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2023

ANNUAL REPORT

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REVIEW OF OPERATIONS

During the 2023 Financial Year, Silver Mines Limited (**‘Silver Mines’**, the **‘Company’** or the **‘Group’**) continued pre-development works and ongoing mineral exploration at the Bowdens Silver Project (**‘Project’**) located near Mudgee in New South Wales.

In March 2023, the Company updated its Mineral Resource Estimate reporting a substantial increase across all categories adding significant value and demonstrating confidence for further Project longevity. In April 2023, the Company received approvals from the Independent Planning Commission of New South Wales allowing the Project to proceed to development and production subject to conditions of consent. The Company also continued to undertake substantial exploration works across its tenement holdings.

PROJECTS

During the 2023 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)**
- **Tuena Project (gold/silver)**



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REVIEW OF OPERATIONS

Bowdens Silver Project

Introduction

The Bowdens Silver Project is located near Mudgee in the Central Tablelands Region of New South Wales, Australia.

The Project comprises 2,115 km² (521,000 acres) of titles covering approximately 80 kilometres of strike of the highly mineralised Carboniferous Rylstone Volcanics overlying Ordovician and Silurian formations. This area also hosts the Company's Barabolar Project.

In December 2022, the New South Wales Department of Planning and Environment ('DPE') advised that subsequent to their assessments of the Bowdens Silver Project they had concluded that the Project was in the public interest and approvable subject to conditions of consent and referred it to the Independent Planning Commission of New South Wales ('IPC'). In April 2023, the IPC approved Bowdens Silver Pty Limited's application to develop an open-cut silver, zinc and lead mine.

During the 2023 Financial Year, the Company continued both pre-development works and ongoing mineral exploration at the Bowdens Silver 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. During the 2023 Financial Year, the Company submitted an application for vacant exploration ground. EL9580 was granted in July 2023. (Refer to Figure 2).



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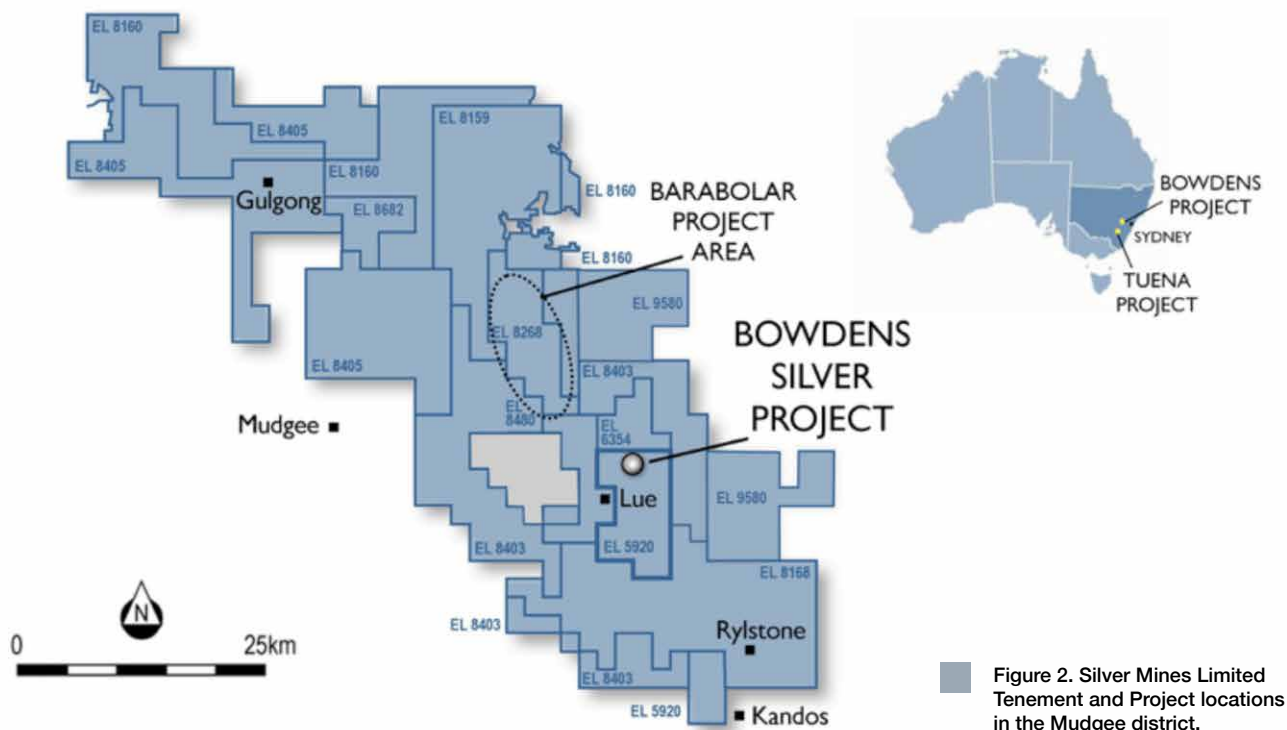


Figure 2. Silver Mines Limited Tenement and Project locations in the Mudgee district.

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 Orocline/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 Dungeree Volcanics (Refer to Figure 3). Several intrusions cross-cut Ordovician, Silurian and Carboniferous units.



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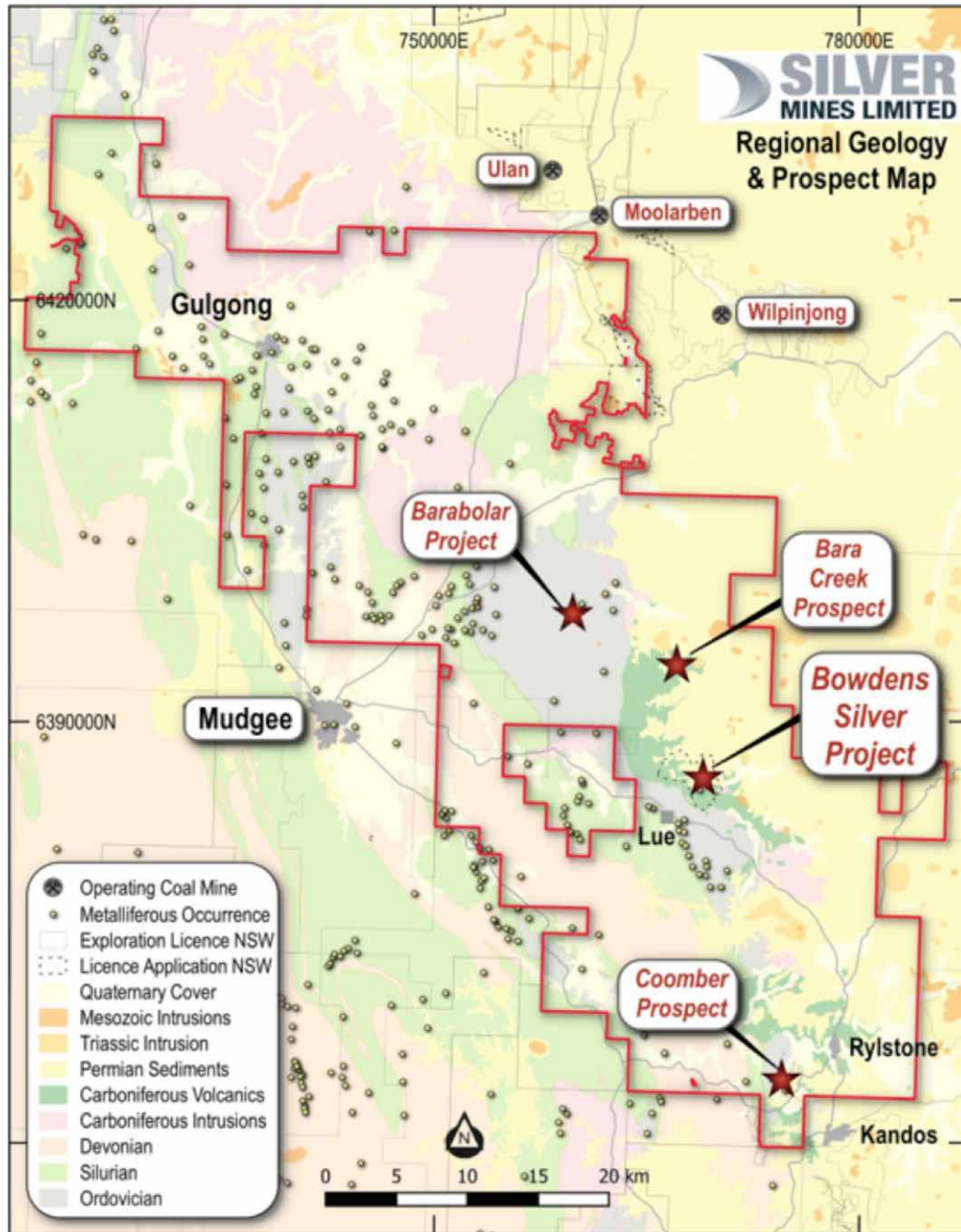


Figure 3. Silver Mines Limited prospect locations in the Mudgee district.

