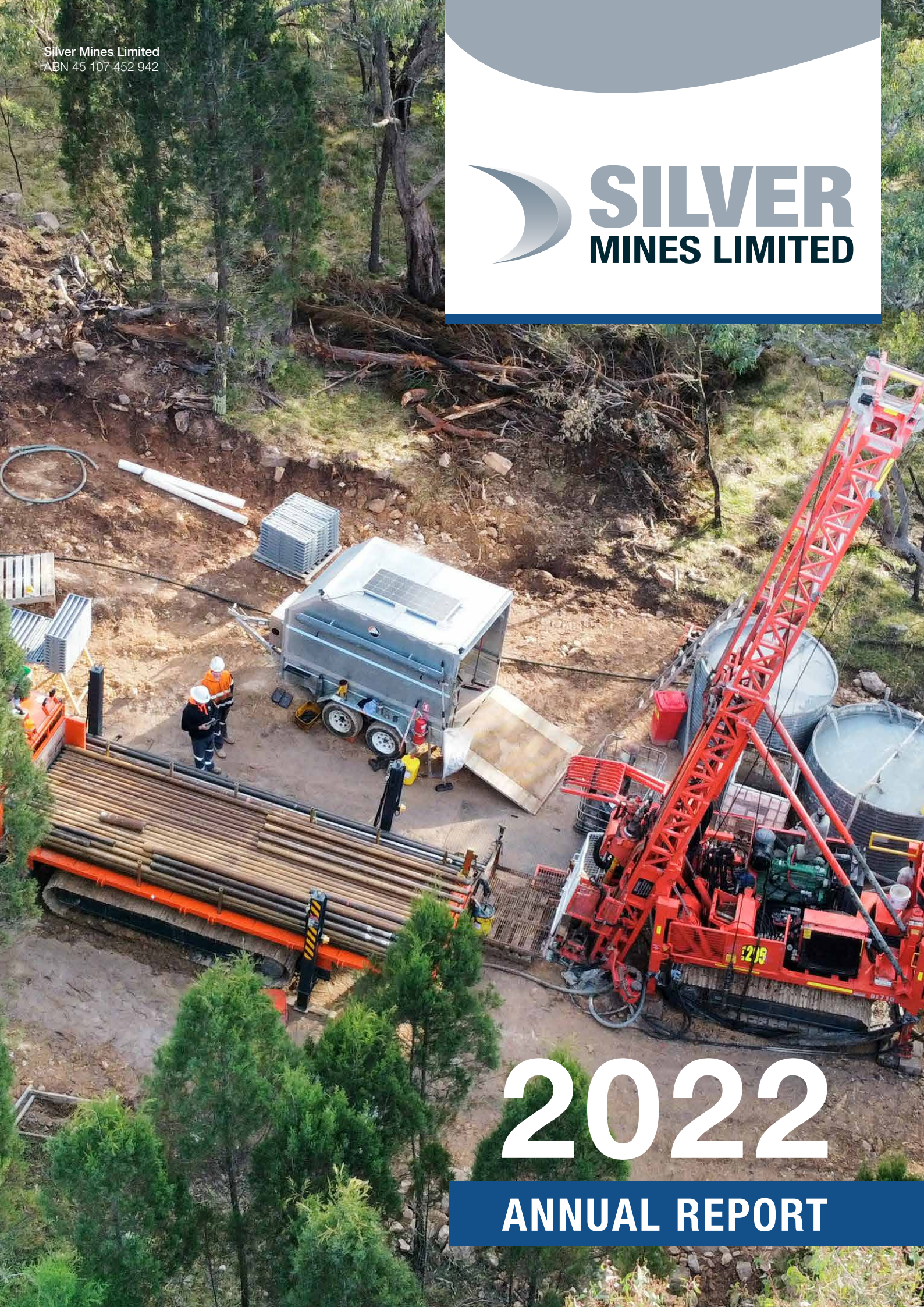


Silver Mines Limited
ABN 45 107 452 942



SILVER
MINES LIMITED



2022

ANNUAL REPORT

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REVIEW OF OPERATIONS

During the 2022 Financial Year, Silver Mines Limited (**‘Silver Mines’**, the **‘Company’** or the **‘Group’**) continued the advancement of the Bowdens Silver Project, including progressing the Development Application and other documentation to the New South Wales Government for the development of the Bowdens Silver Project. In addition, the Company continued to undertake substantial exploration works.

COVID-19 RESPONSE

During the 2022 Financial Year, the Company maintained health and safety measures implemented in response to the COVID-19 pandemic. The Company’s priority is to protect the health and safety of staff, contractors and local communities while maintaining the integrity of the business.

The Company adheres to all directives from Federal and State Government and has put in place comprehensive COVID-19 Policies and Procedures. This has allowed our current operations to continue safely and with minimal interruption.

PROJECTS

During the 2022 Financial Year, the Group controlled the following projects, all of which are located in New South Wales, Australia:

- **Bowdens Silver Project (silver/polymetallic);**
- **Barabolar Project (copper/gold/silver); and**
- **Tuena Project (gold/silver).**

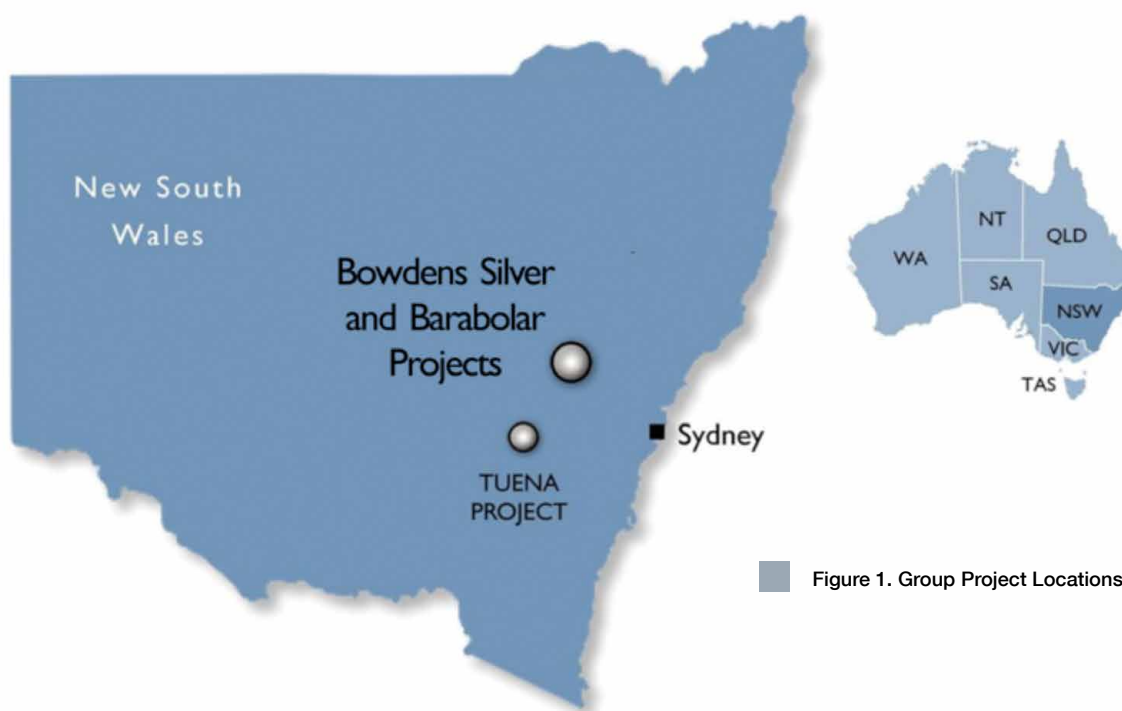


Figure 1. Group Project Locations.

REVIEW OF OPERATIONS

Bowdens Silver Project

During the 2022 Financial Year, the Company continued both pre-development works and ongoing mineral exploration at the Bowdens Silver Project which is located near Mudgee in the Central Tablelands Region of New South Wales, Australia.

Introduction

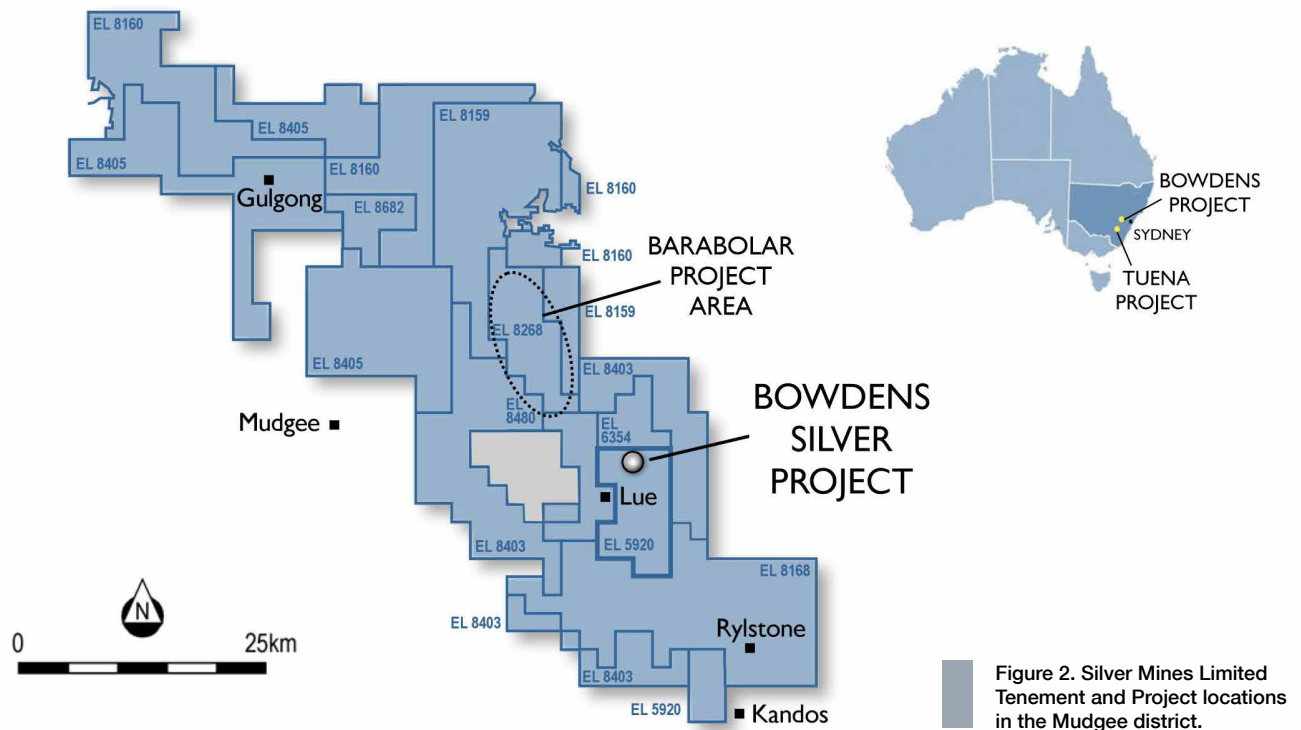
The Company is in the final stages of the approval processes for the development of the Bowdens Silver Project and has submitted a Development Application, Mining Lease Application and other documentation to the New South Wales Department of Planning and Environment and Regional New South Wales - Mining Exploration and Geoscience.

The Project comprises 1,950 km² (480,000 acres) of titles covering approximately 80 kilometres of strike of the highly mineralised Carboniferous Rylstone Volcanics overlying Ordovician and Silurian formations. The area also hosts the Company's Barabolar Project.

The Group holds 100% of Exploration Licence EL5920 which contains the Bowdens Silver Deposit. In addition, the Group holds exploration licences EL6354, EL8159, EL8160, EL8168, EL8268, EL8403, EL8405, EL8480 and EL8682. (Refer to Figure 2).



REVIEW OF OPERATIONS



Bowdens Silver Project

Description

The Bowdens Silver Project is the largest known undeveloped silver Mineral Resource in Australia.

The tenement portfolio is situated on the eastern margin of the Lachlan Orogen/Macquarie Arc. The Project comprises the highly-mineralised Rylstone Volcanics and the on-lapping later Permian, sedimentary units of the Shoalhaven Group within the Sydney Basin. The Rylstone Volcanics unconformably overlie the Ordovician Coomber Formation and Silurian Dungaree Volcanics (*Refer to Figure 3*). Several intrusions cross-cut Ordovician, Silurian and Carboniferous units.

In March 2021, the Company submitted its Mining Lease Application and other documentation to the New South Wales Department of Planning and Environment and Regional NSW - Mining Exploration and Geoscience for the development of the Bowdens Silver Project.

The proposed development comprises an open-cut mine feeding a new processing plant with a conventional milling circuit and differential flotation to produce two concentrates that will be sold for smelting off site. Plant capacity is designed for 2.0 million tonnes per annum with a mine life of 16.5 years.

REVIEW OF OPERATIONS

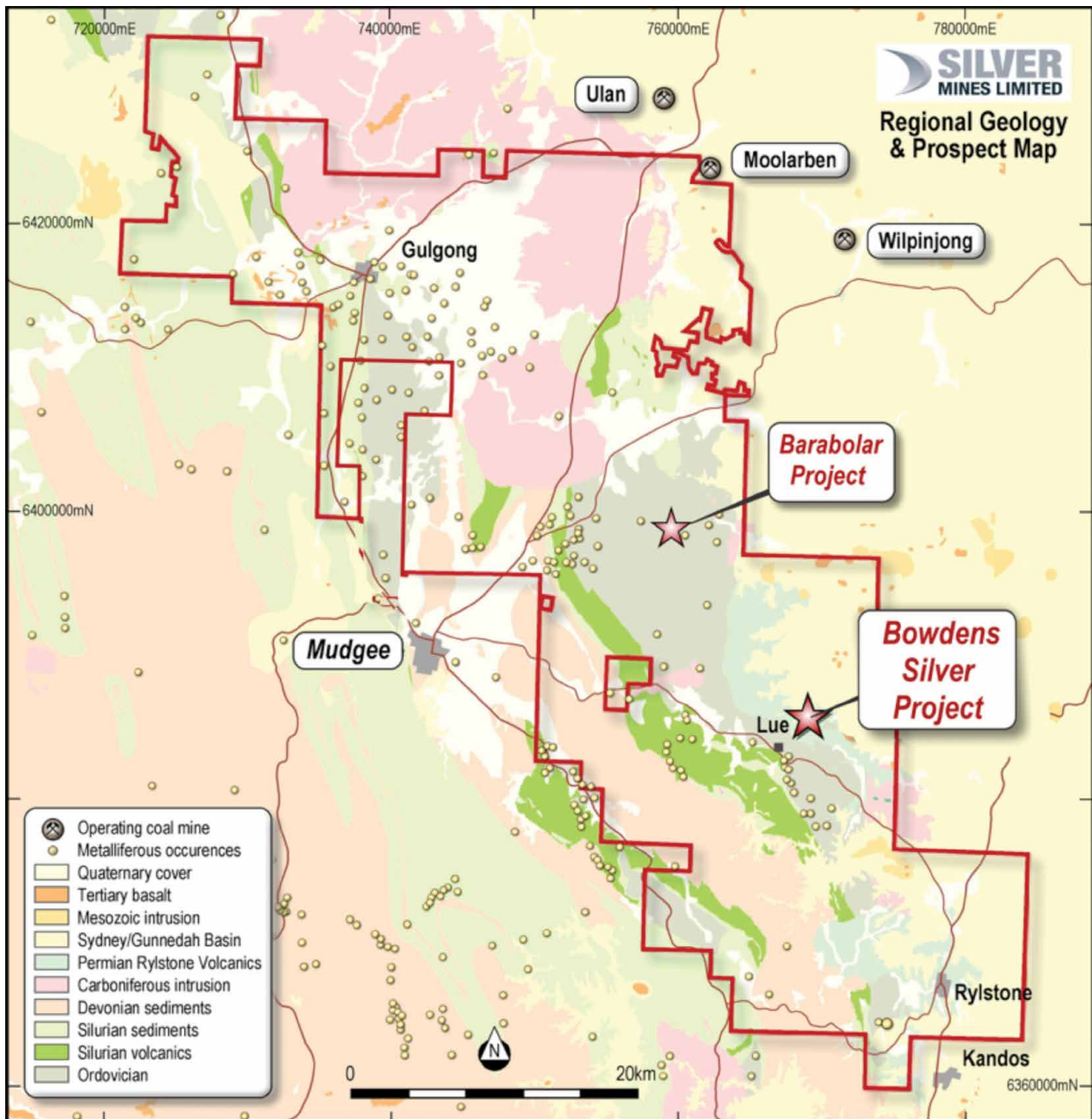


Figure 3. Silver Mines Limited prospect locations in the Mudgee district.

REVIEW OF OPERATIONS

Ore Reserve and Mineral Resource

The Bowdens Silver Ore Reserve is estimated at 29.9 million tonnes at 69.0 g/t silver, 0.44% zinc and 0.32% lead containing 66.32 million ounces of silver, 130.8 kilotonnes of zinc and 95.3 kilotonnes of lead.

The Ore Reserve Estimate was prepared by mining engineering consultancy firm AMC Consultants Pty Ltd (AMC Consultants) and is based on the September 2017 Mineral Resource Estimate generated for Silver Mines by H & S Consultants Pty Ltd (H & S Consultants) (see ASX announcement 19 September 2017).