REVIEW OF OPERATIONS

Mineral Resource and Ore Reserve Statement

Mineral Resources

During the 2023 Financial Year, the Company provided an updated Mineral Resource for the Bowdens Silver Project. The Bowdens Mineral Resource Estimate has been updated by H&S Consultants using both Multiple Indicator Kriging, Ordinary Kriging and the reporting is compliant with the 2012 JORC Code and Guidelines. Please refer to Tables 1, 2 and 3, for further details.

With the updated Mineral Resource as of March 2023, the Ore Reserve will be updated during the 2024 Financial Year.

Table 1 - Bowdens Silver Deposit Mineral Resource Estimate as at March 2023 (at a 30 g/t Ag Eq cut-off)

| Category | Tonnes (Mt) | Silver Eq. (g/t) | Silver (g/t) | Zinc (%) | Lead (%) | Gold (g/t) | Million Ounces Silver | Million Ounces Silver Eq. |
|------------------|-------------|------------------|--------------|-------------|-------------|-------------|-----------------------|---------------------------|
| Measured | 107 | 68 | 40 | 0.36 | 0.25 | 0.03 | 137 | 235 |
| Indicated | 50 | 55 | 20 | 0.38 | 0.26 | 0.09 | 33 | 88 |
| M & I | 157 | 64 | 33 | 0.36 | 0.25 | 0.05 | 169 | 323 |
| Inferred | 43 | 54 | 14 | 0.39 | 0.29 | 0.13 | 19 | 73 |
| Total | 200 | 62 | 29 | 0.37 | 0.26 | 0.07 | 189 | 396 |

Table 2 - Bowdens Silver Deposit Mineral Resource Estimate for Gold as at March 2023 (at a 0.2 g/t Au cut-off)

| Category | Tonnes (Mt) | Silver Eq. (g/t) | Silver (g/t) | Zinc (%) | Lead (%) | Gold (g/t) | Thousand Ounces Gold | Million Ounces Silver Eq. |
|--------------|-------------|------------------|--------------|-------------|-------------|-------------|----------------------|---------------------------|
| Measured | 3.5 | 76 | 18 | 0.46 | 0.30 | 0.31 | 35 | 9 |
| Indicated | 6.0 | 71 | 12 | 0.46 | 0.31 | 0.31 | 61 | 14 |
| Inferred | 9.5 | 75 | 11 | 0.50 | 0.41 | 0.31 | 96 | 23 |
| Total | 19.0 | 74 | 13 | 0.48 | 0.36 | 0.31 | 190 | 45 |

Notes:

- 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.
- Bowdens Silver Mineral Resource Estimate reported to a 30g/t Ag Eq cut off extends from surface and is trimmed to above 300 metres RL, approximately 320 metres below surface, representing a potential target volume for future open-pit mining and expansion.
- In the Company's opinion, the silver, zinc, gold and lead included in the metal equivalent calculations have a reasonable potential to be recovered and sold.
- Stated Mineral Resources are partially inclusive of areas of the total Underground Mineral Resource Estimate at 150 g/t Silver Equivalent (Ag Eq) Cut-off Grade above 300mRL. See ASX announcement dated 5th September 2022.
- Variability of summation may occur due to rounding.

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REVIEW OF OPERATIONS

Table 3 - Bowdens Silver Deposit Grade-Tonnage Data for Estimation Results as at March 2023

| Cut off g/t Ag Eq. | Tonnes (Mt) | Silver Eq. (g/t) | Silver (g/t) | Zinc (%) | Lead (%) | Gold (g/t) | Million Ounces Silver | Million Ounces Silver Eq. |
|-----------------------|----------------|---------------------|-----------------|-------------|-------------|---------------|-----------------------------|---------------------------------|
| 0 | 663 | 26 | 12 | 0.16 | 0.11 | 0.03 | 258 | 555 |
| 10 | 403 | 40 | 19 | 0.24 | 0.17 | 0.05 | 243 | 521 |
| 20 | 287 | 50 | 24 | 0.30 | 0.22 | 0.06 | 218 | 466 |
| 30 | 200 | 62 | 29 | 0.37 | 0.26 | 0.07 | 189 | 396 |
| 35 | 167 | 68 | 32 | 0.40 | 0.29 | 0.07 | 174 | 362 |
| 40 | 140 | 73 | 36 | 0.43 | 0.31 | 0.07 | 161 | 330 |
| 50 | 100 | 85 | 43 | 0.49 | 0.35 | 0.08 | 137 | 272 |
| 60 | 71 | 97 | 51 | 0.53 | 0.38 | 0.08 | 117 | 222 |
| 70 | 51 | 110 | 61 | 0.57 | 0.42 | 0.08 | 100 | 180 |
| 80 | 37 | 123 | 72 | 0.59 | 0.45 | 0.08 | 85 | 146 |
| 90 | 27 | 136 | 84 | 0.61 | 0.47 | 0.08 | 74 | 120 |
| 100 | 21 | 150 | 96 | 0.63 | 0.49 | 0.08 | 64 | 100 |
| 120 | 13 | 175 | 119 | 0.66 | 0.52 | 0.06 | 49 | 72 |
| 150 | 7 | 210 | 153 | 0.70 | 0.57 | 0.05 | 34 | 47 |
| 200 | 3 | 265 | 200 | 0.80 | 0.66 | 0.04 | 19 | 25 |

The updated Mineral Resource is the result of additional drilling conducted by Silver Mines (132 drill holes for 53,190 metres) over the past five and a half years. This additional information comprises 123 diamond core holes for 49,150 metres, 8 reverse circulation drill holes with diamond tails for 3,867 metres and one reverse circulation drill hole for 173 metres.

Comparison with Previous estimates

In comparison to the 2017 Mineral Resource estimate, the updated Mineral Resource estimate is a 56% increase in tonnes, a 16% increase in silver ounces and a 44% increase in silver equivalent ounces, with an 8% decrease in silver equivalent grade. This decrease in silver equivalent grade is a result of significant tonnages that contain lower grade silver but include gold, and increases in base metals (zinc and lead) in the Deposit below the existing proposed pit design.

Table 4 - Bowdens Silver Deposit Mineral Resource Comparison March 2023 compared with previous September 2017 Estimates (at a 30 g/t Ag Eq cut-off)

| Category | Tonnes (Mt) | Silver Eq. (g/t) | Silver (g/t) | Zinc (%) | Lead (%) | Gold (g/t) | Million Ounces Silver | Million Ounces Silver Eq. |
|-----------------------|----------------|---------------------|-----------------|-------------|-------------|-------------|-----------------------------|---------------------------------|
| Measured 2017 | 76 | 72 | 45.5 | 0.37 | 0.25 | | 111 | 175 |
| Measured 2023 | 107 | 68.2 | 39.6 | 0.36 | 0.25 | 0.03 | 137 | 235 |
| Indicated 2017 | 29 | 58.8 | 31.4 | 0.38 | 0.25 | | 29 | 55 |
| Indicated 2023 | 50 | 54.7 | 20.4 | 0.38 | 0.26 | 0.09 | 33 | 88 |
| Inferred 2017 | 23 | 59.9 | 30.6 | 0.40 | 0.28 | | 23 | 45 |
| Inferred 2023 | 43 | 53.5 | 14.1 | 0.39 | 0.29 | 0.13 | 19 | 73 |
| Total 2017 | 128 | 66.8 | 39.6 | 0.38 | 0.26 | | 163 | 275 |
| Total 2023 | 200 | 61.7 | 29.4 | 0.37 | 0.26 | 0.07 | 189 | 396 |

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Reported at a 30 g/t silver equivalent cut off, the Bowdens Silver Mineral Resource extends from surface and is trimmed to approximately 320 metres below surface. It is the opinion of the Company that this represents a potential target volume for future open-pit mining.

Much of the increase in Mineral Resource is in the shallower, southern portion of the Deposit and within the basement Coomber Formation below, in addition to areas peripheral to the north and northwest of the currently proposed open-cut pit (to be updated with optimisation studies).