Measured and Indicated Mineral Resources were converted to Proved and Probable Ore Reserves respectively and are subject to mine designs, modifying factors and economic evaluation. The Ore Reserve Estimate for the Bowdens Silver Project as of May 2018 is outlined in Table 1 below.

Table 1. Bowdens Silver Deposit Ore Reserve

Reserve Category	Tonnes (Mt)	Reserve Grades			Contained Metal		
		Ag (g/t)	Zn (%)	Pb (%)	Ag Metal Moz	Zn (kt)	Pb (kt)
Proved	28.6	69.75	0.44	0.32	64.05	125.11	91.43
Probable	1.3	53.15	0.43	0.29	2.27	5.74	3.91
Total	29.9	69.01	0.44	0.32	66.32	130.84	95.33

Notes:

1. Refer to ASX announcement 30 May 2018 for further details.
2. Calculations have been rounded to the nearest 100,000 t, 0.1 g/t silver and 0.01% zinc and lead grades respectively. The Ore Reserve is reported by economic cut-off grade with appropriate consideration of modifying factors including costs, geotechnical considerations, mining and process recoveries and metal pricing.

The Bowdens Silver Open-Cut Mineral Resource Estimate was completed by H & S Consultants using recoverable Multiple Indicator Kriging and the reporting is compliant with the 2012 JORC Code and Guidelines (see ASX announcement of 19 September 2017). The Mineral Resource Estimate for the Bowdens Silver Project as of September 2017 is outlined in Table 2 below.

Table 2. Bowdens Silver Deposit Open-Cut Mineral Resource

Category	Tonnes (Mt)	Silver Eq. (g/t)	Silver (g/t)	Zinc (%)	Lead (%)	Million Ounces Silver	Million Ounces Silver Eq.
Measured	76	72	45	0.37	0.25	111	175
Indicated	29	59	31	0.38	0.25	29	55
Inferred	23	60	31	0.40	0.28	23	45
Total	128	67	40	0.38	0.26	163	275

Notes:

1. Refer to ASX announcement of 19 September 2017 for full details.
2. Bowdens' silver equivalent: Ag Eq (g/t) = Ag (g/t) + 33.48*Pb (%) + 49.61*Zn (%) calculated from prices of US\$20/oz silver, US\$1.50/lb zinc, US\$1.00/lb lead and metallurgical recoveries of 85% silver, 82% zinc and 83% lead estimated from test work commissioned by Silver Mines Limited.
3. Bowdens Silver Mineral Resource Estimate is reported to a 30g/t Ag Eq cut off and extends from surface and is trimmed to 300 metres RL which is approximately 320 metres below surface representing a potential volume for open-pit optimisation models.
4. In the Company's opinion, the silver, zinc and lead included in the metal equivalent calculations have a reasonable potential to be recovered and sold.
5. Variability of summation may occur due to rounding.

REVIEW OF OPERATIONS

The model is a non-linear recoverable-type model incorporating proportional tonnages and grades above cut-off grades for both silver equivalent grade (Ag Eq) and silver (Ag), while also incorporating linear ordinary kriged panel estimates for zinc (Zn), lead (Pb) and other elements.

The Proved Ore Reserve estimate is based on 'Measured' Mineral Resources after consideration of all mining, metallurgical, social, environmental, statutory and financial aspects of the Project. The Probable Ore Reserve estimate is based on 'Indicated' Mineral Resources after consideration of all mining, metallurgical, social, environmental, statutory and financial aspects of the Project.

Subsequent to the end of the 2022 Financial Year, the Company reported a maiden Bowdens Silver Underground Mineral Resource Estimate.

The Bowdens Silver Underground Mineral Resource Estimate of September 2022 was completed by H & S Consultants using recoverable Ordinary Kriging and the reporting is compliant with the 2012 JORC Code and Guidelines (see ASX announcement of 5 September 2022). The Underground Mineral Resource Estimate for the Bowdens Silver Project as of September 2022 is outlined in Table 3 below.

Table 3. Bowdens Silver Deposit Underground Mineral Resource

Category	Tonnes (Mt)	Silver Eq. (g/t)	Silver (g/t)	Zinc (%)	Lead (%)	Gold (g/t)	Million Ounces Silver Eq.
Measured	1.55	212	139	0.82	0.73	0.10	10.6
Indicated	2.01	217	54.7	2.02	1.12	0.31	14.1
Inferred	2.81	202	26.1	2.26	0.99	0.38	18.3
Total	6.37	209	62.5	1.84	0.97	0.29	42.9

Notes:

1. Refer to ASX announcement of 5 September 2022 for full details.
2. Bowdens' silver equivalent: $\text{Ag Eq (g/t)} = \text{Ag (g/t)} + 33.48 \cdot \text{Pb (\%)} + 49.61 \cdot \text{Zn (\%)} + 80 \cdot \text{Au (g/t)}$ calculated from prices of US\$20/oz silver, US\$1.50/lb zinc, US\$1.00/lb lead, US\$1600/oz gold and metallurgical recoveries of 85% silver, 82% zinc and 83% lead, 85% gold estimated from test work commissioned by Silver Mines Limited.
3. Bowdens Silver Mineral Resource Estimate is reported to a 150g/t Ag Eq cut off material outside existing pits.
4. In the Company's opinion, the silver, zinc, lead and gold included in the metal equivalent calculations have a reasonable potential to be recovered and sold.
5. Variability of summation may occur due to rounding.

The model is a linear ordinary kriged model with a minimum mining width of 3m. This is for silver equivalent grade (Ag Eq), silver (Ag), zinc (Zn), lead (Pb), gold (Au) and other elements.

REVIEW OF OPERATIONS

Development and Mining Lease Applications and Environmental Impact Statement

In May 2020, the Company completed and submitted the Bowdens Silver Development Application and associated Environmental Impact Statement (EIS) to the New South Wales Department of Planning and Environment (see *ASX announcement 25 May 2020*).

In March 2021, the Company announced the submission of its Mining Lease Application ("MLA 601") (see *ASX announcement 24 March 2021*).

In March 2022, the Company submitted a Water Supply Amendment Report. The key detail of this report was for the removal of a proposed water supply pipeline with water self-sufficiency confirmed for the Bowdens Silver Project.

Summary points of the EIS and other documentation include:

- Considerable local economic benefits with substantial local job creation;
- Minimal impacts on surface water and groundwater during and after operations;
- No physical human health risk issues of concern identified;
- A commitment to a progressive rehabilitation plan with rehabilitation to occur throughout the life of the mine;
- No significant impacts upon migratory or threatened species and a significant area of land to be conserved in perpetuity as part of the Project's biodiversity offset program;
- Relocation of a local road around the mine site resulting in the majority of traffic avoiding the local township of Lue;
- Aboriginal Cultural Heritage assessment concluded in conjunction with the local Aboriginal communities, with agreement for ongoing management; and
- The potential for amenity-related impacts managed over the life of the mine through a range of management commitments, monitoring and reporting.

From the exhibition process of the EIS, the Company received no objections to the Project from any of the Government agencies and received resounding public support with 79% of all public organisation and general public submissions in favour of the Project.

The full Bowdens Silver EIS and other documentation can be accessed at the New South Wales Department of Planning and Environment website.

The Project is currently in the final stages of development approvals.

Silver Mines continues an extensive program of consultation with relevant Government departments, local communities, and other interested stakeholders. The program examines the potential impacts and benefits of exploration and development across the substantial Bowdens Silver tenement portfolio. Consultation processes focus on the current potential mine development area and the wider area where the Company is commencing or undertaking exploration programs.



REVIEW OF OPERATIONS

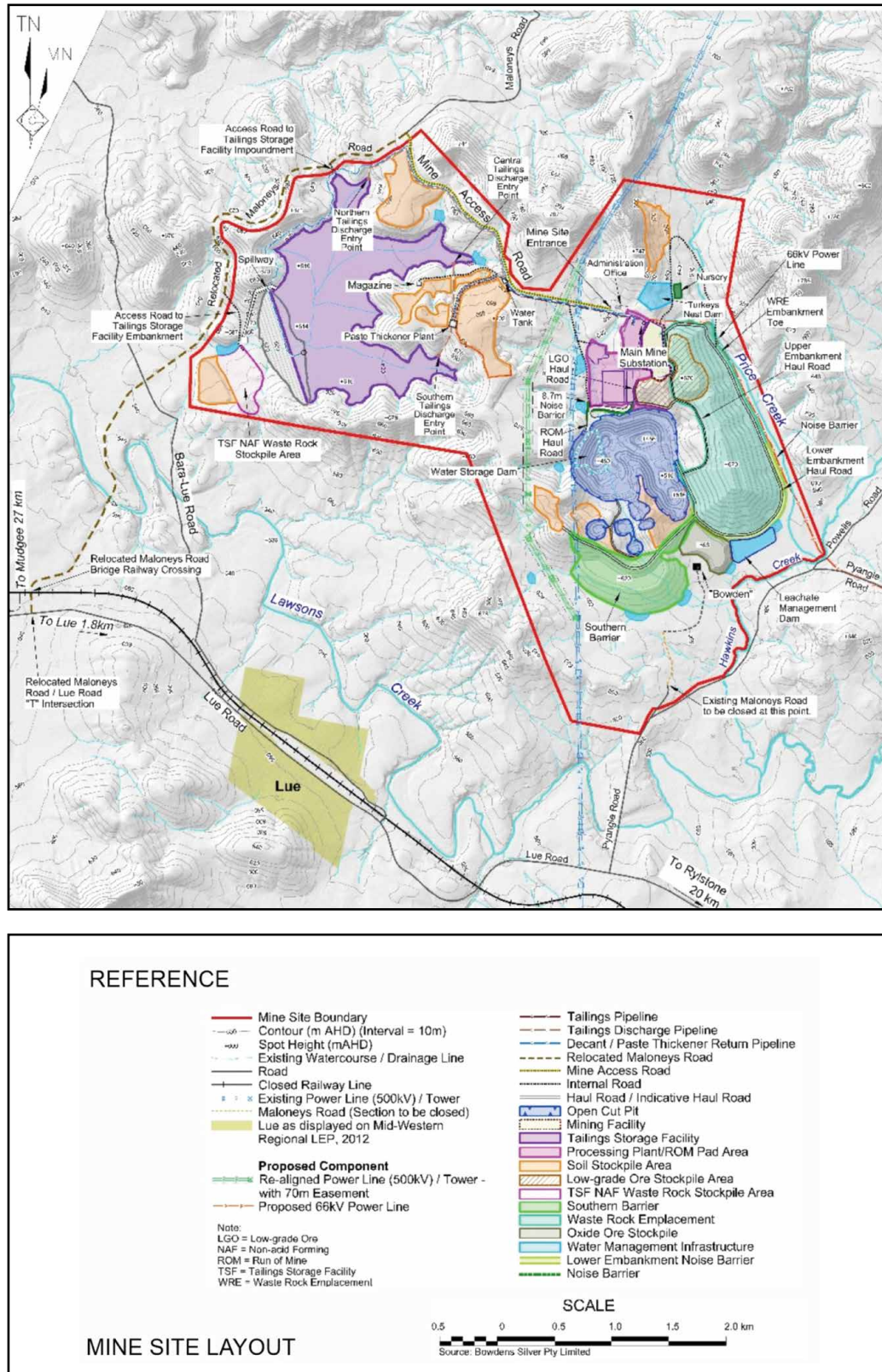


Figure 4: Bowdens Silver Mine Site Layout

REVIEW OF OPERATIONS

Bowdens Silver Exploration

Exploration at the Bowdens Silver Project during the 2022 Financial Year concentrated on a substantial drilling program to target zones of high-grade silver mineralisation and massive and semi-massive sulphide zones at depth situated below the bulk-tonnage open-pit Ore Reserve of the Bowdens Silver Deposit.

During the year, the Company announced a series of results that yielded exceptional high-grade silver intercepts (see ASX announcements 27 July 2021, 4 August 2021, 26 October 2021, 3 December 2021, 18 January 2022 and 28 March 2022). These results flowed on from drilling success in the 2021 Financial Year. Diamond drilling continued to test the potential for underground mining scenarios at the Bowdens Silver Deposit with a focus on the Northwest Zone, the Aegean Zone and the Bundarra Zone. Prior to the end of the 2022 Financial Year, H&S Consultants Pty Ltd were contracted to complete a maiden Underground Mineral Resource Estimate for potential underground mining scenarios. This reporting was completed subsequent to the end of the Financial Year with results reported above.

The Underground Mineral Resource Estimate will be used as part of a commenced Scoping Study for potential underground mining scenarios. The Scoping Study

will consider potential underground mining scenarios beneath the planned open-pit development, currently in the final stages of the approval process. Although yet to be determined, the Company is considering a planned underground development to commence operations in around years 3-4 of the open-pit development to supplement plant feed with high-grade material at a rate of up to 500,000 tonnes per year. An alternative would be for an underground development at the end of the open-pit mine life.

The Scoping Study will not have any impact on the ongoing approval process for the Bowdens Silver open-pit development currently before the New South Wales Department of Planning and Environment.

During the 2022 Financial Year, a program of 2D seismic reflection surveying across the Bowdens Silver Deposit and local geological area was commissioned. The survey consisted of 12.4 line-kilometres and was aimed at determining the seismic response of the Bowdens Deposit, identify potential extensions to the system both down plunge and dip at depth, and also highlight possible “analogue” responses within targeted prospect areas. Three target types were identified for further follow up. The seismic reflection survey dominant purpose was for utilisation in ongoing R&D programs by the Company.

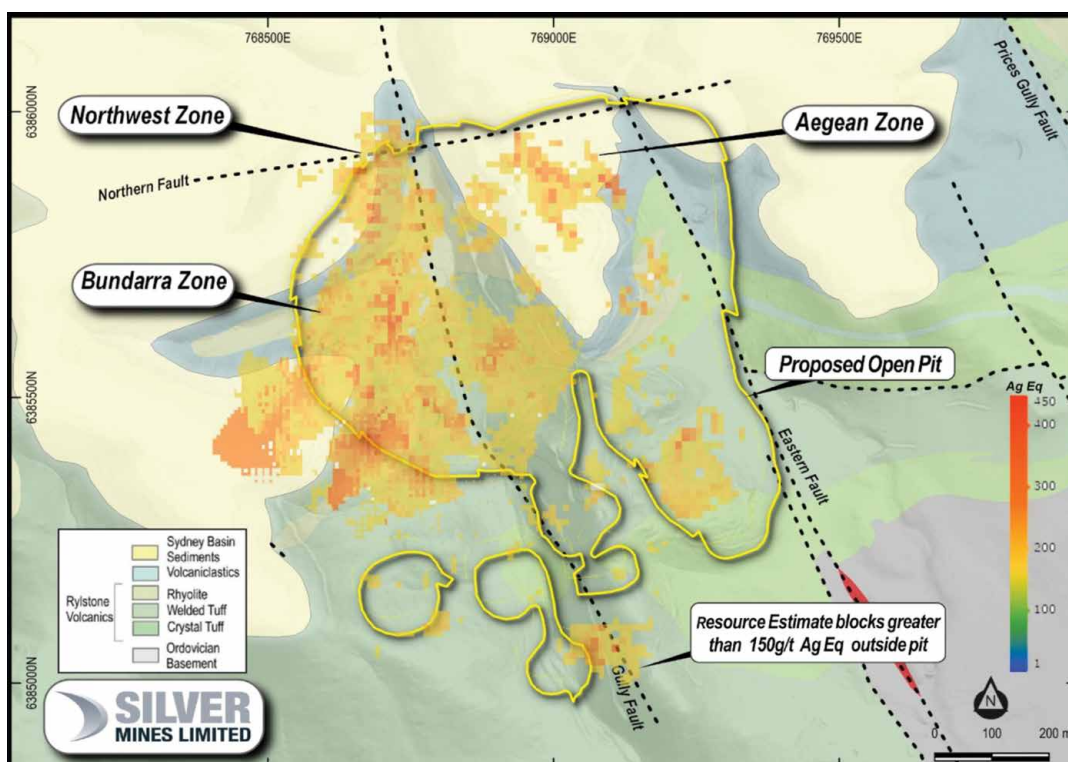


Figure 5. Drilling into high-grade silver targets at the Bowdens Silver Project.

REVIEW OF OPERATIONS

The Barabolar Project is a high-quality exploration project located within the highly prospective Macquarie Arc that hosts world-class mineral systems such as the Cadia-Ridgeway porphyry copper-gold deposit.

Barabolar Project

Barabolar consists of a nine-kilometre corridor of copper, silver, lead and zinc soil anomalies with some association with gold in rock chip samples. The rocks of the project area are Ordovician age (the same as the Cadia-Ridgeway Gold and Copper Mine) and include sedimentary and volcanic rocks, an extensive skarn (highly-altered limestone) and several porphyritic intrusions. The presence of pyrophyllite alteration, along with areas of intense silicification and argillic alteration is indicative of high-sulphidation epithermal systems consistent with signatures for copper-gold porphyry targets at depth. After the discovery and initial definition of the Barabolar Project, exploration work has expanded the target area.

During the 2022 Financial Year, the Company announced the resumption of exploration activities including drilling at the Barabolar Project after a halt due to the COVID-19 pandemic. The Project is located approximately 26 kilometres east of Mudgee and 10 kilometres northwest of the Company's Bowdens Silver Project in Central New South Wales.



REVIEW OF OPERATIONS

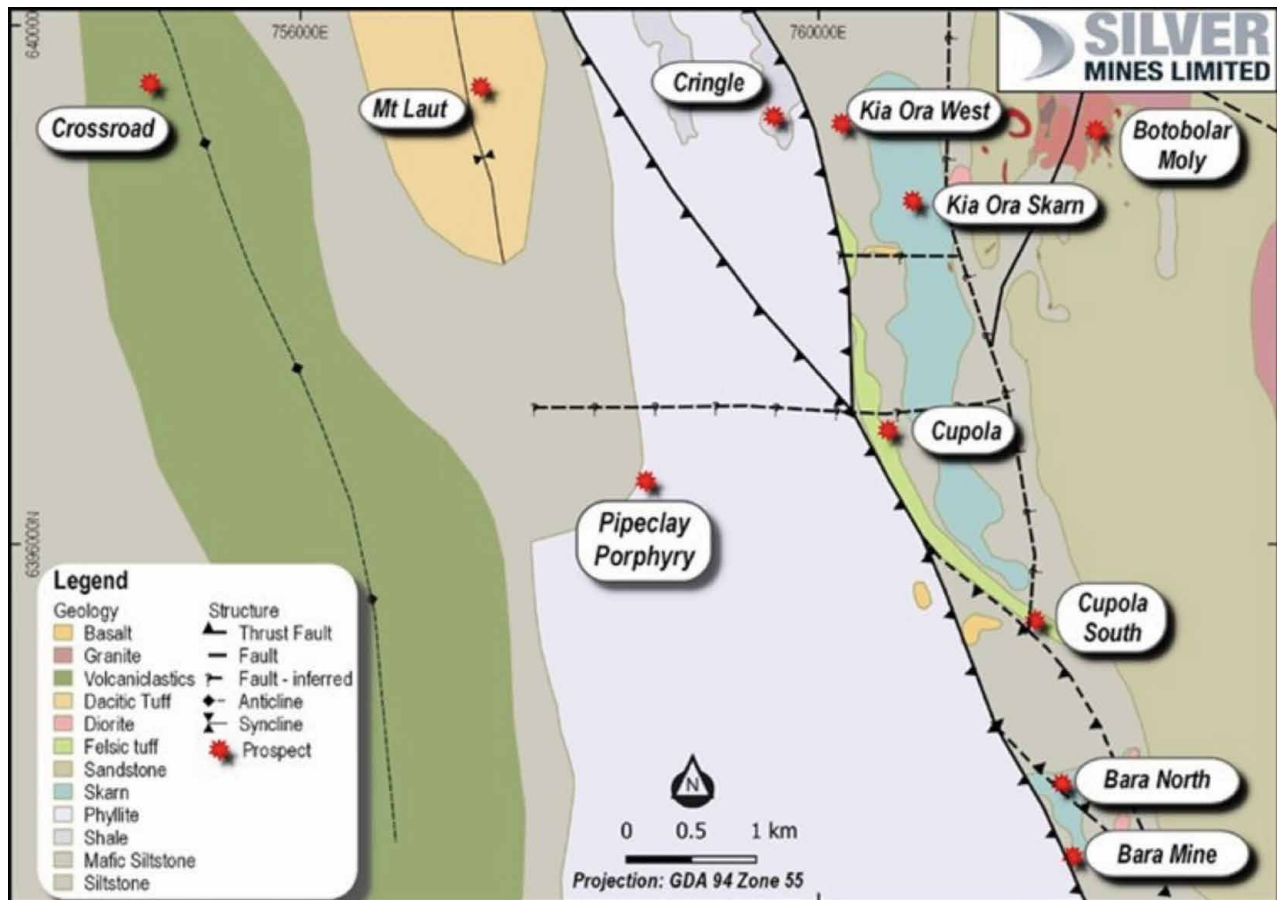


Figure 6. Prospect locations within the Barabolar Project area.



REVIEW OF OPERATIONS

Tuena Project

The Tuena Gold Project is located 80 kilometres south of the city of Orange in New South Wales (refer to Figure 7).

The Tuena area was the scene of a historic gold rush, with gold extracted from several narrow high-grade gold reefs over a regional trend with greater than five kilometres of strike length. The Company has completed reconnaissance mapping, rock sampling and soil geochemistry as well as flown a detailed magnetic survey.

During the 2021 Financial Year, the Company completed a 20 hole 4,000 metre drill program designed to test beneath several of the historic hard-rock gold workings and associated geochemistry anomalies along an extensive 5.4 kilometre by 1.5-kilometre shear complex within EL8526. In addition, two targets were identified with both gold and base-metal pathfinder signatures. Both prospects adjoin historic workings at Lucky Hit and Markham's Hill respectively and are defined by soil chemistry and modelling using the Company's propriety R&D methodology with anomalism of silver, bismuth, lead, tellurium and gold. These targets are being tested for bulk-tonnage gold mineral systems and have a comparable signature and scale to the McPhillamy's Gold Project located north of the Tuena Gold Project.

Drilling encountered multiple mineralised structures beneath historic workings comprising quartz and carbonate veins with or without pyrite (iron sulphide).

This program represents the first modern drilling to be completed in the Tuena project area. However, in recent years there have been substantial gold discoveries made along the strike of the Copperhanna Fault including the McPhillamy's deposit to the north of Tuena.

The Company is planning further work in follow up to the Tuena Gold Project drilling program and is also planning an expanded regional exploration program extending from immediately south of the McPhillamy's Project and across EL8973, EL8974, EL8526 and EL8975.

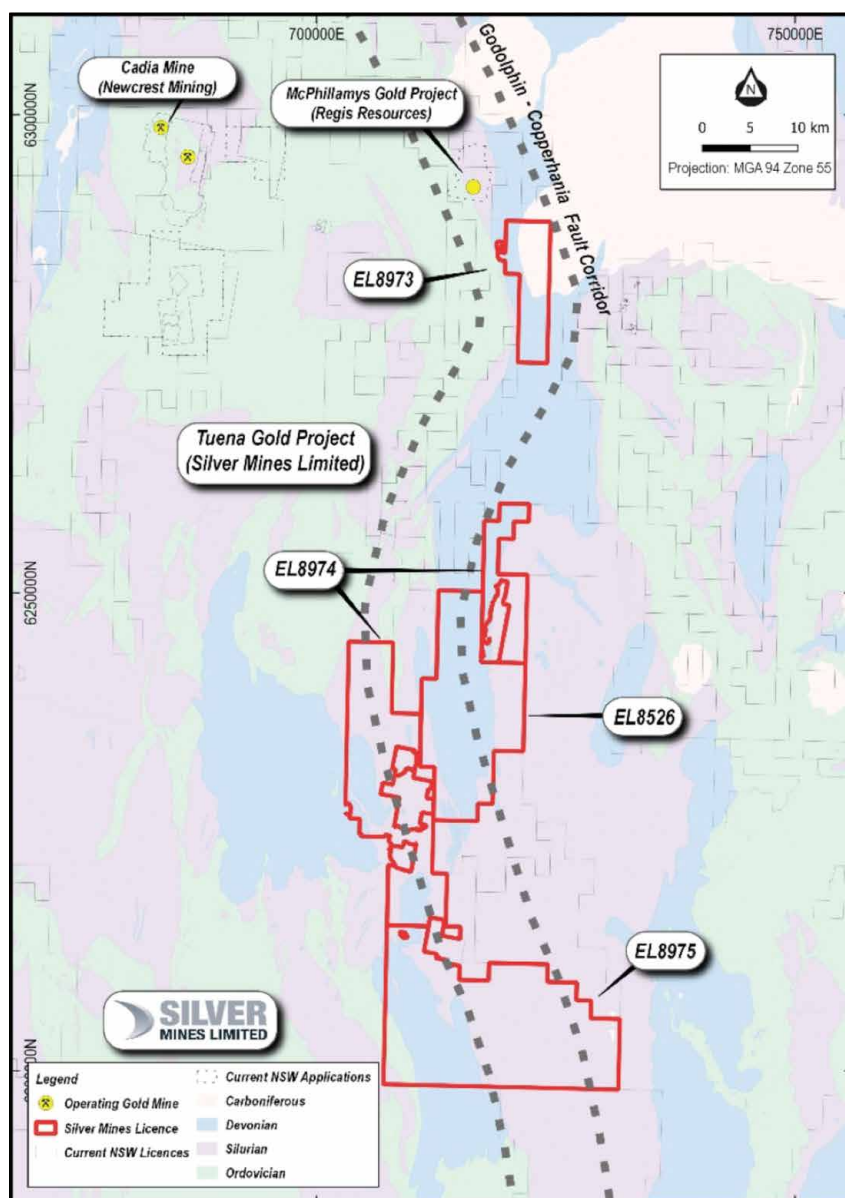


Figure 7: Map showing the Tuena Gold Project.

REVIEW OF OPERATIONS

Research and Development

At the end of 2021 Financial Year, the Company completed the first stage of its research and development (“R&D”) program to better map and understand the Carboniferous Rylstone Volcanics and basement Palaeozoic (Ordovician and Silurian) rocks of the Company’s exploration licences. These technologies are now being rolled out to the Company’s wider projects and to enable better targeting for regional exploration as well as on a local scale within the Bowdens Deposit. R&D programs have, over the past three years, involved collaboration between Silver Mines’ researchers and researchers from the University of Technology Sydney, the University of New South Wales and Macquarie University. Several industry consultants and data collection contractors have also assisted in analysing and providing base datasets for the R&D program.

The R&D program involved developing innovative new technology and processes which have been applied to geological studies on the Bowdens Silver Deposit, particularly the basement rocks and the search for a porphyry source or feeder structure. In addition, research has been applied to the Barabolar Project area and elsewhere in the Company’s portfolio including Tuena. The Company developed new technologies for multivariate geochemical analysis, automated mapping of geology from geochemistry data and predictive geochemistry modelling using machine learning techniques. These R&D programs have developed further hypotheses for mineralisation in areas such as basement rocks beneath the main volcanic host at the Bowdens Silver Deposit, Bowdens northern and north-westerly extensions and several targets in the Barabolar Corridor including the Cringle prospect area. Some of the Company’s exploration drilling is considered a test of hypotheses and targets developed under these R&D programs. As part of the program, the dacite intrusion at Bowdens Silver Project has been recently dated by the University of New South Wales as being Carboniferous age. This means that the Rylstone Volcanics cannot be Permian age, as previously thought. This has implications to potentially prioritise other Carboniferous rocks elsewhere on the Company’s portfolio, including the Gulgong area located to the north of Bowdens.

During the 2022 Financial Year, the Company commenced a new R&D project which seeks to convert the technologies developed in the first R&D project. Of particular focus is the transition of predictive geochemistry machine learning algorithms into true 3D voxel space. In this project the Company aims to develop technologies whereby bulk-property models of chemical and physical attributes can be used, in machine learning algorithms, to predict volumes where there is an increased prospectivity or concentration of metal. During the year, the Company continued to integrate and build complex 3D geological models and completed 12.4 kilometres of 2D (sectional) seismic to assist with modelling.

Tenement Information as at 30 June 2022

Tenement	Project Name	Location	Silver Mines Ownership
EL 5920	Bowdens Silver	NSW	100%
EL 6354	Bowdens Silver	NSW	100%
EL 8159	Bowdens Silver	NSW	100%
EL 8160	Bowdens Silver	NSW	100%
EL 8168	Bowdens Silver	NSW	100%
EL 8268	Bowdens Silver	NSW	100%
EL 8403	Bowdens Silver	NSW	100%
EL 8405	Bowdens Silver	NSW	100%
EL 8480	Bowdens Silver	NSW	100%
EL 8682	Bowdens Silver	NSW	100%
EL 8526	Tuena	NSW	100%
EL 8973	Tuena	NSW	100%
EL 8974	Tuena	NSW	100%
EL 8975	Tuena	NSW	100%

REVIEW OF OPERATIONS

CORPORATE

Securities

In total 91,539,737 SVLOB options (\$0.06 exercise price expiring 6 September 2021) were exercised during the 2022 Financial Year.

During the 2022 Financial Year, the remaining 2,937,624 SVLOB options (\$0.06 exercise price 6 September 2021) expired without being exercised.

A total of 3,600,000 unquoted SVLUOP2 options (\$0.10 exercise price expiring 1 August 2021) issued under the Company's Employee Incentive Plan were exercised during the reporting period. 2,600,000 of these options were exercised by key management personnel. All of the SVLUOP2 options were exercised prior to the expiry date.

Issue of Options Under Employee Incentive Plan

On 22 December 2021, the Company announced that it had made an offer of securities to eligible participants under its Employee Incentive Plan ("Plan"). The Company offered eligible participants comprising employees, directors (excluding the Managing Director)

and consultants of the Company, a total of 11,000,000 options. The options form a new class of unquoted options with an exercise price of \$0.30 and an expiry date of 21 December 2024. The vesting conditions attaching to the options require participants to remain continuously employed or engaged with the Company for a period of one year from the date on which the options were granted.

Of the 11,000,000 options, 9,000,000 were issued to eligible participants who are not directors or related parties of the Company. 2,000,000 options which are being issued to directors of the Company will be issued subject to shareholder approval at the Company's next general meeting which is expected to take place in 2022.

The Company is also proposing to issue 1,000,000 options to Kristen Podagiel following her appointment to the board under the Plan, subject to shareholder approval. These options will have the same terms and vesting conditions as the options referred to above.

Change of Registered Address

During the 2022 Financial Year, the Company announced that effective from 2 March 2022, its registered office and principal place of business has changed to:

Level 28
88 Phillip Street
Sydney NSW 2000

Appointment of Non-Executive Director

On 19 April 2022, the Company announced the appointment Ms Kristen Podagiel as a Non-Executive Director of the Company.

Ms Podagiel has a distinguished legal background and over the past 20 years has worked as a commercial lawyer on major projects and developments including those in the mineral resources, technology, agriculture, energy and defence industries.

Ms Podagiel has extensive senior executive-level experience including her prior role as Chief Executive Officer and Managing Partner of McCullough Robertson, a leading Australian independent law firm.

Ms Podagiel is a current director of ADG Capital Pty Ltd, a company involved in a range of engineering disciplines across various industry sectors including mining. She is a founding director of UNIQ You Ltd, a charity supporting women in mining and STEM related areas, and has recently completed her term as the Interim Chief Executive Officer of Women's Legal Service Queensland which provides free legal and social work services to over 5,000 women every year.



REVIEW OF OPERATIONS

RESULTS AND DIVIDENDS

The loss of the Group for the Financial Year after providing for income tax amounted to \$13,299,954 compared to a profit of \$5,359,259 for the previous year.

The Group incurred exploration and development expenditure of \$12,471,702 during the year (2021: \$8,402,610). The total net assets of the Group stands at \$112,681,000 (2021: \$119,741,453) of which investment in exploration expenditure accounts for \$68,809,087 (2021: \$58,363,389).

The Group is a mineral exploration and development company and as such does not earn income from the sale of product. No dividends have been declared or paid during the year.

ENVIRONMENTAL REGULATIONS

The Group's operations are subject to various environmental controls under State regulations. The directors are not aware of any material breaches during the Financial Year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS DURING THE FINANCIAL YEAR

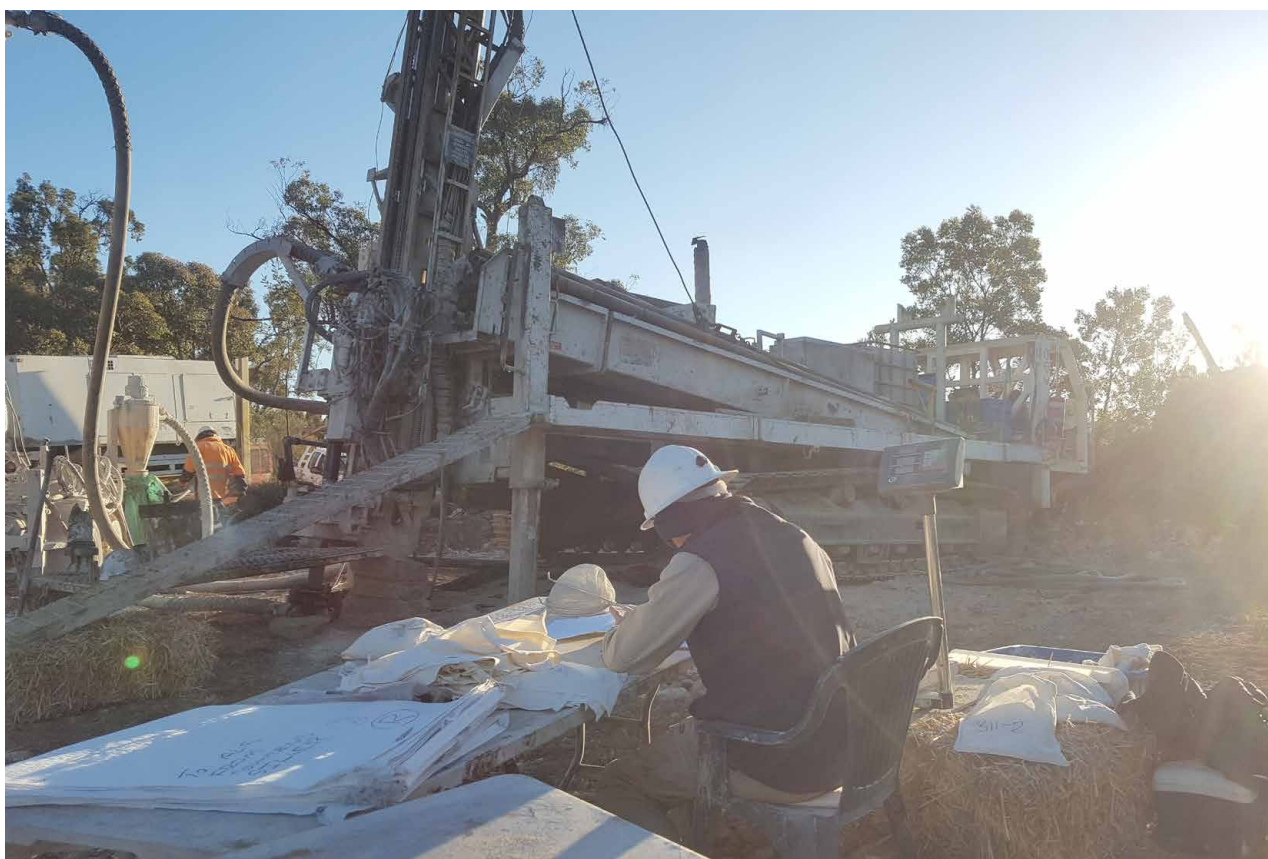
The Group did not have any significant changes in the state of its affairs during the Financial Year and after the end of the reporting period.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The directors believe, on reasonable grounds, that it would unreasonably prejudice the interests of the Group if any further information on likely developments, future prospects and business strategies in the operations of the Group and the expected results of these operations, were included in this report.