Ore Reserve

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 5. 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 Ore Reserve estimate was based on the Bowdens Silver Project Mineral Resource as of September 2017 (see ASX announcement of 19 September 2017).

With the updated Mineral Resource as of March 2023, the Ore Reserve will be updated during the 2024 Financial Year.

Governance and Quality Control

The Company ensures all resources calculations are undertaken and reviewed by independent, internationally recognised industry consultants.

All drill hole data is stored in-house within a commercially available purpose designed database management system and subjected to industry standard validation procedures. Quality control on resource drill programs have been undertaken to industry standards with implementation of appropriate drilling type, survey data collection, assay standards, sample duplicates and repeat analyses.

REVIEW OF OPERATIONS

Development Approval 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 ('DPE') (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.

In December 2022, the DPE assessed the Project as in the public interest and approvable with conditions and referred it to the Independent Planning Commission ('IPC') for final determination.

In April 2023, the IPC approved the Bowdens Silver Project allowing the Project to proceed to development and production subject to conditions of consent.

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 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.

Silver Mines continues an extensive program of consultation with relevant Government departments, local communities, and other interested stakeholders. Consultation processes focus on the current mine development area and the wider area where the Company is commencing or undertaking exploration programs.

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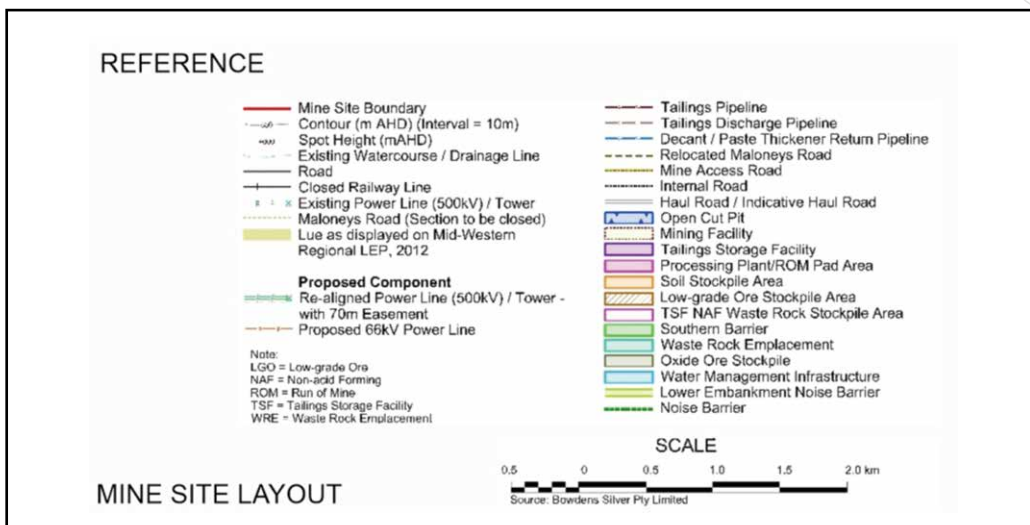
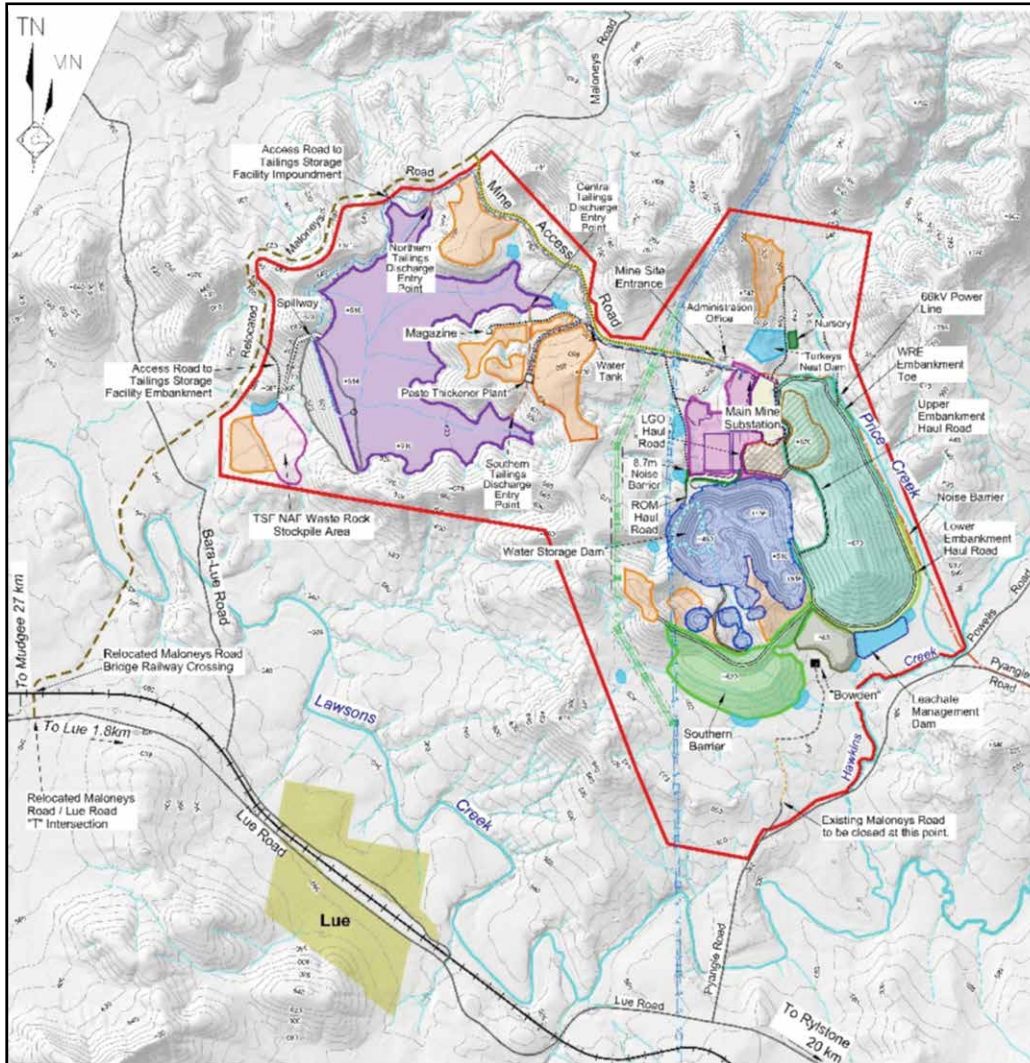


Figure 4: Bowdens Silver Mine Site Layout

REVIEW OF OPERATIONS

Bowdens Silver Exploration

Exploration at the Bowdens Silver Project during the 2023 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. From the beginning of the 2023 Financial Year, exploration shifted to testing extensions of mineralisation outside of the current planned open cut-pit design and testing for higher grades within the open-cut pit design. Multiple areas have been targeted for extensions including in the north at Main, Aegean and Northwest Zones and in and to the south of the planned open-cut pit where anomalous gold has been identified.

For the first time at the Project, the maiden underground Mineral Resource estimate included gold.

Previously, gold had been predominantly identified within the Bundarra Zone which is directly underneath the planned open-cut pit. Gold—along with high grades of silver mineralisation—was also recognised in 2021 at shallow depths in the south and adjoining the Bowdens Silver Deposit. This area became an additional target for gold and silver exploration drilling during 2022 and 2023 and is named the Southern Gold Zone.

During the year, the Company announced ongoing success in its exploration activities that yielded exceptional high-grade silver intercepts (see ASX announcements 14 July 2022, 12 September 2022, 30 January 2023, 29 March 2023 and 15 May 2023). These results followed drilling success during the 2022 Financial Year.