COVID-19 RESPONSE

The Company continued to implement several measures in response to the COVID-19 pandemic subsequent to the reporting period, including prudent cost saving measures such as reduction in administrative costs.



REVIEW OF OPERATIONS

The impact of the COVID-19 pandemic is ongoing and, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

WAIVER

On 27 November 2020, shareholders approved at the Annual General Meeting of the Company ("**Approval**") a waiver granted by ASX Listing Compliance on 28 October 2020 ("**Waiver**"). The Waiver relates to the issue of 10,000,000 fully paid ordinary shares ("**Deferred Consideration Shares**") in the Company to be issued to a Director of the Company in accordance with the provisions of the share sale and purchase deed dated 3 May 2016 ("**Deed**"), which effectuated the purchase of the Bowdens Silver Project. In accordance with the Deed the Deferred Consideration Shares are to be issued upon:

- achievement of the mining lease granted by the NSW Department of Planning and Environment pursuant to the *Mining Act 1992* (NSW) in connection with the Bowdens Silver Project; or

- a change of control milestone such as a takeover bid pursuant to section 9 of the *Corporations Act 2001* (Cth), (collectively, "**Milestones**")

The Company confirms the Deferred Consideration Shares have not been issued in the 2022 Financial Year. The Deferred Consideration Shares may only be issued if either of the Milestones are achieved and occur in the period that is 24 months from the date that Approval is obtained.

FORWARD LOOKING STATEMENTS

This Annual Report may contain forward-looking information and statements that are subject to risk factors associated with mineral exploration, mining, processing and production businesses.

It is believed that the expectations reflected in these statements are reasonable however such information is not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors, many of which are beyond the control of the Company. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors including but not limited to price fluctuations, commodity demand, currency fluctuations, drilling and production results, Mineral Resource and Ore Reserve estimations, loss of market, competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions, political risks, project delay or advancement, approvals and cost estimates.

Forward-looking information and statements, including projections, forecasts and estimates, are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. No representation or warranty, expressed or implied, is made or given by or on behalf of the Company, any of the Company's directors, or any other person as to the accuracy or completeness or fairness of the information or opinions contained in this announcement and no responsibility or liability is accepted by any of them for such information or opinions or for any errors, omissions, misstatements, negligent or otherwise, or for any communication written or otherwise, contained or referred to in this announcement.



COMPETENT PERSONS STATEMENTS

Bowdens Silver Project

The information in this report that relates to Mineral Resources is based on work compiled by Mr Arnold van der Heyden who is a Director of H & S Consultants Pty Ltd. Mr van der Heyden is a Member and Chartered Professional (Geology) of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC code). Mr van der Heyden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Ore Reserves within the Bowdens Silver Project is based on information compiled or reviewed by Mr Adrian Jones of AMC Consultants Pty Ltd who is a consultant to the Company. Mr Jones is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC code). Mr Jones consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

Mr Jones visited the Bowdens mine site during April 2017 and August 2018 to review the operations, consider the conditions of the site, and assess the data collection methods and techniques used by site personnel.

The Ore Reserve has been prepared by Mr Adrian Jones, AMC Consultants Pty Ltd, after peer review of the mining section of the Feasibility Study. Other experts relied upon include H & S Consultants Pty Ltd, GR Engineering Services Limited, ATC Williams Pty Limited, and Jacobs Australia Pty Limited, for Mineral Resources, Metallurgy & Process Design and Tailing Storage Facility design. Work on environmental, marketing and logistics and the financial modelling were undertaken by other consultants on behalf of the Company and certified by representatives of Silver Mines.

Exploration and Drill Results

The information in this report that relates to mineral exploration from Bowdens Silver and extensions, the Barabolar Project and the Tuena Gold Project is based on information compiled or reviewed by Dr Darren Holden who is an advisor to the company. Dr Holden is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC code). Dr Holden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

INFORMATION ON BOARD

DIRECTORS

The Directors of Silver Mines Limited during the financial year and until the date of this report are:

Keith Perrett	Non-Executive Chairman
Anthony McClure	Managing Director
Jonathan Battershill	Non-Executive Director
Kristen Podagiel	Non-Executive Director (appointed 19 April 2022)

Mr Keith Perrett

Non-Executive Chairman

Mr Perrett has had a long involvement in agriculture as a producer and industry leader at local, state, national and international levels. He was formerly Chairman of the Grains Research and Development Corporation (GRDC), the National Rural Advisory Council (NRAC), the Wheat Research Foundation, and President of the Grains Council of Australia. Mr Perrett is Chairman of Acumentis Group Limited (ASX:ACU) (director since February 2018).

Mr Anthony McClure

Managing Director

Mr McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. He has had 35 years technical, management and financial experience in the resource sector worldwide in project management and executive development roles. He has also worked in the financial services sector within the mineral and energy sectors.

Mr McClure is currently a director of listed company Strickland Metals Limited (since April 2021). He is also a past director of Bolnisi Gold NL, Nickel Mines Limited, Santana Minerals Limited and European Gas Limited.

Mr Jonathan Battershill

Non-Executive Director

Mr Battershill graduated with a Bachelor of Engineering (Geology) degree (Hons) from the Camborne School of Mines, United Kingdom in 1995. His career spans over 25 years in mining, business development and finance both in Australia and internationally. His industry experience includes senior operational and business development roles with WMC Resources Limited as well as significant stockbroking experience at Hartleys, Citigroup and UBS both in Sydney and London. Mr Battershill was consistently voted one of the leading mining analysts in Australia between 2009 and 2015 by institutional investors.

Ms Kristen Podagiel

Non-Executive Director (appointed 19 April 2022)

Ms Podagiel has a distinguished legal background and over the past 20 years has worked as a commercial lawyer on major projects and developments including those in the mineral resources, technology, agriculture, energy and defence industries.

Ms Podagiel has extensive senior executive-level experience including her prior role as Chief Executive Officer and Managing Partner of McCullough Robertson, a leading Australian independent law firm. Ms Podagiel is a current director of ADG Capital Pty Ltd, a company involved in a range of engineering disciplines across various industry sectors including mining. She is a founding director of UNIQ You Ltd, a charity supporting women in mining and STEM related areas, and has recently completed her term as the Interim Chief Executive Officer of Women's Legal Service Queensland which provides free legal and social work services to over 5,000 women every year.

INFORMATION ON BOARD

COMPANY SECRETARY

Mr Trent Franklin

Company Secretary

Mr Franklin holds qualifications in Finance, Financial Planning and Insurance Broking. He has a Bachelor of Science (Geology/Geophysics) from the University of Sydney and is a Graduate of the Australia Institute of Company Directors.

Mr Franklin is currently the Managing Director of Enrizen Financial Group, Non-Executive Director of Gateway Mining Limited (since February 2013) and Director of Strickland Metals Limited (since April 2021). Mr Franklin is formerly a director of the Australian Olympic Committee Inc and Australian Water Polo Inc. He is also a Fellow of the Australian Institute of Company Directors.

Meetings of Directors

	Meetings eligible to attend	Meetings attended
A McClure	5	5
K Perrett	5	5
J Battershill	5	5
K Podagiel	2	2



REMUNERATION REPORT

Remuneration policy

The remuneration policy of the Group has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance indicators affecting the Group's financial results. The Board of Silver Mines Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements. The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 10.5%, and do not receive any other retirement benefits. All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black & Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$250,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group and are able to participate in employee share option plans.

Performance based remuneration

The Group currently has no performance-based remuneration component built into the Managing Director's executive remuneration package.

Group performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This was facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance-based bonuses based on key performance indicators are expected to be introduced. The Group has not employed any executive officers, other than directors, who were involved in, concerned in, or who took part in the management of the Group's affairs.

The Group does not have any schemes for retirement benefits for non-executive directors.

Employee Incentive Plan

Options were issued to executives under the Employee Incentive Plan as outlined in the Company's Notice of 2018 Annual General Meeting published to the ASX on 31 October 2018. The options were a new class of options with an exercise price of \$0.10 and an expiry date of 1 August 2021. The options vested on 1 August 2020 and expired 1 August 2021. Each of the Company's directors exercised their full suite of options granted under the Employee Incentive Plan during the reporting period on 30 July 2021.

On 22 December 2021, the Company announced that it had made an offer of securities to eligible participants under its Employee Incentive Plan ("Plan"). The Company offered eligible participants comprising employees, directors (excluding the Managing Director) and consultants of the Company. The options form a new class of unquoted options with an exercise price of \$0.30 and an expiry date of 21 December 2024. The vesting conditions attaching to the options require participants to remain continuously employed or engaged with the Company for a period of one year from the date on which the options were granted. 3,000,000 options which are being issued to directors of the Company will be issued subject to shareholder approval at the Company's next general meeting which is expected to take place in 2022.

REMUNERATION REPORT

Key Service Agreements

Mr Keith Perrett. The service agreement with Lehave Pty Ltd provides non-executive chairman services to the Group for non-executive chairman's fees of \$80,000 per annum (increased to \$100,000 per annum from 1 July 2022). Mr Perrett provides services to the Group on behalf of Lehave Pty Ltd. The agreement is ongoing on a month-to-month basis and Mr Perrett is required to provide 90 days' written notice if he wishes to resign from the Group.

Mr Anthony McClure has entered into an arrangement with the Group in which he receives total remuneration of \$450,000 per annum (inclusive of superannuation). The agreement provides a notice period of three months in the event of termination.

Mr Jonathan Battershill has entered into a non-executive director service agreement with the Group whereby he receives non-executive director fees of \$60,000 per annum (increased to \$75,000 per annum from 1 July 2022). The agreement between Mr Battershill and the Group is ongoing on a month-to-month basis. Mr Battershill is required to provide 90 days' written notice if he wishes to resign from the Group.

Ms Kristen Podagiel has entered into a non-executive director service agreement with the Group whereby she receives non-executive director fees of \$60,000 per annum (increased to \$75,000 per annum from 1 July 2022). The agreement between Ms Podagiel and the Group is ongoing on a month-to-month basis. Ms Podagiel is required to provide 90 days' written notice if she wishes to resign from the Group.

Mr Trent Franklin The service agreement with Enrizen Accounting Pty Ltd provides company secretarial and accounting services to the Group for a fee of \$10,000 per month. Mr Franklin acts as Company Secretary to the Group on behalf of Enrizen Accounting Pty Ltd.

Voting and comments made at the Group's 2021 Annual General Meeting (AGM).

At the 2021 AGM, 98.25% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration:

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Superannuation	Long service leave	Equity-settled shares	Equity-settled options	
2022	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
K Perrett (Chairman)	80,000	-	-	-	-	-	-	80,000
J Battershill	60,000	-	-	-	-	-	-	60,000
K Podagiel	15,000	-	-	-	-	-	-	15,000
Executive Directors:								
A McClure	409,092	-	-	40,909	-	-	-	450,001
Other Key Management Personnel:								
T Franklin ¹	125,800	-	-	-	-	-	32,260	158,060
	689,892	-	-	40,909	-	-	32,260	763,061

1. Fees payable to Mr Franklin are paid to Enrizen Accounting Pty Ltd and encompass Company Secretarial as well as accounting services to the Group.

REMUNERATION REPORT

2021	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled shares \$	Equity-settled options \$	
Non-Executive Directors:								
K Perrett (Chairman)	80,000	-	-	-	-	-	-	80,000
P Langworthy	55,000	-	-	-	-	-	-	55,000
J Battershill	60,000	-	-	-	-	-	-	60,000
Executive Directors:								
A McClure	410,959	-	-	39,041	-	-	-	450,000
Other Key Management Personnel:								
T Franklin ¹	120,000	-	-	-	-	-	-	120,000
	725,959	-	-	39,041	-	-	-	765,000

1. Fees payable to Mr Franklin are paid to Enrizen Accounting Pty Ltd and encompass Company Secretarial as well as accounting services to the Group.

REMUNERATION REPORT

Additional disclosures relating to key management personnel

Share-based compensation

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this Financial Year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Trent Franklin	750,000	21/12/2021	21/12/2022	21/12/2024	\$0.30	\$0.0822
Jonathan Battershill	5,000,000	21/12/2017	expiry 3 years from the date of achievement of financing milestones (Milestone Options)		\$0.20	\$Nil (Note)

Note: Due to the uncertainty in timing of milestone achievement and thus the life of option, the fair value was estimated based on the intrinsic value at grant date which is \$Nil.

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of the vesting conditions attaching to the options. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Trent Franklin	61,648	132,000	-	20%
Keith Perrett	-	220,000	-	-
Jonathan Battershill	-	220,000	-	-

REMUNERATION REPORT

Shareholding

The number of shares in the Company held during the Financial Year by each director and other members of key management personnel of the consolidated entity, directly and indirectly, including their personally related parties, is set out below:

Ordinary shares	Balance 30 June 2021	Net change			Balance 30 June 2022
		Granted during the year as compensation	Received during the year on the exercise of an option	Other changes	
Directors					
A McClure	42,010,417	-	7,067,711	-	49,078,128
K Perrett	3,059,774	-	1,625,000	(116,364)	4,568,410
K Podagiel	-	-	-	-	-
J Battershill	625,000	-	1,062,500	-	1,687,500
Specified executives					
T Franklin	2,451,819	-	600,000	-	3,051,819

REMUNERATION REPORT

Option holding

The number of options over ordinary shares in the Company held during the Financial Year by each director and other members of key management personnel of the consolidated entity, including related parties, is set out below:

Options	Net change				Balance 30 June 2022	Options vested at the end of the reporting period	Options vested and exercisable at the end of the reporting period	Options vested and not exercisable at the end of the reporting period
	Balance 30 June 2021	Granted during the year as compensation	Exercise during the year	Other changes				
Directors								
A McClure	7,067,711	-	(7,067,711)	-	-	-	-	-
K Podagiel	-	-	-	-	-	-	-	-
K Perrett	1,625,000	-	(1,625,000)	-	-	-	-	-
J Battershill	6,062,500	-	(1,062,500)	-	5,000,000	-	-	-
Specified executives								
T Franklin	600,000	750,000	(600,000)	-	750,000	-	-	-

Other transactions with key management personnel and their related parties

During the year, the Company entered into the following trading transactions with related parties of Trent Franklin, the Company Secretary, as follows: Enrizen Capital Pty Ltd received \$Nil (2021: \$80,000) in relation to corporate advisory, capital raising and underwriting services; Enrizen Pty Ltd received \$4,850 (2021: \$635) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$94,570 (2021: \$143,242) in relation to legal services; Enrizen Accounting Pty Ltd received \$125,800 (2021: \$120,000) in relation to accounting services, and the Company invested a further \$3,500,000 in Redeemable Preference Shares in Enable Investments Pty Ltd with the invested balance receiving a 3% p.a. rate of return. During the period, the Company earned \$121,393.68 (2021: \$69,960.90).

Further to these transactions the Company also employed a family member of a key management person with a total remuneration package of \$145,000 (2021: \$136,875).

This concludes the remuneration report, which has been audited.

REMUNERATION REPORT

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is attached to this report and located on the Company's website. The Company has mostly complied with the applicable principles of corporate governance, and if it has not, it has explained why that is so.

Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Non-audit services

There were no non-audit services performed by the external auditor during the Financial Year.

Directors and officers' indemnification

The Group has paid a premium to insure the directors and officers of the Group. The insurance agreement limits disclosure of premium details. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Shares under option

Unissued ordinary shares of Silver Mines Limited under option at the date of this report as follows:

Grant date	Expiry date	Exercise price	Number under option
28 November 2017	3 years from milestone achievement ¹	\$0.20	5,000,000
21 December 2021	21 December 2024	\$0.30	9,000,000
Total			14,000,000

1. Expiry which is three years from the date of achievement of Project Financing, which must achieve a minimum of \$150 million. This was set out in the Company's Notice of Annual General Meeting dated 30 October 2017.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

REMUNERATION REPORT

Shares issued on the exercise of options

The following ordinary shares of Silver Mines Limited were issued during the year ended 30 June 2022 on the exercise of options granted:

Date of shares issued	Exercise price	Number of shares issued
02/07/2021	\$0.06	6,807,715
30/07/2021	\$0.06	2,984,604
30/07/2021	\$0.10	3,600,000
11/08/2021	\$0.06	3,997,902
24/08/2021	\$0.06	6,856,910
13/09/2021	\$0.06	70,347,830
5/11/2021	\$0.06	544,776
Total		95,139,737

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The Company has not, during or since the end of the Financial Year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the Financial Year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is enclosed and forms part of this annual report.