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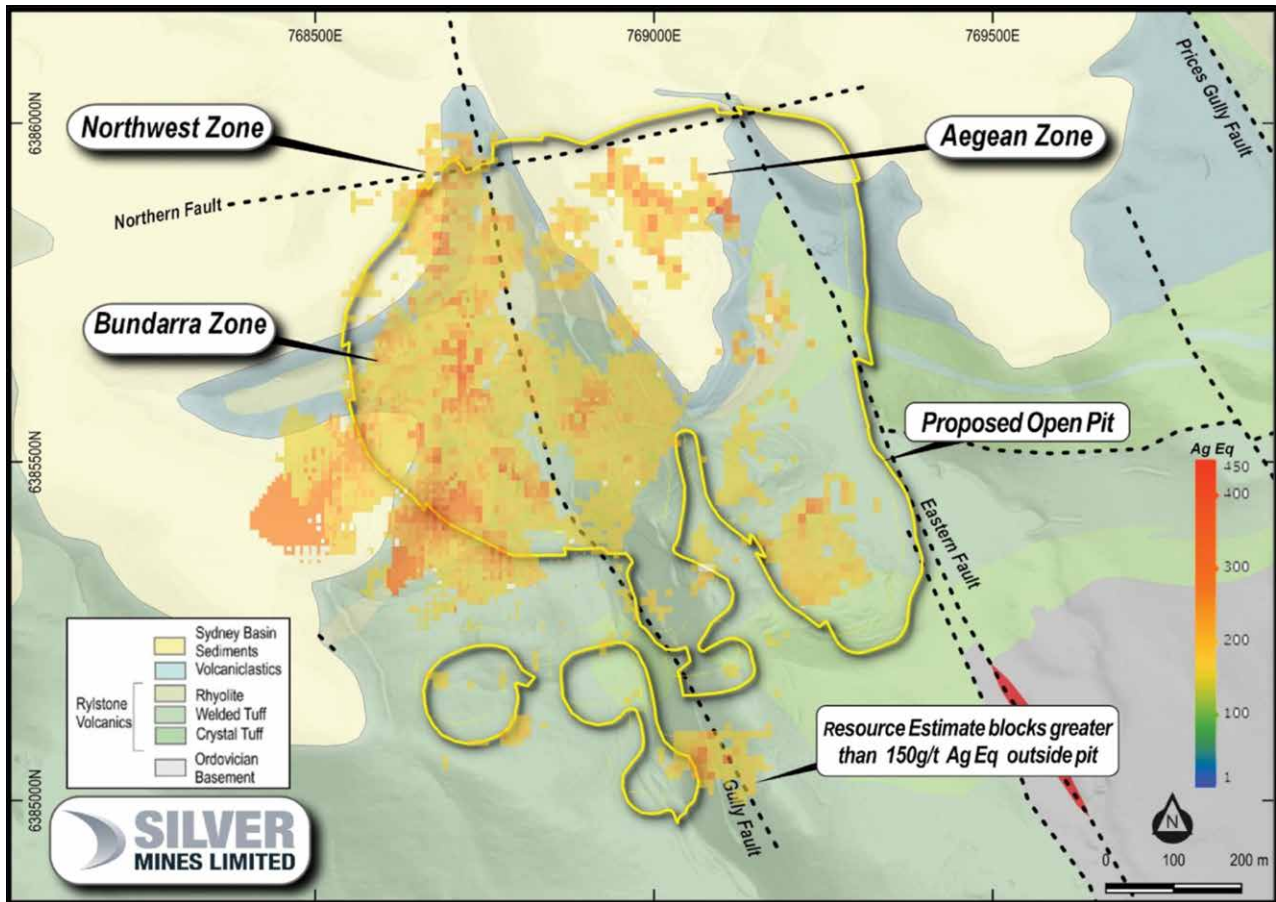


Figure 5. Drilling into high-grade silver targets at the Bowdens Silver Project.

REVIEW OF OPERATIONS

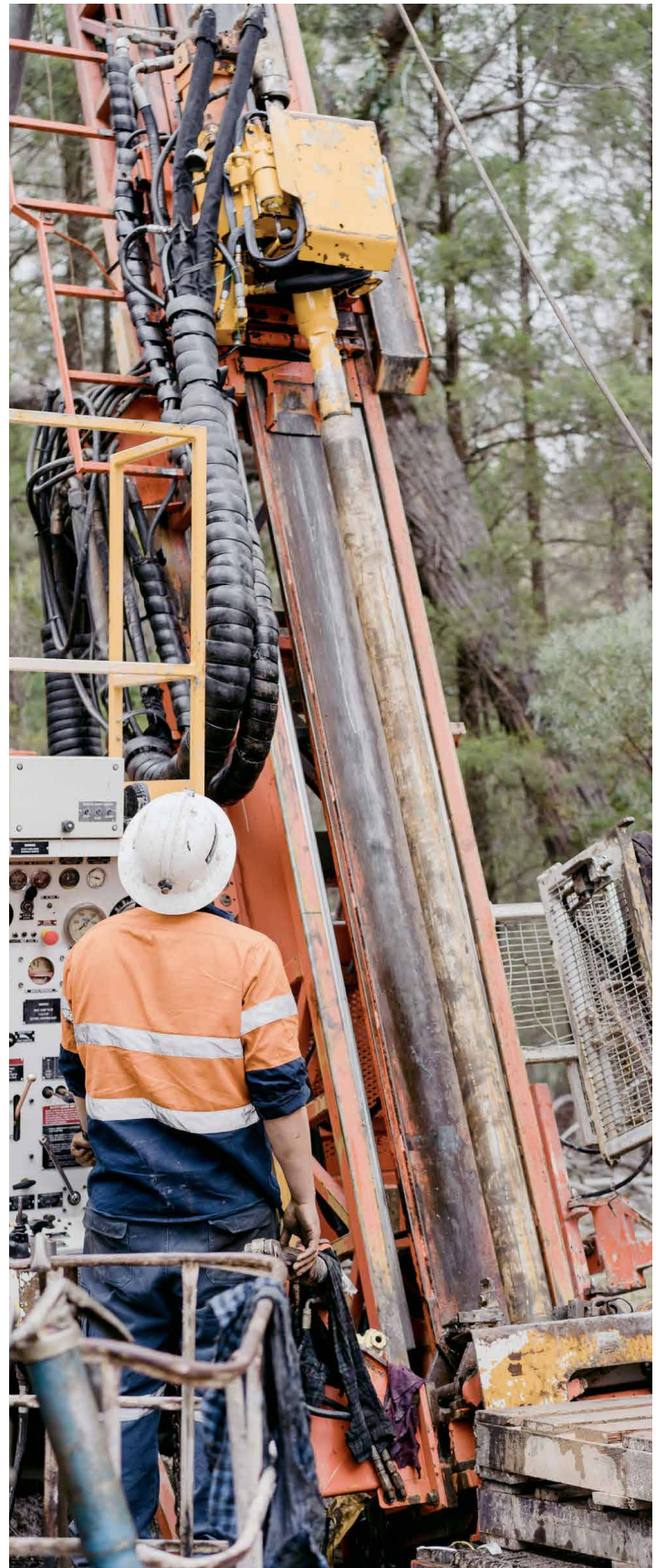
Drilling of mineralised zones is ongoing and is intended to convert higher-grade portions of the Deposit, extend existing resources and discover new deposits near proposed operations.

During the 2023 Financial Year, the Company also completed a 2D seismic reflection surveying program across the Bowdens Silver Deposit and local geological area. The survey consisted of 12.44 line kilometres and was conducted to determine the seismic response of the Bowdens Deposit, identifying potential extensions to the system both down plunge and dip at depth, and to highlight possible “analogue” responses.

The Company is advanced in an optimisation program for the updating of the Bowdens Silver Feasibility Study completed in 2018. The update program is examining all aspects of the development including Ore Reserves, mine design, metallurgy, process design and economic and market considerations. The optimisation program is scheduled for completion in early 2024.

The Company has also been undertaking a Scoping Study for potential underground mining scenarios. The study considers potential underground mining scenarios beneath the planned approved open-pit development. This underground study has been placed on hold given the prioritised Feasibility Study optimisation program.

“During the year, the Company announced ongoing success in its exploration activities that yielded exceptional high-grade silver intercepts.”



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REVIEW OF OPERATIONS

Barabolar Project

During the 2023 Financial Year, the Company completed drilling activities at the Barabolar Project located approximately 26 kilometres east of Mudgee and 10 kilometres northwest of the Company's Bowdens Silver Project.

The Barabolar Project is a high-quality exploration project located within the highly prospective Macquarie Arc that also hosts world-class mineral systems such as the Cadia-Ridgeway porphyry copper-gold deposit. Barabolar consists of an extensive corridor of gold, copper, silver, zinc and lead soil and rock chip anomalies.

The initial diamond program at Barabolar (Mt Laut and Crossroads prospects) was completed with seven holes drilled for 3,341 metres and with fewer than 1,000 assays still

pending. Across the area from Crossroad to Mt Laut, drilling encountered moderately to intensely altered rhyolitic to dacitic composition tuffs and some rhyolite lavas. Alteration consists of initial illite and muscovite which is overprinted by chlorite and carbonate. The primary sulphide mineral observed is pyrite which occurs as an alteration mineral and within veins. Other sulphides observed within frequent veins include sphalerite, chalcocopyrite, galena and pyrrhotite.