REMUNERATION REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

COVID-19 RESPONSE

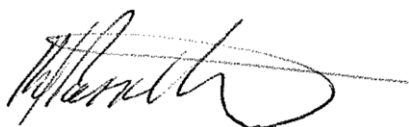
Following the Financial Year, the Company continues to carry out measures implemented in response to the impact of the COVID-19 pandemic.

The Company's priorities are to protect the health and safety of staff, contractors and local communities while maintaining the integrity of the business.

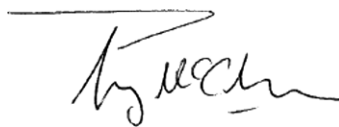
The Company continues to adhere to directives from Federal and State Government and has put in place comprehensive COVID-19 Policies and Procedures. This has allowed current operations to continue safely and with minimal interruption.

No other matter or circumstance has arisen since the reporting date that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

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



Keith Perrett
Chairman



Anthony McClure
Managing Director

30 September 2022

30 September 2022

The Board of Directors
Silver Mines Limited
Level 28, 88 Phillip Street
Sydney NSW 2000

Dear Board Members

Silver Mines Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the board of directors of Silver Mines Limited.

As lead audit partner for the audit of the financial report of Silver Mines Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,


Crowe Sydney
Suwarti Asmono
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$	2021 \$
Revenue		170,479	199,482
Cost of sales		(89,599)	(32,277)
Gross profit from continuing operations		80,880	167,205
Other income	3	110,448	2,910,404
Fair value movement of financial assets at fair value through profit and loss		(9,850,201)	4,506,237
Net (loss)/gain on derecognition of financial assets at fair value through profit and loss		(614,481)	208,158
Share registry and exchange fees		(179,750)	(205,186)
Auditors remuneration		(72,599)	(58,593)
Marketing expenses		(147,594)	(131,537)
Office expenses		(31,608)	(43,321)
IT and communication expenses		(15,332)	(15,392)
Depreciation expenses		(253,932)	(273,034)
Accounting services fees		(125,800)	(120,000)
Professional and technical advisors expenses		(491,801)	(462,201)
Exploration expenditure written off		(202,839)	-
Employee benefits expenses		(846,610)	(846,394)
Travel and accommodation expenses		(9,585)	(10,909)
Share based payment		(387,117)	-
Farm operations		(86,317)	(89,229)
Other expenses		(237,896)	(144,138)
Profit / (Loss) from continuing operations before interest and income tax		(13,362,134)	5,392,070
Interest income		165,905	101,821
Finance costs		(103,725)	(134,632)
Profit / (Loss) from continuing operations before income tax		(13,299,954)	5,359,259
Income tax	4	-	-
Profit / (Loss) from continuing operations after income tax		(13,299,954)	5,359,259
Other comprehensive income		-	-
Total comprehensive income / (loss) (attributable to owners of the company)		(13,299,954)	5,359,259
Earnings per share (cents per share)			
Basic earnings per share	22	(1.04)	0.49
Diluted earnings per share	22	(1.04)	0.45

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022 \$	2021 \$
Current assets			
Cash and cash equivalent	5	16,890,242	31,420,960
Trade and other receivables	6	535,708	248,078
Inventory - livestock	7	563,360	371,041
Financial assets	8	5,831,879	11,936,593
Other assets		4,815	7,928
Total current assets		23,826,004	43,984,600
Non-current assets			
Prepayment		369,691	220,711
Financial assets	8	363,867	207,867
Deferred exploration and development expenditures	9	68,809,087	58,363,389
Intangible assets	10	1,183,947	853,947
Land and buildings	11	19,460,574	17,582,192
Property, plant and equipment	12	3,520,225	4,076,276
Total non-current assets		93,707,391	81,304,382
Total assets		117,533,395	125,288,982
Current liabilities			
Trade and other payables	13	976,582	1,392,754
Employee benefits provisions	14	389,851	306,186
Lease liability	15	-	59,731
Total current liabilities		1,366,433	1,758,671
Non-Current liabilities			
Lease liability	15	3,485,962	3,788,858
Total non-current liabilities		3,485,962	3,788,858
Total liabilities		4,852,395	5,547,529
Net assets		112,681,000	119,741,453
Equity			
Contributed equity	16	148,747,656	142,477,202
Reserves	16	2,387,117	2,418,070
Accumulated losses		(38,453,773)	(25,153,819)
Total Equity		112,681,000	119,741,453

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Ordinary Shares \$	Share capital reserve \$	Share based payment reserve	Accumulated losses \$	Total \$
Balance at 1 July 2020	109,987,534	3,000,000	1,149,020	(30,513,078)	83,623,476
Transactions with owners, in their capacity as owners					
Equity funds received, issue of shares	33,628,226	(1,000,000)	-	-	32,628,226
Fair value of options exercised	730,950	-	(730,950)	-	-
Costs of funds raised	(1,869,508)	-	-	-	(1,869,508)
Total transactions with owners, in their capacity as owners	32,489,668	(1,000,000)	(730,950)	-	30,758,718
Comprehensive income for period					
Profit/(Loss) attributable to owners of the company	-	-	-	5,359,259	5,359,259
Total comprehensive income for the period	-	-	-	5,359,259	5,359,259
Balance at 30 June 2021	142,477,202	2,000,000	418,070	(25,153,819)	119,741,453
Balance at 1 July 2021	142,477,202	2,000,000	418,070	(25,153,819)	119,741,453
Transactions with owners, in their capacity as owners					
Equity funds received, issue of shares	5,852,384	-	387,117	-	6,239,501
Fair value of options exercised	418,070	-	(418,070)	-	-
Total transactions with owners, in their capacity as owners	6,270,454	-	(30,953)	-	6,239,501
Comprehensive income for period					
Profit/(Loss) attributable to owners of the company	-	-	-	(13,299,954)	(13,299,954)
Total comprehensive income for the period	-	-	-	(13,299,954)	(13,299,954)
Balance at 30 June 2022	148,747,656	2,000,000	387,117	(38,453,773)	112,681,000

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		253,480	277,050
Payments to suppliers & employees		(2,381,088)	(2,297,259)
Interest received		165,905	101,821
Finance costs		(11)	(26,642)
Grant received		-	117,004
Net cash outflows from operating activities	19	(1,961,714)	(1,828,026)
Cash flows from investing activities			
Payments for deferred exploration		(12,726,318)	(8,431,306)
Payments to acquire financial assets		(80,000)	-
Grant received		1,822,983	200,000
Payment to acquire intangible		(330,000)	(797,344)
Payment for property, plant and equipment		(2,355,083)	(2,026,290)
Cash Consideration received for disposal of subsidiaries		-	969,000
Proceeds from sale of financial assets		501,519	1,128,158
Proceeds from sale of property, plant and equipment		14,545	-
Net cash outflows from investing activities		(13,152,354)	(8,957,782)
Cash flows from financing activities			
Proceeds from issues of shares		-	30,000,000
Option conversion		5,444,837	2,959,189
Repayment of bank borrowing		-	(1,009,237)
Payments for capital raising costs		-	(1,867,586)
Net cash inflows from financing activities		5,444,837	30,082,366
Net (decrease)/increase in cash and cash equivalent		(9,669,231)	19,296,558
Reclassification	5	(4,861,487)	-
Cash and cash equivalent at the beginning of the financial year		31,420,960	12,124,402
Cash and cash equivalent at the end of the financial year	5	16,890,242	31,420,960

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASB) and the requirements of Corporations Act 2001 and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for the cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Australian dollars which is the Group's functional currency.

b. Going Concern

The Directors believe that the going concern basis is appropriate for the preparation and presentation of the financial statements, notwithstanding continued operating losses, negative operating cash flows, and no ongoing revenue streams, as the directors believe that the Group will raise sufficient cash and liquid assets.

The Group currently has sufficient cash reserves to support this Going Concern position and is confident of its ability to raise further funds, should this be required. The Group has a strong fund-raising track record.

c. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silver Mines Limited as at 30 June 2022 and the results of its subsidiaries for the year then ended. Silver Mines Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'the Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share

of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

d. Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the drilling and exploration activities, corporate activities, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

e. New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

f. New Accounting Standards and Interpretations not yet mandatory or early adopted

Any new or amended Accounting Standards or interpretations that are not yet mandatory have not been early adopted.

g. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont.)

h. Critical accounting estimates and significant judgments used in applying accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes, and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes, and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Share-based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Estimation of the rent-free period

The Group enters into a lease which is rent-free until the construction commencement notice is served to the landlord. The Group determines the estimated lease payments to be made over the term of the lease based on the expected date to serve such notice. The lease liabilities and the corresponding right-of-use asset values could change significantly as a result of the estimated construction plan when reassessing the lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into 2 operating segments, being mining and exploration operations and agricultural operations. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Operating segments have been aggregated where the segments have similar economic characteristics in respect of the nature of the products and services, the product processes, the type or class of customers, the distribution methods and, if applicable, the nature of the regulatory environment.

(a) Segment performance continuing operations

For the year ended 30 June 2022	Mining and Exploration Operations \$	Agricultural Operations \$	Total \$
Revenue	-	170,479	170,479
Rental income	-	83,001	83,001
Total segment revenue and other income	-	253,480	253,480
Inter-segment elimination			-
Total group revenue and other income			253,480
EBITDA	(13,212,316)	104,114	(13,108,202)
<i>Unallocated expense</i>			
Depreciation			(253,932)
Interest income			165,905
Finance costs			(103,725)
Profit before income tax expense			(13,299,954)
Income tax expense			-
Profit after income tax expense			(13,299,954)
Material items include:			
Fair value movement of financial assets at fair value through profit and loss	(9,850,201)	-	(9,850,201)
Net gain on derecognition of financial assets at fair value through profit and loss	(614,481)	-	(614,481)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: OPERATING SEGMENTS (cont.)

For the year ended 30 June 2021	Mining and Exploration Operations \$	Agricultural Operations \$	Total \$
Revenue	13,259	186,224	199,483
Government grants	100,840	-	100,840
Net gain on derecognition of financial assets at fair value through profit and loss	208,158	-	208,158
Net gain on disposal of subsidiaries	2,557,699	-	2,557,699
Rental income	-	78,948	78,948
Total segment revenue and other income	2,879,956	265,172	3,145,128
Inter-segment elimination			-
Total group revenue and other income			3,145,128
EBITDA	5,360,398	304,706	5,665,104
<i>Unallocated expense</i>			
Depreciation			(273,034)
Interest income			101,821
Finance costs			(134,632)
Profit before income tax			5,359,259

(b) Segment assets

As at 30 June 2022	Mining and Exploration Operations \$	Agricultural Operations \$	Total \$
Segment assets	71,925,677	1,485,827	73,411,504
Inter-segment eliminations			(3,534,975)
			69,876,529
<i>Unallocated assets</i>			
Cash and cash equivalent			16,890,242
Receivables			535,708
Other assets			4,815
Financial assets			5,225,354
Right of use assets			3,016,143
Intangible assets			1,183,947
Investment in listed shares			954,800
Investment in unlisted options			15,592
Prepayment			369,691
Land and buildings			19,460,574
Total assets			117,533,395

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: OPERATING SEGMENTS (cont.)

As at 30 June 2021	Mining and Exploration Operations \$	Agricultural Operations \$	Total \$
Segment assets	60,769,858	1,232,968	62,002,826
Inter-segment eliminations			(2,699,989)
			59,302,837
<i>Unallocated assets</i>			
Cash and cash equivalent			31,420,960
Receivables			248,078
Other assets			7,928
Financial assets			207,867
Right of use assets			3,728,580
Intangible assets			853,947
Investment in listed shares			7,440,000
Investment in unlisted options			4,496,593
Land and buildings			17,582,192
Total assets			125,288,982

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: OPERATING SEGMENTS (cont.)

(c) Segment liabilities

As at 30 June 2022	Mining and Exploration Operations \$	Agricultural Operations \$	Total \$
Segment liabilities	1,825,030	2,686,527	4,511,557
Inter-segment eliminations			(3,534,975)
			976,582
<i>Unallocated liabilities</i>			
Employee benefits provisions			389,851
Lease liability			3,485,962
Total liabilities			4,852,395

For the year ended 30 June 2021	Mining and Exploration Operations \$	Agricultural Operations \$	Total \$
Segment liabilities	2,206,431	1,886,312	4,092,743
Inter-segment eliminations			(2,699,989)
			1,392,754
<i>Unallocated liabilities</i>			
Employee benefits provisions			306,186
Lease liability			3,848,589
Total liabilities			5,547,529

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 3: OTHER INCOME

	2022 \$	2021 \$
Government grants	-	100,840
Net gain on disposal of subsidiaries (refer note 20)	-	2,557,699
Gain on sales of property, plant and equipment	897	11,877
Fair value measurement of livestock	26,550	161,040
Rental income	83,001	78,948
	110,448	2,910,404

NOTE 4: INCOME TAX

(a) Reconciliation of income tax expense to prima facie tax payable

	2022 \$	2021 \$
Operating loss before income tax	(13,299,954)	5,359,259
Prima facie income tax benefit/(expense) at 25% (2021: 26%) on operating profit/(loss)	3,324,989	(1,393,407)
Add tax effect of:		
Tax losses and temporary differences not recognised	(3,324,989)	1,393,407
Non temporary differences	-	-
Income tax attributable to operating (loss)/profit	-	-

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 4: INCOME TAX (cont.)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Silver Mines Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Directors are of the view that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised.

	2022 \$	2021 \$
(b) Deferred tax assets and (liabilities) are attributable to the following:		
Exploration expenditure	(9,222,063)	(6,875,367)
Tax losses	9,222,063	6,875,367
	-	-
(c) Tax losses		
Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for non-temporary differences	43,291,549	41,477,184
Potential tax benefit at 25% (2021: 26%)	10,822,887	10,784,068
(d) Unrecognised temporary differences		
Non-deductible amounts as temporary differences	602,365	836,727
Accelerated deductions for book compared to tax	-	-
Total	11,425,252	11,620,795
Potential effect on future tax expense	11,425,252	11,620,795

The Group's ability to recover unrecognised tax losses depends on the Group's earnings as well as the Group meeting the Same Business Test or the Continuity of Ownership Test.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 5: CASH AND CASH EQUIVALENTS

	2022 \$	2021 \$
Current		
Cash and cash equivalent	16,890,242	31,420,960

As at 30 June 2021, cash and cash equivalents include investments in redeemable preference shares of \$1,240,093 (refer to Note 17(b)). This investment matured on 30 September 2021. As at 30 June 2022, such investment of \$4,861,487 was reclassified to financial assets measured at amortised cost (refer to Note 8). The investment is 50% redeemable within 30 business days and can be redeemed in whole within 60 calendar days of notice or at the end of the investment term whichever is the earlier.

NOTE 6: TRADE AND OTHER RECEIVABLES

	2022 \$	2021 \$
Current		
GST	289,458	164,159
Prepayment	145,418	52,683
Other receivables	100,832	31,236
	535,708	248,078

NOTE 7: INVENTORY - LIVESTOCK

	2022 \$	2021 \$
Current		
Livestock	563,360	371,041

Livestock is measured at fair value less cost to sell, with any change recognised in the income statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of livestock is based on its present location and condition. If an active or other effective market exists for livestock in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where the Group has access to different markets, then the most relevant market is used to determine fair value. The relevant market is defined as the market "that access is available to the entity" to be used at the time the fair value is established.

If an active market does not exist, then one of the following is used in determining fair value in the following order:

- the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period
- market prices, in markets accessible to us, for similar assets with adjustments to reflect differences
- sector benchmarks

In the event that market determined prices or values are not available for livestock in its present condition, the present value of the expected net cash flows from the asset discounted at a current market determined rate may be used in determining fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 7: INVENTORY - LIVESTOCK (cont.)

At the end of each reporting period, the Group measures livestock at fair value. The fair value is determined through price movements, natural increase and natural death.

The net increments or decrements in the market value of livestock are recognised as either revenue or expense in the income statement, determined as:

- The difference between the total fair value of livestock recognised at the beginning of the financial year and the total fair value of livestock recognised as at the reporting date; less
- Costs expected to be incurred in realising the market value (including freight and selling costs).

NOTE 8: FINANCIAL ASSETS

	2022 \$	2021 \$
Current		
Financial assets at fair value through profit or loss		
Investment in Listed Shares	954,800	7,440,000
Investment in Unlisted Options	15,592	4,496,593
Financial assets measured at amortised cost		
Redeemable preference shares (Note 17(b))	4,861,487	-
Total	5,831,879	11,936,593
Non-current		
Performance guarantee bonds	363,867	207,867
Total	363,867	207,867

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 8: FINANCIAL ASSETS (cont.)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The total interest revenue for financial assets that are measured at amortised cost was \$121,394.

NOTE 9: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

	2022 \$	2021 \$
Non-current		
Exploration expenditures		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase		
Opening balance	58,363,389	56,788,308
Government grants	(1,822,983)	(200,000)
Disposals through disposal of subsidiaries	-	(6,627,529)
Written off of tenements	(202,839)	-
Expenditure in the year	12,471,520	8,402,610
Closing balance	68,809,087	58,363,389

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of an area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profits in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from where exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Exploration and evaluation assets are tested for impairment each year. When the facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the carrying amount is written down to its likely recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 10: INTANGIBLE ASSETS

	2022 \$	2021 \$
Non-current		
Opening balance	853,947	56,603
Additions	330,000	797,344
Exercised	-	-
Closing balance	1,183,947	853,947

The Group has entered into a number of option agreements to purchase properties attaching to the tenements. As consideration for these agreements, the Group has paid total option fees of \$330,000 (June 2021: \$797,344) during the year.

NOTE 11: LAND AND BUILDINGS

	2022 \$	2021 \$
Non-current		
Properties at cost	20,245,420	18,341,437
Accumulated Depreciation	(784,846)	(759,245)
	19,460,574	17,582,192

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land \$	Buildings \$	Buildings improvements \$	Total \$
Consolidated				
Balance at 1 July 2020	15,181,314	613,313	51,785	15,846,412
Additions	1,791,936	-	-	1,791,936
Depreciation expense	-	(16,977)	(39,179)	(56,156)
Balance at 30 June 2021	16,973,250	596,336	12,606	17,582,192
Additions	1,398,064	486,982	18,937	1,903,983
Depreciation expense	-	(18,011)	(7,590)	(25,601)
Balance at 30 June 2022	18,371,314	1,065,307	23,953	19,460,574

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 11: LAND AND BUILDINGS (cont.)

Land and buildings are shown at cost, less subsequent depreciation and impairment for buildings.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of buildings and building improvements (excluding land) over their expected useful lives as follows:

Buildings	40 years
Building improvements	4-8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Items of land and buildings are derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	2022 \$	2021 \$
Plant and equipment - at cost	4,410,758	5,075,806
Less: accumulated depreciation	(890,533)	(999,530)
	3,520,225	4,076,276

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & Mining Equipment \$	Office & Camp Equipment \$	Motor Vehicles \$	Other Assets - Farming \$	Right of use Assets \$	Computer Equipment \$	Total \$
Consolidated							
Balance at 1 July 2020	42,046	7,953	115,427	324	3,885,024	-	4,050,774
Additions	126,200	-	108,994	36,142	-	5,985	277,321
Disposals	-	-	(34,941)	-	-	-	(34,941)
Depreciation expense	(21,145)	(7,711)	(28,991)	(461)	(156,444)	(2,126)	(216,878)
Balance at 30 June 2021	147,101	242	160,489	36,005	3,728,580	3,859	4,076,276
Additions	-	-	226,097	36,509	-	3,665	266,271
Lease reassessment	-	-	-	-	(580,343)	-	(580,343)
Disposals	-	-	(13,648)	-	-	-	(13,648)
Depreciation expense	(33,156)	(242)	(47,953)	(10,958)	(132,094)	(3,928)	(228,331)
Balance at 30 June 2022	113,945	-	324,985	61,556	3,016,143	3,596	3,520,225

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (cont.)

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying assets, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has leasehold arrangement that commenced on 1 May 2020 for 25 years. As at 30 June 2022, the Group reassessed that the commencement of work will start in July 2024 which by then the rent-free period will end. The right of use assets and lease liabilities have been remeasured to account for such reassessment.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant & Mining Equipment	4-20 years
Office & Camp Equipment	3-8 years
Motor Vehicles	6-8 years
Other Assets - Farming	5 years
Computer Equipment	2 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 13: TRADE AND OTHER PAYABLES

	2022 \$	2021 \$
Current		
Trade creditors and accruals	976,582	1,392,754

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 14: EMPLOYEE BENEFITS PROVISIONS

	2022 \$	2021 \$
Current		
Employee benefits provisions	389,851	306,186

Short-term employee benefits

Liabilities for wages and salaries, including annual leave to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 15: LEASE LIABILITY

	2022 \$	2021 \$
Current		
Lease liabilities	-	59,731
	-	59,731
Non-current		
Lease liabilities	3,485,962	3,788,858
	3,485,962	3,788,858
Total	3,485,962	3,848,589

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down. Refer to Note 12 for the details of the reassessment made at 30 June 2022.

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2022 \$	2021 \$
Interest expenses	96,954	96,954
Depreciation expenses	132,094	156,444
	229,048	253,398

The tables below analyse the Group's lease liabilities into relevant maturity groupings based on their contractual maturities

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
Lease liabilities	-	14,069	524,434	4,288,773	4,827,276	3,485,962

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 16: CAPITAL AND RESERVES

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
July-20	Opening Balance	1,010,125,021		109,987,534
Aug-20	Options conversion	10,461,263	0.060	627,676
Sep-20	Options conversion	2,042,550	0.060	122,553
Sep-20	Options conversion	3,850,000	0.100	385,000
Sep-20	Capital Raising costs	-	-	(3,487)
Nov-20	Options conversion	64,848	0.060	3,891
Dec-20	Options conversion	753,640	0.060	45,218
Dec-20	Issued capital	500,000	0.100	50,000
Dec-20	Capital Raising costs	-	-	(9,387)
Dec-20	Issued capital	10,000,000	0.100	1,000,000
Dec-20	Options conversion	487,000	0.060	29,220
Dec-20	Realisation from share-based payment reserve	-	-	160,388
Jan-21	Options conversion	2,425,211	0.060	145,513
Jan-21	Options conversion	1,256,664	0.060	75,400
Feb-21	Options conversion	6,093,420	0.060	365,605
Feb-21	Issued capital	136,363,637	0.220	30,000,000
Feb-21	Capital Raising costs	-	-	(1,850,868)
Mar-21	Options conversion	2,820,749	0.060	169,245
Mar-21	Capital Raising costs	-	-	(1,922)
Mar-21	Options conversion	100,000	0.100	10,000
Apr-21	Options conversion	926,238	0.060	55,574
May-21	Options conversion	2,079,933	0.060	124,796
May-21	Options conversion	525,000	0.100	52,500
May-21	Capital Raising costs	-	-	(1,922)
Jun-21	Options conversion	5,392,232	0.060	323,535
Jun-21	Options conversion	425,000	0.100	42,500
Jun-21	Capital Raising costs	-	-	(1,922)
Jun-21	Realisation from share-based payment reserve	-	-	570,562
30-Jun-21		1,196,692,406		142,477,202
Jul-21	Options conversion	6,807,715	0.060	408,463
Jul-21	Options conversion	2,984,604	0.060	179,076
Jul-21	Options conversion	3,600,000	0.100	360,000
Aug-21	Options conversion	3,997,902	0.060	239,874
Aug-21	Options conversion	6,856,910	0.060	411,415
Sep-21	Options conversion	70,347,830	0.060	4,220,869
Nov-21	Options conversion	544,776	0.060	32,687
Dec-21	Realisation from share-based payment reserve	-	-	418,070
30-Jun-22		1,291,832,143		148,747,656

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 16: CAPITAL AND RESERVES (cont.)

(b) Issued and paid-up capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Share options

At 30 June 2022 details of Listed and Unlisted Options are as follows:

Details	Number	Exercise price	Expiry date
Unlisted options	9,000,000	\$0.30	21-Dec-2024
Unlisted options	5,000,000	\$0.20	3 years from milestone achievement ¹
Total	14,000,000		

	2022 Number	2021 Number
Movements in options		
Balance at the beginning of the financial year	103,077,361	143,568,109
Options lapsed	(2,937,624)	-
Options exercised	(95,139,737)	(40,490,748)
Options issued	9,000,000	-
Balance at the end of the financial year	14,000,000	103,077,361

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 16: CAPITAL AND RESERVES (cont.)

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
14-Feb-20	1-Aug-21	\$0.10	3,600,000	-	(3,600,000)	-	-
19-Mar-19	6-Sep-21	\$0.06	94,477,361	-	(91,539,737)	(2,937,624)	-
21-Dec-17	3 years from milestone achievement ¹	\$0.20	5,000,000	-	-	-	5,000,000
12-Dec-21	21-Dec-24	\$0.30	-	9,000,000	-	-	9,000,000
			103,077,361	9,000,000	(95,139,737)	(2,937,624)	14,000,000
Weighted average exercise price			0.068	0.300	0.062	0.060	0.264

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
14-Feb-20	1-Aug-21	\$0.10	3,600,000	-	-	-	3,600,000
19-Mar-19	6-Sep-21	\$0.06	134,968,109	-	(40,490,748)	-	94,477,361
21-Dec-17	3 years from milestone achievement ¹	\$0.20	5,000,000	-	-	-	5,000,000
			143,568,109	-	(40,490,748)	-	103,077,361
Weighted average exercise price			0.066	-	0.060	-	0.068

1. Expiry which is three years from the date of achievement of Project Financing, which must achieve a minimum of \$150 million (Financing Milestone). This was set out in the Company's Notice of Annual General Meeting dated 30 October 2017.

The weighted average share price during the financial year was \$0.21 (2021: \$0.23).

The weighted average remaining contractual life of the options, except for the 5,000,000 options' expiry date is 3 years from the achievement of milestone, outstanding at the end of the financial year was 3.48 years (2021: 0.18 years).

(d) Reserves

In June 2016, the Company completed the acquisition of Silver Investment Holdings Australia Ltd (SIHA) and Bowdens Silver Pty Ltd. As part of the consideration for the purchase of SIHA, 40,000,000 ordinary shares in the capital of the Group are to be issued as a deferred consideration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 16: CAPITAL AND RESERVES (cont.)

In May 2016, the Company entered into a share sale and purchase deed ("Deed") which effectuated the purchase of the Bowdens Silver Project ("Project") pursuant to which 40,000,000 fully paid ordinary shares in the Company was to be issued as deferred consideration ("Deferred Consideration Shares"). The Company issued 20,000,000 of the Deferred Consideration Shares to non-related and related parties (following shareholder approval) of the Company after Silver Mines lodged its Environmental Impact Statement and Development Application (announced 25 May 2020).

A further 20,000,000 of the Deferred Consideration Shares ("Remaining Deferred Consideration") will be issued to non-related and related parties of the Company upon lodgment of a mining lease granted in respect of the Project in accordance with a waiver granted by the ASX on 28 October 2020 and approved by shareholders of Silver Mines at the Annual General Meeting of the Company on 27 November 2020. The Remaining Deferred Consideration is valued at \$2,000,000.

	2022 \$	2021 \$
Movements in reserves		
Balance at the beginning of the financial year	2,418,070	4,149,020
Share capital reserve movement	-	(1,000,000)
Share based payment reserve movement	(30,953)	(730,950)
Balance at the end of the financial year	2,387,117	2,418,070

(e) Capital risk management

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

(f) Share based payments

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Board of Directors, grant options over ordinary shares in the company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board of Directors.

For the options granted during the year ended 30 June 2022, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Number of options	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
21 December 2021	21 December 2024	9,000,000	\$0.205	\$0.30	77.44%	0.15%	\$0.082

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 17: RELATED PARTY TRANSACTIONS

(a) Key Management Personnel

The names and positions held of Group key personnel are:

Key Management Personnel	Position
Keith Perrett	Non-Executive Chairman
Anthony McClure	Managing Director
Kristen Podagiel	Non-Executive Director
Jonathan Battershill	Non-Executive Director
Trent Franklin	Company Secretary

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2022 \$	2021 \$
Short-term employee benefits	689,892	725,959
Post-employment benefits	40,909	39,041
Share based payment	32,260	-
	763,061	765,000

(b) Related party transactions

During the year, the Company entered into the following trading transactions with related parties of Trent Franklin, the Company Secretary, as follows: Enrizen Capital Pty Ltd received \$Nil (2021: \$80,000) in relation to corporate advisory, capital raising and underwriting services; Enrizen Pty Ltd received \$4,850 (2021: \$635) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$94,570 (2021: \$143,242) in relation to legal services; Enrizen Accounting Pty Ltd received \$125,800 (2021: \$120,000) in relation to accounting services, and the Company invested a further \$3,500,000 in Redeemable Preference Shares in Enable Investments Pty Ltd with the invested balance receiving a 3% p.a. rate of return. During the period, the Company earned \$121,393.68 (2021: \$69,960.90).

Further to these transactions the Company also employed a family member of a key management personnel with a total remuneration package of \$145,000 (2021: \$136,875).

(c) Consolidated Entities

The Group operates in the exploration industry in Australia only. The Group has the following 100% wholly owned subsidiaries whose transactions have been consolidated into the Group accounts:

Silver Investment Holdings Australia Pty Limited
 Bowdens Silver Pty Limited
 Tuena Resources Pty Ltd
 Bowdens Agriculture Pty Ltd
 Asia Metals Holdings 3 Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 18: PARENT ENTITY INFORMATION

	Parent 2022 \$	2021 \$
Statement of profit or loss and other comprehensive income		
Profit / (loss) after income tax	(12,484,047)	5,954,147
Total comprehensive income/(loss)	(12,484,047)	5,954,147
Statement of financial position		
Total current assets	22,366,168	42,824,274
Total assets	118,432,119	124,889,113
Total current liabilities	475,763	688,212
Total liabilities	475,763	688,212
Equity		
Issued capital	148,747,656	142,477,201
Reserves	2,387,117	2,418,070
Accumulated losses	(33,178,417)	(20,694,370)
Total equity	117,956,356	124,200,901

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

There are no such guarantees arrangements during the years ended 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 19: RECONCILIATION OF OPERATING PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2022 \$	2021 \$
Operating profit/(loss) after income tax	(13,299,954)	5,359,259
Depreciation	253,932	273,034
Employee provisions	83,666	101,719
Fair value measurement of livestock	(26,550)	(161,040)
Borrowing cost amortisation	3,111	3,111
Interest expense on AASB 16 lease accounting	95,541	96,954
Gain on sales of non-current assets	(897)	(11,877)
Fair value movement of financial assets at fair value through profit and loss	9,850,201	(4,506,237)
Net gain on disposal of subsidiaries	-	(2,557,699)
Net gain on derecognition of financial assets at fair value through profit and loss	614,481	(208,158)
Written off of tenements	202,902	-
Share based payment	387,117	-
	(1,836,450)	(1,610,934)
<i>Movements in working capital:</i>		
(Increase)/decrease in receivables and prepayments	(62,547)	(110,878)
(Increase)/decrease in inventory	(165,769)	19,682
Increase/(decrease) in payables and provision	103,052	(125,896)
Net cash outflows from operating activities	(1,961,714)	(1,828,026)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 20: DISPOSAL OF SUBSIDIARIES

In March 2021, the Group disposed of its 100% equity interest in Webbs Resources Pty Ltd and Conrad Resources Pty Ltd to divest the Webbs and Conrad Projects (silver/polymetallic) located in New South Wales.

The consideration comprised of the following:

- a) non-refundable payment of A\$800,000 paid to the Group comprising \$50,000 on the signing of the initial term sheet and \$750,000 on the signing of binding agreements.
- b) a payment equivalent to the cash rehabilitation bonds in place at completion and the replacement of any non-cash rehabilitation bonds totaling \$269,000.
- c) share consideration of 70 million fully paid ordinary shares and 50 million options in Thomson Resources Limited of which:
 - (i) 35 million shares have been issued to the Group ("Tranche 1");
 - (ii) 35 million shares have been issued to the Group with a 6-month voluntary escrow ("Tranche 2");
 - (iii) 50 million options issued to the Group with a vesting date 6 months from the date of issue, an exercise price of \$0.124 per option and an expiry date of 3 years from the date of issue ("TMZ Options").

	2021 \$
Carrying amounts of assets and liabilities disposed	
Deferred exploration and development	6,627,529
Other non-current assets	109,681
Total assets	6,737,201
Net Assets	6,737,201
Details of the disposal	
Total sale consideration	9,319,356
Carrying amount of net assets disposed	(6,737,210)
Disposal costs	(24,447)
Net gain on disposal before income tax	2,557,699
Net gain on disposal after income tax	2,557,699

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21: FINANCIAL INSTRUMENT DISCLOSURES

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and other price risks and aging analysis for credit risk.

Risk management is carried out by the Company Secretary under policies approved by the Board of Silver Mines Limited.

The Company Secretary identifies and evaluates the risks in close cooperation with the Group's management and Board.

(a) Market risk

(i) Foreign exchange risk

The Group does not have any significant exposure to foreign exchange risk.

(ii) Price risk

The Group in the current year did not have any significant exposure to commodity price risk. The Group will have exposure to silver price risk if and when mining operations begin. Directors have not made any determination at this stage as to whether they will consider commodity price hedge arrangements.

The Group's investment in listed shares and unlisted options that listed on the ASX are exposed to price risk. The sensitivity analysis of the Group's exposure to price risk is as follows:

	Average price increase			Average price decrease		
	% Change	Effect on profit	Effect on net assets	% Change	Effect on profit	Effect on net assets
Consolidated - 2022						
Financial assets at fair value through profit or loss						
- Investment in listed shares	10%	95,480	95,480	8%	76,384	76,384
- Investment in unlisted options	10%	1,559	1,559	8%	1,247	1,247

(iii) Cash flow and fair value interest rate risk

The Group has exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and the financial liabilities.