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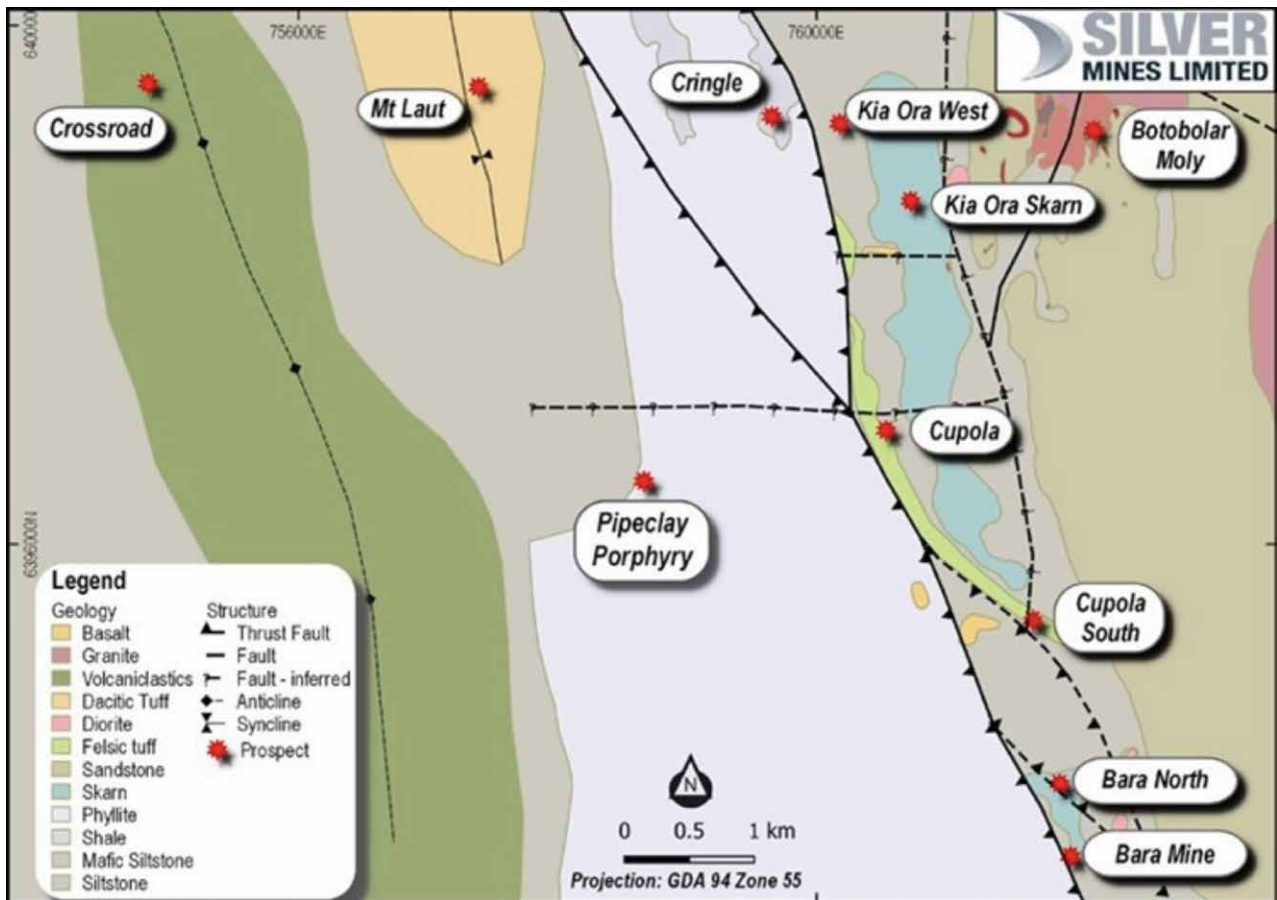


Figure 6. Prospect locations within the Barabolar Project area.

Alteration and mineralisation is indicative of a broad hydrothermal system with exploration to continue to focus on areas of most intense veining and base metal sulphide development.

The Company has new high-priority drill targets from multiple exploration datasets around the Mt Laut pyrophyllite quarry and Crossroad Prospect areas (refer to Figure 6). Immediately within this area are silica-sericite flooded volcaniclastics and volcanics of andesitic to dacitic composition with pyrite and gossanous quartz veins. Major west dipping faults (interpreted from digital elevation models and surface measurements) are likely the fluid pathways to exposed zones such as the pyrophyllite quarry and other prospects further to the east.

The Crossroad target represents a potential intrusive source to alteration and mineralisation as the gravity data has identified numerous “low” responses with the

standout target being coincident with a magnetic high and potassium anomaly (radiometric data). The magnetic high is potentially a result of high temperature potassic alteration (biotiteorthoclase-magnetite) within an intrusion. This represents a priority target for deep drilling.

Machine Learning (ML) algorithms, applied to the Company’s extensive surface sample database and geophysical/remotely sensed datasets, have also identified areas within the Barabolar Project as being outliers geochemically within the Company’s broader tenement holding. These areas are Cringle and Mt Laut through to Crossroad, highlighted in both predictive models and in sampled data. Significantly, when multivariate outlier analysis is performed using alkalic and acidic zone elemental enrichment around porphyry systems as previously defined, the outliers are situated around significant geophysical responses (magnetic high and gravity low).

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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 proprietary 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 represented 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.

During the 2023 Financial Year, the Company submitted an application for vacant exploration ground at Tuena covering the historic Elsinora Prospect. The Elsinora Prospect was held by Alkane Resources (ASX:ALK) until May 2023 and is considered prospective for orogenic-style gold mineralisation and volcanic-hosted gold and base metal mineralisation. EL9588 licence was granted in July 2023.

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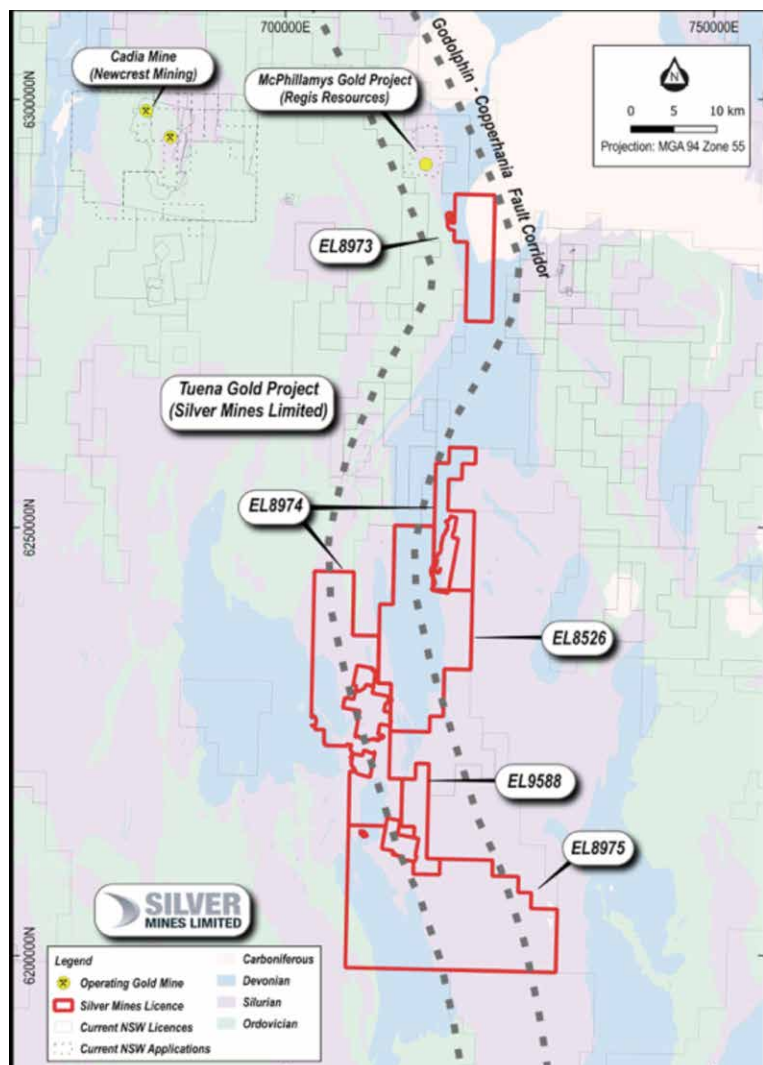


Figure 7: Map showing the Tuena Gold Project.

REVIEW OF OPERATIONS

Research and Development

The Company has continued its commitment to research and development ('R&D') programs to better map and understand the Carboniferous Rylstone Volcanics and basement Palaeozoic (Ordovician and Silurian) rocks of the Company's exploration licences. These include technologies which are now being rolled out to the Company's wider projects to enable better targeting for regional exploration as well as on a local scale within the Bowdens Deposit.

R&D programs over the past few years, have 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 Company has commenced a new R&D project seeking to develop a framework using the technologies developed in the first R&D project. Of particular focus is the transition of predictive geochemistry machine-learning algorithms into 3D. 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 other metallurgical factors.

During the 2023 Financial Year, the Company's R&D work continued work on the new R&D project engaging with several research providers, as well as internal staff, to provide cutting edge technologies and processes that may have a positive impact on future economic development and discovery.

Tenement Information as at 30 June 2023

| 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% |
| ELA6610 ¹ | Bowdens Silver | NSW | application |
| EL 8526 | Tuena | NSW | 100% |
| EL 8973 | Tuena | NSW | 100% |
| EL 8974 | Tuena | NSW | 100% |
| EL 8975 | Tuena | NSW | 100% |
| ELA6619 ² | Tuena | NSW | application |

1. Subsequent to the end of the year granted as EL9580.

2. Subsequent to the end of the year granted as EL9588.

REVIEW OF OPERATIONS

CORPORATE

Placement

On 10 February 2023, the Company announced that it had successfully completed a capital raising of A\$18 million (before costs) ('**Placement**') to institutional, professional and sophisticated investors resulting in the issue of 112,500,000 fully paid ordinary shares at an issue price of \$0.16 per share. Details of the shares issued are as below:

- (a) 112,187,500 shares were issued using the Company's capacity under ASX Listing Rule 7.1; and
- (b) 312,500 shares issued to directors of the Company or their nominees, approval of which was obtained at an extraordinary general meeting of shareholders held on 17 April 2023.

Canaccord Genuity acted as the Sole Lead Manager to the Placement.

After capital raising costs, the funds raised will be used primarily for progression of and pre-development expenses including exploration associated with the Company's flagship Bowdens Silver Project. Funding will also be made available for exploration activities at the Company's other projects and for corporate and general working capital purposes.

Appointment of General Manager

During the reporting period the Company announced the appointment of Mr Joel Ray as General Manager of its wholly owned Bowdens Silver Project.

Mr Ray is a highly experienced metalliferous mine and minerals processing manager with a successful track record in precious and base metals mines in Australia and overseas.

Waiver

On 9 November 2022, shareholders approved at the Annual General Meeting of the Company ('**Approval**') a waiver granted by ASX Listing Compliance on 23 September 2022 ('**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 3rd 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, Industry and Environment pursuant to the Mining Act 1992 (NSW) in connection with the Bowdens Silver Project ('**Mining Lease Milestone**'); or
- an occurrence of a change of control such as a takeover bid pursuant to section 9 of the Corporations Act 2001 (Cth), ('**Takeover Condition**').



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The Company confirms the Deferred Consideration Shares have not been issued in the 2023 Financial Year. The Deferred Consideration Shares may only be issued if either the Mining Lease Milestone is achieved or the Takeover Condition occurs in the period that is 24 months from the date that Approval was obtained.

RESULTS AND DIVIDENDS

The loss of the Group for the Financial Year after providing for income tax amounted to \$4,111,001 compared to a loss of \$13,299,954 for the previous year.

The Group incurred exploration and development expenditure of \$13,704,582 during the year (2022: \$12,471,702). The total net assets of the Group stands at \$125,924,789 (2022: \$112,681,000) of which investment in exploration expenditure accounts for \$82,513,669 (2022: \$68,809,087).

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.

MATERIAL BUSINESS RISKS

This section outlines the key risks and uncertainties that could impact the Company and its ability to achieve its operating and financial objectives.

Development

By its very nature, the development of a mining facility contains significant risks with no guarantee of success. The ultimate economic development of a mineral deposit is dependent on many factors, including the ability to access adequate capital for project development, obtaining regulatory consents and approvals necessary for the conduct of development and production, securing access to equipment, materials and infrastructure, securing access to competent operation management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Further, once established, mining operations can be impacted by a number of factors, including geological and weather conditions causing delays and interference to operations, access to necessary funding, metallurgical issues, mechanical failure of plant and equipment, shortages or increases in price of consumables and plant and equipment, environmental hazards, fires, explosions and other accidents.

Similarly, all production costs, particularly labour, fuel and power, are a key risk and have the potential to adversely affect the Company's profitability. If the Company develops mining operations and these are subject to cost over-runs and/or higher than anticipated operating costs, this would adversely affect the Company's profitability, the value of the Company's projects and in turn, the value of its Shares.

The Company's financial performance will substantially depend on the accuracy of the cost estimates for the proposed development, other current and future expansion, development, and infrastructure plans, working capital requirements, the duration of relevant works program, government approvals, heritage approvals and clearances and personnel and equipment availability. The cost and time forecast estimates are based on assumptions including those in relation to study costs, scope and duration, the approvals process and timeline estimated, and operational issues, which are subject to uncertainty.

Exploration

The mineral tenements of the Company are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Exploration and drilling programs are designed to discover new exploration targets for development, as well as improve confidence in existing targets throughout the development stages of exploration projects to feasibility study level.

Exploration results that include drill results on wide spacings may not be indicative of the occurrence of a mineral deposit. Such results do not provide assurance that further work will establish sufficient grade, continuity, metallurgical characteristics, and economic potential to be classed as a category of mineral resource. The potential quantities and grades of drilling targets are conceptual in nature and, there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the targets being delineated as mineral resources.

REVIEW OF OPERATIONS

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Mineral Resources and Ore Reserve Estimates

The estimation of Mineral Resources and Ore Reserves are expressions of judgement based on knowledge, experience and industry practice. The reported estimates, which were valid when originally estimated, may alter significantly when new information or techniques become available. As new information is obtained through additional drilling and analysis, Mineral Resources and Ore Reserve estimates are likely to change. This may result in alterations to exploration, development and production plans which may, in turn, positively or negatively affect the Company's operations and financial position. In addition, by their very nature, Mineral Resources and Ore Reserves estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Mineral Resource and Ore Reserve estimates may also be impacted by material changes in the silver, zinc, lead and other commodity prices.

Community Relations

A failure to adequately manage community and social expectations within the communities in which the Silver Mines operates may lead to local dissatisfaction which, in turn, could lead to interruptions to production, permitting and exploration operations. The Company has an established stakeholder engagement framework to guide the management of the Group's community relations efforts. The Company has dedicated community relations teams to work closely with the local communities and government.

Regulatory

The Company's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health

and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production, and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that the Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties, or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the Company's tenements.

Native Title and Aboriginal Heritage

In areas where native title exists or may exist, the ability of the Company to acquire a valid mining lease may also be subject to compliance with the 'right to negotiate' process under the Native Title Act. Compliance with this process can cause delays in obtaining the grant of a mining lease and does not ultimately guarantee that a mining lease will be granted. Attaining a negotiated agreement with native title claimants or holders to facilitate the grant of a valid mining lease can add significantly to the costs of any development or mining operation.

The ability of the Company to conduct activities on exploration or mining tenements is subject to compliance with laws protecting Aboriginal heritage. Conducting site surveys to ensure compliance can be expensive and subject to delays. If any Aboriginal sites are located within areas of proposed exploration, mining or other activities, the Company's ability to conduct those activities may be dependent on obtaining further regulatory consents or approvals.

Tenement obligations

Tenements in New South Wales are governed by the Mining Act 1992 (NSW). Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Failure to meet these expenditure, work and reporting commitments may render the tenements subject to forfeiture or result in the tenement holders being liable for penalties or fees. Further, if any contractual obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of Silver Mines' interest in the projects.

REVIEW OF OPERATIONS

Climate Change and risks

There are a number of climate-related factors that may affect the Company's operations and proposed activities, including:

- the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While Silver Mines will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences; and
- climate change may cause certain physical and environmental risks that cannot be predicted, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.