The Group's policy is to ensure that the best interest rate is received for the short-term deposits. The Group uses a number of banking institutions, with a mixture of fixed and variable interest rates. Interest rates are reviewed prior to deposits maturing and the fund is re-invested at the best rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21: FINANCIAL INSTRUMENT DISCLOSURES (cont.)

(iii) Cash flow and fair value interest rate risk (continued)

	Floating interest rate \$	Fixed interest rate maturing		Non-interest bearing \$	Total \$
		Within 1 year \$	Over 1 year \$		
2022					
FINANCIAL ASSETS					
Cash assets	16,890,242	-	-	-	16,890,242
Performance guarantee bonds	-	-	-	363,867	363,867
Financial assets at fair value through Profit and Loss	-	-	-	970,392	970,392
Financial assets measured at amortised cost	-	4,861,487	-	-	4,861,487
Other financial assets	-	-	-	535,708	535,708
	16,890,242	4,861,487	-	1,869,967	23,621,696
FINANCIAL LIABILITIES					
Payables (current)	-	-	-	(976,581)	(976,581)
Lease liabilities	-	-	(3,485,962)	-	(3,485,962)
	-	-	(3,485,962)	(976,581)	(4,462,543)
NET FINANCIAL ASSETS/(LIABILITIES)	16,890,242	4,861,487	(3,485,962)	893,385	19,159,152

	Floating interest rate \$	Fixed interest rate maturing		Non-interest bearing \$	Total \$
		Within 1 year \$	Over 1 year \$		
2021					
FINANCIAL ASSETS					
Cash assets	31,420,960	-	-	-	31,420,960
Performance guarantee bonds	-	-	-	207,867	207,867
Financial assets at fair value through Profit and Loss	-	-	-	11,936,593	11,936,593
Other financial assets	-	-	-	248,078	248,078
	31,420,960	-	-	12,392,538	43,813,498
FINANCIAL LIABILITIES					
Payables (current)	-	-	-	(1,392,754)	(1,392,754)
Lease liabilities	-	(59,731)	(3,788,858)	-	(3,848,589)
	-	(59,731)	(3,788,858)	(1,392,754)	(5,241,343)
NET FINANCIAL ASSETS/(LIABILITIES)	31,420,960	(59,731)	(3,788,858)	10,999,784	38,572,155

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21: FINANCIAL INSTRUMENT DISCLOSURES (cont.)

(b) Credit risk

The maximum exposure to credit risk, net of any provisions for impairment of those assets, is the carrying amount as disclosed in the statements of financial position and notes to the financial statements, including cash and cash equivalents in note 5 and the investment in redeemable preference shares in note 8. The Group does not hold any collateral. There are no guarantees against these receivables and investments but management closely monitors the balances on a semi-annually basis and is in regular contact with the counterparties to mitigate risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows matching maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

The Group at trading date had deposits which mature within three months and cash at bank. Due to the cash available to the Group there is no use of any credit facilities at balance date.

(d) Net fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The net fair values of the financial assets and financial liabilities approximate their carrying values.

Except for the investment in listed shares, no other financial assets and financial liabilities are readily traded on organised markets.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statements of financial position and in the notes to the financial statements.

(e) Sensitivity analysis

The Group has not performed a sensitivity analysis on interest rate risk and price risk and its impact on current year results and equity which could result from a change in this risk as the likely impact is insignificant given the minimal revenue generated from sales during the year, and minimal balances with interest.

(f) Fair value hierarchy

The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21: FINANCIAL INSTRUMENT DISCLOSURES (cont.)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 2022				
Assets				
Financial assets at fair value through profit or loss				
- Investment in listed shares	954,800	-	-	954,800
- Investment in unlisted options	-	15,592	-	15,592
Total assets	954,800	15,592	-	970,392
Consolidated - 2021				
Assets				
Financial assets at fair value through profit or loss				
- Investment in listed shares	7,440,000	-	-	7,440,000
- Investment in unlisted options	-	4,496,593	-	4,496,593
Total assets	7,440,000	4,496,593	-	11,936,593

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 22: EARNING PER SHARE

	30-Jun-22 Cents	30-Jun-21 Cents
Basic earnings per share	(1.04)	0.49
Diluted earnings per share	(1.04)	0.45

	Number	Number
Basic earnings per share		
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic and diluted earnings per share and alternative diluted earnings per share	1,275,109,819	1,083,678,215
Diluted earnings per share		
Weighted average number of shares used as the denominator		
Weighted average number of shares used in calculating basic earnings per share	1,275,109,819	1,083,678,215
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	86,351,221
Contingent issuable shares	-	24,410,959
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,275,109,819	1,194,440,395

The potential ordinary shares are anti-dilutive as the conversion of them to ordinary shares would decrease the loss per share. Therefore, they are not included in the calculation of diluted earnings per share.

	2022 \$	2021 \$
Reconciliation of earnings used in calculating basic and diluted earnings per share		
Earnings used in calculating basic and diluted earnings per share	(13,299,954)	5,359,259

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 23: REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Crowe Sydney, the auditor of the company:

	2022 \$	2021 \$
<i>Audit services - Crowe Sydney</i>		
Audit or review of the financial statements	67,599	58,593

NOTE 24: COMMITMENTS

	2022 \$	2021 \$
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Intangible assets		
Option Purchase	12,120,000	12,460,000
Land Purchase	2,250,000	1,917,000
	14,370,000	14,377,000
Proposed expenditure on tenements for a year	3,204,376	2,843,376
	3,204,376	2,843,376

Capital commitments include contracted amounts for options agreement for the right to purchase properties at the execution date. However, if the company chooses not to execute the agreements, the rights will be forfeited and the amount paid, which are recognised as intangible assets in note 10, will be written off through the Profit and Loss statement.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
Capital Commitment	13,020,000	1,350,000	-	-	14,370,000	14,370,000

Proposed expenditure on tenements for a year represented the average yearly expenditures expected to be spent on the exploration, environmental management and rehabilitation and community consultation activities during the tenement period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

COVID-19 Response

Following the Financial Year, the Company continues to carry out measures implemented in response to the impact of the COVID-19 pandemic.

The Company's priorities are to protect the health and safety of staff, contractors and local communities, while maintaining the integrity of our business.

The Company continues to adhere to directives from Federal and State Government and has put in place comprehensive COVID-19 Policies and Procedures. This has allowed our current operations to continue safely and with minimal interruption.

No other matter or circumstance has arisen since the reporting date that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

NOTE 26: COMPANY DETAILS

The registered office and principal place of business of the Group is:

Silver Mines Limited
Level 28
88 Phillip Street,
Sydney NSW 2000
Australia

Tel: +61 2 8316 3997

Fax: +61 2 8316 3999

DIRECTORS' DECLARATION

The directors declare that:

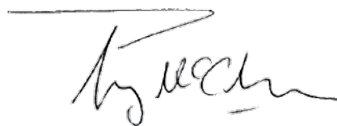
- 1 The financial statements and notes, as set out on pages 30 to 64 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (b) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Group; and
 - (c) comply with International Financial Reporting Standards as issued by the International Accounting Standard Board as described in note 1 to the financial statements;
- 2 The Managing Director and the Company Secretary, who perform the functions of Chief Executive Officer and Chief Financial Officer respectively, have each declared that:
 - (a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
- 3 In the Directors' opinion there are reasonable grounds to believe that the Company 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 Board of Directors.



Keith Perrett
Chairman

30 September 2022



Anthony McClure
Managing Director

Independent Auditor's Report to the Members of Silver Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Silver Mines Limited (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended;
- (b) and 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 (including Independence Standards)* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

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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 we addressed the Key Audit Matter
Recognition of Deferred Exploration and Development Expenditure – Note 9	
The carrying amount of deferred exploration and development expenditure was a significant component of the Group's total assets at \$68,809,087 at 30 June 2022. As outlined in Note 9 of the financial report, the application of the Group's accounting policy in respect of capitalised (deferred) exploration and development expenditure required significant judgment, as follows: • The assessment of areas of interest; • Relating the expenditure to an area of interest; and • Determining the extent to which expenditure is expected to be recouped through successful development of the area.	Our procedures included, amongst others: • Assessed the Group's accounting policy in conjunction with the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. • Evaluated the Group's processes and controls in relation to the recognition and deferral of exploration and development expenditure. • Selected a sample of deferred exploration and development expenditure, tested the allocation of the expenditure to the project referenced, and checked that the capitalisation (deferral) of expenditure was in accordance with the Group's accounting policy. • Checked the Group's ownership interest of each of the tenements to which the deferred exploration and development expenditure relates.
Consideration of Impairment for Deferred Exploration and Development Expenditure - Note 9	
Furthermore, exploration assets are required to be tested for impairment when facts and circumstances suggest that the carrying amount of deferred exploration and evaluation asset may exceed its recoverable amount. This required a high degree of judgement by directors, particularly in respect of impairment indicators which included: • The Group's title to the tenement lapses; • The Group ceasing to explore, or is unable to fund the minimum capital commitments to maintain the tenement title; and • Reports indicating the asset will not be viable because of the impact of changes in the industry, geography of project, committed expenditure and tenement expiry date.	We challenged the directors' assumptions that supported the evaluation of impairment indicators and: • Obtained the Group's budgets and drilling programs and checked whether they covered the committed expenditure before the expiry date. • Checked that substantive deferred exploration and development expenditure was planned and budgeted for each tenement. • Assessed the Group's capacity to fund future committed exploration expenditure. • Checked the Group's ownership interest for each of the tenements to which the deferred exploration expenditure relates.

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 2022 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.

Responsibilities of the Directors 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 have no realistic alternative but to do so.

Auditor's Responsibilities 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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

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 the 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, actions taken to eliminate threats or safeguards applied.

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 the 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 the auditor's 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 on the Remuneration Report

We have audited the remuneration report included on pages 20 to 25 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Silver Mines Limited, for the year ended 30 June 2022, 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.



Crowe Sydney



Suwarti Asmono
Partner

30 September 2022
Sydney

ADDITIONAL SECURITIES EXCHANGE INFORMATION

At 27 September 2022 the issued capital in the Company was comprised of:

- 1,291,832,143 fully paid ordinary shares held by 11,722 holders;
- 9,000,000 unlisted options held by 26 holders, with an exercise price of \$0.30 and an expiry date 21 December 2024; and
- 5,000,000 unlisted options held by one holder, with an exercise price of \$0.20 and an expiry date which is three years from the date of achievement of certain milestones, set out in the Company's Notice of Annual General Meeting dated 31 October 2017.

Each fully paid ordinary share in the Company entitles the holder to one vote at a meeting of shareholders when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options do not carry voting rights.

At 27 September 2022, the Company has 1,688 shareholders whose holdings are less than a marketable parcel of shares (total value of A\$500, assuming a share price of \$0.165).

There is no on-market buy back currently being undertaken.

There are currently no listed options on issue.

Substantial shareholders at 27 September 2022

Silver Mines Limited has the following substantial shareholders:

Holder	Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	167,610,651	12.97%

20 Largest Holders of Ordinary Shares and their holdings at 27 September 2022

Position	Holder Name	Holding	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	167,610,651	12.97%
2	CITICORP NOMINEES PTY LIMITED	50,064,080	3.88%
3	MR ANTHONY MCCLURE	26,445,313	2.05%
4	BNP PARIBAS NOMS PTY LTD <DRP>	25,681,109	1.99%
5	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	24,716,883	1.91%
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	23,358,789	1.81%
7	MCCLURE FAMILY SUPERANNUATION PTY LTD <MCCLURE FAMILY S/F A/C>	10,000,001	0.77%
8	HARDER DEVELOPMENTS PTY LTD <TEAM HARDER FAMILY A/C>	9,050,000	0.70%
9	ALDON FINANCE PTY LTD <GREG RANSOM SUPER FUND A/C>	8,500,000	0.66%
10	MRS GEORGINA SUSAN KING	7,854,688	0.61%
11	MR PHILLIP RICHARD PERRY	7,772,001	0.60%
12	COOLHAND NOMINEES PTY LIMITED <COOLHAND INVESTMENT A/C>	7,266,667	0.56%
13	MURANA PTY LTD <MURANA INVESTMENT A/C>	6,993,201	0.54%
14	MR JINHUA GUAN	6,404,400	0.50%
15	SQUIRRELLY PTY LTD <THE NUTS S/F A/C>	6,096,903	0.47%
16	MR GREGORY DONALD RANSOM <GREGORY RANSOM A/C>	6,000,000	0.46%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,675,845	0.44%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,020,845	0.39%
19	TEAM HARDER PTY LTD <TEAM HARDER SUPER FUND A/C>	4,855,000	0.38%
20	LGL TRUSTEES LIMITED <MK PENSION PLAN-473278 A/C>	4,657,084	0.36%
Total		414,023,460	32.05%

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Distribution of holders and holdings at 27 September 2022

Fully paid ordinary shares:

Holdings Ranges	Holders	Total Units	%
1-1,000	319	60,941	0.00%
1,001-5,000	2,713	8,861,172	0.69%
5,001-10,000	1,827	14,919,068	1.15%
10,001-100,000	5,149	198,423,352	15.36%
100,001-9,999,999,999	1,714	1,069,567,610	82.79%
Totals	11,722	1,291,832,143	100.00%

Unlisted options, exercise price \$0.30 expiry 21 December 2024:

Holdings Ranges	Holders	Total Units	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001-10,000	-	-	-
10,001-100,000	2	150,000	1.67%
100,001-9,999,999,999	24	8,850,000	98.33%
Totals	26	9,000,000	100.00%

Unlisted options, exercise price of \$0.20, expiry 3 years and an expiry date which is three years from the date of achievement of certain milestones, set out in the Company's Notice of Annual General Meeting dated 31 October 2017:

Holdings Ranges	Holders	Total Units	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001-10,000	-	-	-
10,001-100,000	-	-	-
100,001-9,999,999,999	1	5,000,000	100.00%
Totals	1	5,000,000	100.00%

Unquoted Equity Securities Holdings as at 25 August 2022

The following persons hold 20% or more of unquoted equity securities (excluding those issued under an employee incentive scheme):

Position	Holder Name	Class	Holding	%
1	JJB ADVISORY LIMITED	Unlisted Options, exercise price \$0.20 and expiry dates various	5,000,000	100%

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement of Silver Mines Limited (**the 'Group'**) has been prepared in accordance with the 4th Edition of the Australian Securities Exchange's ('**ASX**') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('**ASX Principles and Recommendations**'). The Group is required to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the Group has not followed a recommendation and any related alternative governance practice adopted.

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the Group's Board of Directors ('**Board**') and is current as at 30 September 2022.

The following governance related documents can be found on the Group's website at <http://www.silvermines.com.au>, under the section marked 'About', 'Corporate Governance'.

Charters:

Board
Audit Committee
Nomination Committee
Remuneration Committee
Health, Safety, Community and Sustainability Committee Charter

Policies and Procedures:

Code of Conduct
Continuous Disclosure
Selection and Appointment of New Directors
Trading in Company Securities
Assessing the Independence of Directors
Independent Professional Advice
Selection, Appointment and Rotation of External Auditor
Performance Evaluation of the Board, Board Committees, Individual Directors and Key Executives
Compliance Strategy (summary)
Shareholder Communication Strategy
Risk Management Policy
Whistleblower Policy
Environmental Policy
Sustainability Policy
Policy on Health and Safety
Policy on Human Rights
Policy on Community Relations and Indigenous Peoples
Policy on Climate Change
Policy on Equal Employment Opportunity
Policy on Fitness for Work
Policy on Suppliers
Diversity Policy
Anti-Bribery and Corruption Policy

The ASX Principles and Recommendations and the Group's response as to how and whether it follows those recommendations are set out below.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 - A listed entity should have and disclose a board charter setting out:

- (a) the respective roles and responsibilities of its board and management; and**
- (b) those matters expressly reserved to the board and those delegated to management.**

The Group has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Group's website.

The Board is collectively responsible for promoting the success of the Group through its key functions of overseeing the management of the Group, providing overall corporate governance of the Group, monitoring the financial performance of the Group, engaging appropriate management commensurate with the Group's structure and objectives, involvement in the development of corporate strategy and performance objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Group in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Group's materiality thresholds at first instance to the Managing Director, or, if the matter concerns the Managing Director, directly to the chairman or the lead independent director, as appropriate.

Recommendation 1.2 - A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election, as a director; and**
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.**

Before appointing a director, or putting forward to shareholders a director for appointment, the Group undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history and qualifications. Directors are required to declare each year that they have not been disqualified from holding the office of director by the Australian Securities and Investments Commission ('**ASIC**').

CORPORATE GOVERNANCE STATEMENT

An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Retiring directors are not automatically re-appointed.

The Group has provided in the Director's Report (in the Annual Report) information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which includes experience and qualifications, details of other directorships, and any material information which may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, required committee work, notice requirements and other special duties and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the circumstances in which their service may be terminated (with or without notice) and any entitlements upon termination.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all Directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- (a) advising the Board and its committees on governance matters;
- (b) monitoring compliance of the Board and associated committees with policies and procedures;
- (c) coordinating all Board business;
- (d) retaining independent professional advisors;
- (e) ensuring that the business at Board and committee meetings is accurately minuted; and
- (f) assisting with the induction and development of directors.

Recommendation 1.5 - A listed entity should:

- (a) have and disclose diversity policy;**
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally;**
- (c) disclose in relation to each reporting period:**
 - (i). the measuring objectives set for that period to achieve gender diversity;**
 - (ii). the entity's progress towards achieving those objectives; and**
 - (iii). either:**
 - (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or**
 - (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act.**

If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.