Establishment of strong relationships with the community and other stakeholders is fundamental to the long term success of the business. Although the Company endeavours to conduct its business in a manner which respects those communities and ensures mutually beneficial outcomes, its activities may have or be perceived to have an adverse impact on local communities, cultural heritage, the environment, or other matters which may result in community concern, adverse publicity, activism, litigation or other adverse actions taken by community, environmental or other action groups. Failure to maintain and build strong relationships and such adverse actions could affect the Company's social licence to operate, its reputation and lead to delays and increase costs which may adversely impact on operations, financial position and/or performance and the market price of Silver Mines' shares.

Land access and third party interests

The Company may be required to obtain the consent from the holders of third-party interests which overlay areas within its tenements, prior to accessing or commencing any exploration or mining activities on the affected areas. No assurance can be given that necessary access will be obtained when required or on acceptable terms.

Work Health and Safety risk and environmental liabilities

The Company's activities are subject to potential risks and liabilities associated with the potential pollution of the

environment and the necessary disposal of mining waste products resulting from mineral exploration and mining. Insurance against environmental risk (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration) is not generally available to Silver Mines (or to other companies in the minerals industry) at a reasonable price. To the extent that the Company becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available and could have a material adverse effect on the Company. Laws and regulations intended to ensure the protection of the environment are constantly changing and are generally becoming more restrictive.

The mining industry has become subject to increasing occupational health and safety responsibility and liability. The potential for liability is a constant risk. If the Company fails to comply with necessary WH&S legislative requirements, it could result in fines, penalties and compensation for damages as well as reputational damage. Safety legislation may also change in a manner that may include requirements, in addition to those now in effect, and a heightened degree of responsibility for companies and their directors and employees.

Commodity and currency price risk

It is anticipated that any future revenues derived from mining will primarily be derived from the sale of silver and other metals. Consequently, any future earnings are likely to be closely related to the price of silver and other mined commodities.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for metals, forward selling by producers and production cost levels in major metal-producing regions.

Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development, and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency. As a result, the Company is exposed to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets, which could have a material effect on the Company's operations, financial position (including revenue and profitability) and performance. The Company may undertake measures, where deemed necessary by the Board, to mitigate such risks.

REVIEW OF OPERATIONS

Economic risks

The operating and financial performance of the Company will be influenced by a variety of general economic and business conditions, including levels of consumer spending, commodity prices inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. More generally, changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities, war, pandemics or natural disasters. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on the Company's operating and financial performance and financial position.

Cyber risks

As with all organisations, the Company is reliant on information technology for the effective operation of its business. Any failure, unauthorised or erroneous use of the Company's information and/or information systems may result in financial loss, disruption or damage to its reputation.

Litigation risk

The Company is exposed to possible litigation risks including, without limitation, intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance, and financial position.

Insurance risks

Insurance against all risks associated with the Company's business is not always available or affordable. The Company maintains insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

RISK MANAGEMENT

The Group manages the risks listed above, and other day to day risks through an established risk management framework. The Group's risk reporting and control mechanisms are designed to ensure strategic, safety, environment, operational, legal, financial, tax, reputational and other risks are identified, assessed, and appropriately managed.

The financial reporting and control mechanisms are reviewed during the year by management, the Board, the internal audit function and the external auditor.

Senior management and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

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.

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.

The Company's Mineral Resources Statement has been compiled in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition), Chapter 5 of the ASX Listing Rules and ASX Guidance Note 31.

The Mineral Resources Statement is based on, and fairly represents, information and supporting documentation prepared by the respective competent person named above.

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.

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DIRECTORS' REPORT

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 |

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

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.

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DIRECTORS' REPORT

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 | 4 |
| K Podagiel | 5 | 5 |



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DIRECTORS' REPORT

REMUNERATION REPORT (Audited)

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 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's 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 a general meeting of shareholders (currently \$500,000). 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 incentive plans.

Performance based remuneration

The Group currently has no performance-based remuneration component built into the Managing Director's executive remuneration package, however, during the 2023 Financial Year the Board approved a cash bonus of \$300,000 to be provided to the Managing Director, for recognising his contribution including in achieving IPC approval for the Bowdens Silver Project. The Managing Director has not received any Long Term Incentive or Short Term Incentive bonuses since his commencement as Managing Director, other than the bonus summarised above.

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.

DIRECTORS' REPORT

Key Service Agreements

Mr Keith Perrett The service agreement with Lehavo Pty Ltd provides non-executive chairman services to the Group for non-executive chairman's fees of \$100,000 per annum (increased to \$120,000 per annum from 1 July 2023). Mr Perrett provides services to the Group on behalf of Lehavo 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 \$75,000 per annum (increased to \$95,000 per annum from 1 July 2023). 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 \$75,000 per annum (increased to \$95,000 per annum from 1 July 2023). 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, which was increased to \$12,000 per month from 1 June 2023. Mr Franklin acts as Company Secretary to the Group on behalf of Enrizen Accounting Pty Ltd.

Voting and comments made at the Group's 2022 Annual General Meeting (AGM).

At the 2022 AGM, 97.20% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. 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 | |
| 2023 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Non-Executive Directors: | | | | | | | | |
| K.Perrett (Chairman) | 100,000 | - | - | - | - | - | - | 100,000 |
| J Battershill | 75,000 | - | - | - | - | - | - | 75,000 |
| K Podagiel | 75,000 | - | - | - | - | - | - | 75,000 |
| Executive Directors: | | | | | | | | |
| A McClure | 409,092 | 300,000 | - | 42,955 | - | - | - | 752,046 |
| Other Key Management Personnel: | | | | | | | | |
| T Franklin ¹ | 124,070 | - | - | - | - | - | 29,388 | 153,458 |
| | 783,162 | 300,000 | - | 42,955 | - | - | 29,388 | 1,155,505 |

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.

DIRECTORS' REPORT

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| | 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.

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 | 13/12/2017 | 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.

DIRECTORS' REPORT

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.

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 2022 | Net change | | | Balance 30 June 2023 |
|-----------------------------|-------------------------|--|---|------------------|-------------------------|
| | | Granted during the year as compensation | Received during the year on the exercise of an option | Other changes | |
| Directors | | | | | |
| A McClure | 49,078,128 | - | - | - | 49,078,128 |
| K Perrett | 4,568,410 | - | - | 62,024 | 4,630,434 |
| K Podagiel | - | - | - | 312,500 | 312,500 |
| J Battershill | 1,687,500 | - | - | - | 1,687,500 |
| Specified executives | | | | | |
| T Franklin | 3,051,819 | - | - | 539,606 | 3,591,425 |

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DIRECTORS' REPORT

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:

Option holding

| Options | Net change | | | | Balance 30 June 2023 | 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 2022 | Granted during the year as compen- sation | Exercise during the year | Other changes | | | | |
| Directors | | | | | | | | |
| A McClure | - | - | - | - | - | - | - | - |
| K Podagiel | - | - | - | - | - | - | - | - |
| K Perrett | - | - | - | - | - | - | - | - |
| J Battershill | 5,000,000 | - | - | - | 5,000,000 | - | - | - |
| Specified executives | | | | | | | | |
| T Franklin | 750,000 | - | - | - | 750,000 | 750,000 | 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 \$52,975 (2022:Nil) in relation to corporate advisory, capital raising and underwriting services; Enrizen Pty Ltd received \$5,857 (2022: \$4,850) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$89,430 (2022: \$94,570) in relation to legal services; Enrizen Accounting Pty Ltd received \$124,070 (2022:\$ 125,800) in relation to accounting services, and the Company invested a further \$1,300,000 and redeemed \$1,000,000 in Redeemable Preference Shares in Enable Investments Pty Ltd with the invested balance receiving a 3-4% p.a. rate of return. During the period, the Company earned distribution income of \$165,992 (2022: \$121,394) which was reinvested.

Further to these transactions the Company also employed a family member of a key management person with a total remuneration package of \$145,659 (2022: \$145,000).

This concludes the remuneration report, which has been audited.

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DIRECTORS' 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.

Additionally, During the 2023 Financial Year, Silver Mines signed to the Digbee ESG Platform ('Digbee'), an industry leading environmental, social and governance ('ESG') disclosure framework to report Silver Mines' ESG performance across all operational and corporate activities. Digbee offers standardised disclosure for mining companies at all stages of maturity. Their independent, third-party assessments of ESG performance enables benchmarking against peers and other mining companies which produces scores ranging from A (maximum) to CCC (minimum). Silver Mines' approach to ESG shapes its values and underpins its operating philosophy. Silver Mines is committed to the highest level of integrity and ethical standards in all its business practices.