The Board has implemented a Diversity Policy in line with Corporate Governance guidelines. The Group believes that the promotion of diversity on its Board, in senior management and within the organisation generally is good practice and adds to the strength of the Group.

The policy affirms existing employment arrangements which seek to attract and retain people by promoting an environment where employees are treated with fairness and respect and have equal access to opportunities as they arise. Diversity within the workforce includes such factors as religion, race, ethnicity, language, gender, disability and age.

The Board has adopted a diversity policy that details the purpose of the policy and the employee selection and appointment guidelines, consistent with the recommendations of the Corporate Governance Council. The Board believes that the adoption of an efficient diversity policy has the effect of broadening the employee recruitment pool, supporting employee retention, including different perspectives and is socially and economically responsible governance practice.

CORPORATE GOVERNANCE STATEMENT

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude. The Board is continually reviewing its practices with a focus on ensuring that the selection process at all levels within the organisation is formal and transparent and that the workplace environment is open, fair and tolerant.

Historically, the Board has not set measurable objectives for achieving gender diversity. It is the Board's policy that gender discrimination has no position in the workplace and that men and women must be treated equally and without any discrimination.

The respective proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at the date of this statement are set out in the following table:

Description	Proportion of women
On the Board	1 out of 4 (25%)
In management positions	4 out of 9 (44%)
Across the whole organisation	7 out of 26 (27%)

Silver Mines acknowledges the recommendation that measurable objectives should be set to achieve gender diversity in the composition of a board if such an entity was in the S&P/ASX 300, which should not be less than 30% of its directors. Silver Mines notes the recommendation and will consider same in the context of the size and composition of the Board.

The Group is not a "relevant employer" under the Workplace Gender Equality Act.

Recommendation 1.6 - A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and**
- (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The Chairman is responsible for evaluation of the Board and individual directors. The Board has not established any independent committees.

The Chairman evaluates the performance of the Board and individual directors by way of ongoing review with reference to the compositions of the Board and its suitability to carry out the Group's objectives.

An evaluation of the performance of the Board and individual directors took place in the 2022 financial period. The evaluation determined that the Board was satisfied with the performance of each Director and itself as a whole.

Recommendation 1.7 - A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and**
- (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The Chairman in consultation with the Board reviews the performance of the senior executives. The current size and structure of the Group allows the Managing Director to conduct informal evaluations of the senior executives regularly. Open and regular communication with senior executives allows the Chairman to ensure that senior executives meet their responsibilities as outlined in their contracts with the Group, and to provide feedback and guidance, particularly where any performance issues are evident. Annually, individual performance may be more formally assessed in conjunction with a remuneration review.

During the 2022 Financial Year, the Group, considered the composition of senior executives within the Group were employed throughout the period, and subsequently appointed Kristen Podagiel as an additional independent non-executive director to the Board. The Group's Process for Performance Evaluation is disclosed on the Group's website.

Principle 2: Structure the board to be effective and add value.

Recommendation 2.1 - The board of a listed entity should:

- (a) have a nomination committee which:**
 - (i). has at least three members, a majority of whom are independent directors; and**
 - (ii). is chaired by an independent director,**
- (b) and disclose:**
 - (i). the charter of the committee;**
 - (ii). the members of the committee; and**
 - (iii). as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (c) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

CORPORATE GOVERNANCE STATEMENT

The Board has not established a separate nomination committee other than as set out in accordance with the charter published on its website. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate nomination committee. Accordingly, the Board performs the role of the nomination committee.

Items that are usually required to be discussed by a nomination committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the nomination committee it carries out those functions which are delegated to it by the Group's Nomination Committee Charter, which is available on the Group's website.

The Board deals with any conflicts of interest that may occur when convening as the nomination committee by ensuring that the Director with the conflicting interests is not party to the relevant discussions.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

The Board's skills matrix which it is looking to achieve in its membership includes technical experience, public company experience and financial experience.

The Board considers that this composition is appropriate for the effective execution of the Board's responsibilities and the size and operations of the Group.

During the 2022 Financial Year, the Group, considered the composition of the Board. The Board determined to appoint Mrs Kristen Podagiel as an additional director to the Board and the relevant expertise was met from a Board perspective. Should further technical advice be required the Board would seek to appoint a Board member with such experience.

Recommendation 2.3 - A listed entity should disclose:

- (a) the names of the directors considered by the Board to be independent directors;**
- (b) if a director has an interest, position or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and**
- (c) the length of service of each director.**

The Board considers that Keith Perrett, Kristen Podagiel and Jonathan Battershill are independent directors. These directors are independent as they are non-executive directors who are not members of management and who were free of any business or other relationship that could materially interfere with or could be reasonably perceived to interfere with, the independent exercise of their judgment.

When considering the independence of a director, the Board considers whether the director:

- (a) is a substantial shareholder of the Group or an officer of, or otherwise;
- (b) An evaluation of the performance of the Board and individual directors took place in the 2022 financial period. The evaluation determined that the Board was satisfied with the performance of each Director and itself as a whole.
- (c) associated directly with, a substantial shareholder of the Group;
- (d) is employed, or has previously been employed in an executive capacity by the Group or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- (e) has within the last three years been a principal of a material professional adviser or a material consultant to the Group or another group member, or an employee materially associated with the service provided;
- (f) receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of the Group;
- (g) has close personal ties with any person who falls within any of the categories described above;
- (h) is a material supplier or customer of the Group or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- (i) has been a director of the Group for such a period that their independence from management and substantial holders may have been compromised; or
- (j) has a material contractual relationship with the Group or another group member other than as a director.

Family ties and cross-directorships may be relevant in considering interests and relationships which may affect independence, and should be disclosed to the Board.

CORPORATE GOVERNANCE STATEMENT

Details of the Board of directors, their appointment dated, length of service as independence status is as follows:

Director's name	Appointment date	Length of service (approx.)	Independence status
Anthony McClure	20 June 2016	6 years	Executive
Keith Perrett	20 June 2016	6 years	Independent Non-Executive
Jonathan Battershill	16 June 2017	5 years	Independent Non-Executive
Kristen Podagiel	19 April 2022	5 months	Independent Non-Executive

Where it is determined that a non-executive director should no longer be considered independent, the Group shall make an announcement to the market.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

As at 30 June 2022, three quarters of the Board are considered independent. The Board considers that the current size and composition of the Board is appropriate for the execution of the Board's responsibilities. To assist directors with independent judgement, it is the Board's policy (set out on the Group's website) that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chairman for incurring such expense, the Group will pay the reasonable expenses with obtaining such advice.

Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO/ managing director of the entity.

Keith Perrett is the Chairman of the Board and is considered an independent director.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development opportunities to maintain the skills and knowledge needed to perform their role as directors effectively.

The Board in its capacity as nomination committee has a responsibility to ensure all new directors are provided with an induction into the Group and that directors have access to ongoing education relevant to their position in the Group.

Given the current size and composition of the Board, the Board members are expected to advise the Group when further professional development is required, however, the Board considers the current skill matrix of the Board is sufficient for the Group's purposes as at the date of this annual report.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Recommendation 3.1 - A listed entity should articulate and disclose its values

The Group is committed to providing shareholders with exceptional returns via the acquisition, exploration and development of assets containing silver and other metals.

The Group's core values include:

- Integrity and Accountability
- Excellence in Performance
- Safety
- Collaboration
- Community
- Education and Research & Development

The Group is committed to working by its core values.

CORPORATE GOVERNANCE STATEMENT

Recommendation 3.2 - A listed entity should:

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and**
- (b) ensure that the board or a committee of the board disclose is informed of any material breaches to that code.**

The Group has established a Code of Conduct as to the practices necessary to maintain confidence in the Group's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct is available on the Group's website. It is a requirement under the Code of Conduct that the board be informed of any material incident reported under that policy, as soon as practicable following such a report.

Recommendation 3.3 - A listed entity should:

- (a) have and disclose a whistleblower policy; and**
- (b) ensure that the board or a committee is informed of any material incidents reported under that policy.**

The Group has a whistleblower policy. The whistleblower policy is to ensure the Group is living up to its values and meets legislated requirements. This policy is available on the Group's website.

The Board is informed of any material incident reported under that policy, in accordance with the policy, as soon as practicable following such a report.

Recommendation 3.4 - A listed entity should:

- (a) have and disclose an anti-bribery and corruption policy; and**
- (b) ensure that the board or a committee of the board disclose is informed of any material breaches to that policy.**

The Group has established an anti-bribery and corruption policy as a part of its Code of Conduct. The Code of Conduct is available on the Group's website.

Principle 4: Safeguard the integrity in corporate reporting

Recommendation 4.1 - The board of a listed entity should:

- (a) have an audit committee which:**
 - (i). has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
 - (ii). is chaired by an independent director, who is not the chair of the board,**
- (b) and disclose:**
 - (i). the charter of the committee;**
 - (ii). the relevant qualifications and experience of the members of the committee; and**
 - (iii). in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (c) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board has not established a separate audit committee and therefore it is not structured in compliance with recommendation 4.1. Given the current size and composition of the Board, the Board believes there would be no efficiencies gained by establishing a separate audit committee. The Board performs the role of audit committee. Items required to be discussed by an audit committee are marked as separate agenda items at Board meetings as required. When the Board convenes as the audit committee it carries out those functions which are delegated to it in the Group's Audit Committee Charter, which is available on the Group's website.

The Board deals with any conflicts of interest and corporate reporting issues that may occur when convening in the capacity of the audit committee ensuring that the director with conflicting interests is not party to the relevant discussions (if applicable). Such matters are treated as a board minuted item and appropriately recorded and considered.

CORPORATE GOVERNANCE STATEMENT

The Group has adopted an Audit Committee Charter which describes the role, compositions, functions and responsibilities of the audit committee.

The qualifications of the Board and company secretary are set out on the Group's website or set out in the Annual Report of the Company.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO/managing director and CFO/company secretary a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

For the financial year ending on 30 June 2022, the Board received a statement from its Managing Director and Company Secretary, who perform the functions of CEO and CFO respectively, declaring that in their opinion, the financial records of the Group have been properly maintained and comply with the appropriate accounting standards.

Recommendation 4.3 - A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The Group engages an external accounting firm to maintain its financial records and assist with the collation of periodic cash flow reports which are released to the market. Such reports are provided by the Company's accountants to the Group for consideration prior to release and are finally reviewed and signed off by the Board. The completion of periodic reports by external professionals assists the Group to ensure the integrity of its financial reporting.

The Group's activity reports are prepared by employees of the Group in conjunction with external consultants and professional advisers who provide assistance with respect to compliance with ASX Listing Rules and Joint Ore Reserve Committee standards, thus assisting the Group to ensure the integrity of those reports.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 - A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1

The Group has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Group's Policy on Continuous Disclosure and Compliance Procedure is disclosed on the Group's website.

Recommendation 5.2 - A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

All ASX announcements are approved by the Managing Director of the Group or by resolution of the Board prior to release.

Recommendation 5.3 - A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements ahead of the Presentation

The Group ensures that investor or analyst presentation materials are released on the ASX Market Announcements Platform prior to the presentation.

Principle 6: Respect the rights of security holders

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The Group maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the Group's website.

CORPORATE GOVERNANCE STATEMENT

Recommendations 6.2 and 6.3

A listed entity should have an investor relations program that facilitates effective two-way communication with investors (6.2).

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders (6.3).

The Group has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. The Shareholder Communication Policy is disclosed on the Group's website.

Recommendation 6.4 - A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

All resolutions put to a meeting of security holders in the Group are decided by poll rather than by a show of hands in accordance with Guidance Note 35 Security Holder Resolutions. This is to support the principle of "one share, one vote" and also supports the ASX stance on voting at general meetings of security holders.

Recommendation 6.5 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Group's website allows security holders to receive communications from and send communications to the entity electronically. Investors may elect to receive email alerts from the Group.

Principle 7: Recognise and manage risk

Recommendations 7.1 and 7.2

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

- (i). has at least three members, a majority of whom are independent directors; and**
- (ii). is chaired by an independent director,**

(b) and disclose:

- (i). the charter of the committee;**
- (ii). the members of the committee; and**
- (iii). as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(c) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

The board or a committee of the board should:
(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and
(b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).

The Board does not have a specific risk management committee. The Board's audit committee as referred to in recommendation 4 above assists with monitoring and reviewing the Group's risk management processes and systems.

The Risk Management Policy, disclosed on the Group website, demonstrates the measures taken and policies implemented to manage risks associated with the Group's business.

The Board regularly considers and discusses the risks posed to it and the procedures in place to manage that risk to ensure that the Group is adequately protected against such risks. Annually, the Group receives and reviews recommendations from management and senior executives as to the effectiveness of the management of material business risks.

During the 2022 financial period, the received and reviewed recommendations from management and senior executives as to the effectiveness of the management of material business risks.

Recommendation 7.3 - A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

Given the size and composition of the Group, the Board has not established an internal audit function, other than the audit committee function which the Board serves as disclosed in recommendation 4 above and in the Audit Committee Charter disclosed on the website. The Board may from time to time engage an external auditor to conduct additional reviews of Group processes.

CORPORATE GOVERNANCE STATEMENT

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

The risk profile of the Group is as follows:

Market-related.
Financial reporting.
Operational.
Environmental.
Economic cycle/marketing.
Legal and compliance.

These risks are managed using the Risk Management Policy disclosed on the Group's website. Under the policy, the Board is responsible for updating the Group's material business risks. In addition, the following risk management measures have been adopted by the Board to manage the Group's material business risks:

- (a) the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- (b) the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Group's continuous disclosure obligations; and
- (c) the Board has adopted a corporate governance manual which contains other policies to assist the Group to establish and maintain its governance practices.

Additionally as per the Group's policy on the environment (which is disclosed on the Group's website), the Group views environmental management as essential to its own future and to the future of the mining industry in general. The Group considers that sound environmental management benefits all stakeholders, including shareholders, employees, contractors, the communities within which it works and the broader community as a whole. All employees will be active towards sound environmental management and as a minimum, ensure compliance with all statutory requirements associated with the Group's activities, from mineral exploration, mining and processing through to the sale of mineral products.

The Group has also implemented an Environmental Management System that incorporates elements to achieve and maintain high environmental standards, the Group and its employees undertake to identify, control, monitor and as appropriate rehabilitate environmental impacts from all stages of the Group's activities ultimately managing and mitigating environmental risks.

The Group also has a dedicated policy on community relations and indigenous peoples (as disclosed on the Group's website) to deal with social risks and to develop mutually beneficial relationships with the communities in which the Group works and proposes to work.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 - The board of a listed entity should:

(a) have a remuneration committee which:

- (i). has at least three members, a majority of whom are independent directors; and**
- (ii). is chaired by an independent director,**

(b) and disclose:

- (i). the charter of the committee;**
- (ii). the members of the committee; and**
- (iii). as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(c) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has not established a separate remuneration committee and accordingly it is not structured in accordance with recommendation 8.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate remuneration committee. Accordingly, the Board performs the role of the remuneration committee.

Items usually required of a remuneration committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the remuneration committee, it carries out those functions which are delegated to it by the Remuneration Committee Charter which is disclosed on the Group's website. The Board deals with any conflicts of interest that may occur when convening in the capacity of the remuneration committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board in its capacity as remuneration committee did not meet during the 2022 financial year however, remuneration related items were tabled and considered during a number of Board meetings during that period.

CORPORATE GOVERNANCE STATEMENT

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Details of remuneration are set out in the remuneration report which forms part of the directors report (in the Annual Report) and is set out in the Remuneration Charter on the Group's website. The policy on remuneration clearly distinguishes the structure of non-executive director's remuneration from that of executive directors. Executive directors are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors.

The Group's Remuneration Committee Charter includes a statement of the Group's policy on prohibiting transactions in associated products which limits the risk of participating in invested entitlements under any equity based remuneration schemes.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**
- (b) disclose that policy or a summary of it.**

The Company's Remuneration Charter Committee sets out the Board's approach and policy with respect to equity-based remuneration. Specifically, such remuneration is only available where such schemes are made with sufficient disclosure to shareholders and in accordance with the Listing Rules.

Additional Recommendations

Recommendation 9.1 - A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.

This recommendation is not applicable to the Group.

Recommendation 9.2 - A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.

This recommendation is not applicable to the Group.

Recommendation 9.3 - A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

This recommendation is not applicable to the Group.



Directors

Keith Perrett - Non-Executive Chairman

Anthony McClure - Managing Director

Jonathan Battershill - Non-Executive Director

Kristen Podagiel - Non-Executive Director
(appointed 19 April 2022)

Company Secretary

Trent Franklin

Australian Company Number

107 452 942

Registered Office

Silver Mines Limited

Level 28

88 Phillip Street

Sydney NSW 2000

Australia

Tel: +61 2 8316 3997

Fax: +61 2 8316 3999

E-mail: info@silvermines.com.au

Website: www.silvermines.com.au

Share Registry

Automic Pty Ltd

Level 5, 126 Phillip Street

Sydney NSW 2000

Australia

Tel: +61 2 8072 1400

E-mail: hello@automic.com.au

Auditors

Crowe Sydney

Level 24

1 O'Connell Street

Sydney NSW 2000

Tel: +61 2 9262 2155

Fax: +61 2 9262 2190



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MINES LIMITED

www.silvermines.com.au