Subsequent to the 2023 Financial Year, Silver Mines will report its maiden ESG report from Digbee which it expects to receive in 2024.

Proceedings on behalf of the Group

During the 2023 Financial Year, the Company announced that a local environmental group commenced judicial review proceedings in the Land and Environment Court of New South Wales against the IPC and Bowdens Silver Pty Ltd challenging the development consent for the Project.

The Company notes the following:

- A thorough assessment process was undertaken involving 14 NSW Government departments and agencies, including the DPE, rigorous independent peer reviews along with extensive consultation with the community and key stakeholders.
- The Project was approved by the IPC.
- These proceedings do not challenge any of the environmental impacts or other impacts of the operations associated with the Project. The proceedings are judicial review proceedings and only challenge whether the IPC adequately considered matters relating to the location and construction of a powerline which may be required to power the mine site.
- Given the Project is a State Significant Development in New South Wales and as the IPC approved the Project following a public hearing process as part of its assessment of the Project, third parties have limited rights of appeal in relation to the development consent.

The Company is currently working with its legal advisers assessing and responding to these proceedings, and is in the process of defending these proceedings.

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.

DIRECTORS' REPORT

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 |
| 01 March 2023 | 01 March 2026 | \$0.30 | 2,500,000 |
| 01 March 2023 | 01 March 2028 | \$0.50 | 2,500,000 |
| Total | | | 19,000,000 |

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.

Shares issued on the exercise of options

There were no ordinary shares of Silver Mines Limited issued during the year ended 30 June 2023 on the exercise of options.

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.

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DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

Native Title Agreement

Subsequent to the 2023 Financial Year, on 4 September 2023, the Company announced its wholly owned subsidiary, Bowdens Silver Pty Ltd, had completed a native title agreement with the Warrabinga-Wiradjuri #7 native title claim, in regards to a parcel of Crown land within the area of Mining Lease Application 601 ("MLA 601") being the Bowden Silver Project. The native title agreement was signed in June 2023 and the capital commitment has been disclosed in the financial statements for the year ended 30 June 2023.

In addition, the related Section 31 Deed has subsequently been executed by the Minister for Natural Resources on behalf of the State of New South Wales on 30 August 2023.

This now completes the "Right to Negotiate" process in accordance with Section 31 of the Native Title Act 1993 (Cth). The completion of this process enables the continued processing of MLA 601 covering the Bowdens Silver Project.

Redemption of Redeemable Preference Shares

In August 2023, the Company fully redeemed all redeemable preference shares in Enable Investments Pty Ltd of \$5,349,356.

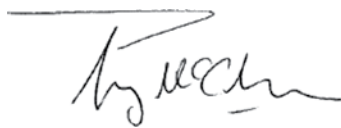
No other matter or circumstance has arisen since the reporting date that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

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



Keith Perrett
Chairman

29 September 2023



Anthony McClure
Managing Director

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29 September 2023

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 Directors of Silver Mines Limited.

As lead audit partner for the audit of the financial report of Silver Mines Limited for the financial year ended 30 June 2023, 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

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.

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

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

| | Notes | 2023 \$ | 2022 \$ |
|---|-------|--------------------|---------------------|
| Revenue | 3 | 172,214 | 170,479 |
| Cost of sales | | (163,098) | (89,599) |
| Gross profit from continuing operations | | 9,116 | 80,880 |
| Other income | 3 | 95,890 | 83,898 |
| Fair value measurement of livestock | | (295,499) | 26,550 |
| Fair value movement of financial assets at fair value through profit and loss | | (705,860) | (9,850,201) |
| Net loss on derecognition of financial assets at fair value through profit and loss | | - | (614,481) |
| Share registry and exchange fees | | (245,300) | (179,750) |
| Auditors remuneration | | (53,726) | (72,599) |
| Marketing expenses | | (149,654) | (147,594) |
| Office expenses | | (49,483) | (31,608) |
| IT and communication expenses | | (23,114) | (15,332) |
| Depreciation expenses | | (277,903) | (253,932) |
| Accounting services fees | | (115,000) | (125,800) |
| Professional and technical advisors expenses | | (675,261) | (491,801) |
| Exploration expenditure written off | | - | (202,839) |
| Employee benefits expenses | | (906,694) | (846,610) |
| Travel and accommodation expenses | | (31,836) | (9,585) |
| Share based payment | | (434,791) | (387,117) |
| Farm operations | | (137,161) | (86,317) |
| Other expenses | | (269,816) | (237,896) |
| Loss from continuing operations before interest and income tax | | (4,266,092) | (13,362,134) |
| Interest income | | 249,232 | 165,905 |
| Finance costs | | (94,141) | (103,725) |
| Loss from continuing operations before income tax | | (4,111,001) | (13,299,954) |
| Income tax | 4 | - | - |
| Loss from continuing operations after income tax | | (4,111,001) | (13,299,954) |
| Other comprehensive income | | - | - |
| Total comprehensive loss (attributable to owners of the company) | | (4,111,001) | (13,299,954) |
| Earnings per share (cents per share) | | | |
| Basic earnings per share | 21 | (0.30) | (1.04) |
| Diluted earnings per share | 21 | (0.30) | (1.04) |

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 2023

| | Notes | 2023 \$ | 2022 \$ |
|---|-------|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalent | 5 | 8,051,445 | 16,890,242 |
| Trade and other receivables | 6 | 442,115 | 535,708 |
| Inventory - livestock | 7 | 333,831 | 563,360 |
| Financial assets | 8 | 5,592,011 | 5,831,879 |
| Other assets | | 1,705 | 4,815 |
| Total current assets | | 14,421,107 | 23,826,004 |
| Non-current assets | | | |
| Prepayment | | - | 369,691 |
| Financial assets | 8 | 381,867 | 363,867 |
| Deferred exploration and development expenditures | 9 | 82,513,669 | 68,809,087 |
| Intangible assets | 10 | 415,663 | 1,183,947 |
| Land and buildings | 11 | 29,549,339 | 19,460,574 |
| Property, plant and equipment | 12 | 3,475,998 | 3,520,225 |
| Total non-current assets | | 116,336,536 | 93,707,391 |
| Total assets | | 130,757,643 | 117,533,395 |
| Current liabilities | | | |
| Trade and other payables | 13 | 827,081 | 976,582 |
| Employee benefits provisions | 14 | 431,656 | 389,851 |
| Total current liabilities | | 1,258,737 | 1,366,433 |
| Non-Current liabilities | | | |
| Lease liability | 15 | 3,574,117 | 3,485,962 |
| Total non-current liabilities | | 3,574,117 | 3,485,962 |
| Total liabilities | | 4,832,854 | 4,852,395 |
| Net assets | | 125,924,789 | 112,681,000 |
| Equity | | | |
| Contributed equity | 16 | 165,667,656 | 148,747,656 |
| Reserves | 16 | 2,821,907 | 2,387,117 |
| Accumulated losses | | (42,564,774) | (38,453,773) |
| Total Equity | | 125,924,789 | 112,681,000 |

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

| | Ordinary Shares \$ | Share capital reserve \$ | Share based payment reserve | Accumulated losses \$ | Total \$ |
|--|--------------------------|-----------------------------------|-----------------------------------|-----------------------------|--------------------|
| 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) | - | - |
| Costs of funds raised | - | - | - | - | - |
| Total transactions with owners, in their capacity as owners | 6,270,454 | - | (30,953) | - | 6,239,501 |
| Comprehensive income for period | | | | | |
| 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 |
| Balance at 1 July 2022 | 148,747,656 | 2,000,000 | 387,117 | (38,453,773) | 112,681,000 |
| Transactions with owners, in their capacity as owners | | | | | |
| Equity funds received, issue of shares | 18,000,000 | - | 434,790 | - | 18,434,790 |
| Cost of funds raised | (1,080,000) | - | - | - | (1,080,000) |
| Total transactions with owners, in their capacity as owners | 16,920,000 | - | 434,790 | - | 17,354,790 |
| Comprehensive income for period | | | | | |
| Loss attributable to owners of the company | - | - | - | (4,111,001) | (4,111,001) |
| Total comprehensive income for the period | - | - | - | (4,111,001) | (4,111,001) |
| Balance at 30 June 2023 | 165,667,656 | 2,000,000 | 821,907 | (42,564,774) | 125,924,789 |

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

| | Notes | 2023 \$ | 2022 \$ |
|--|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 267,194 | 253,480 |
| Payments to suppliers & employees | | (2,475,469) | (2,381,088) |
| Payments to farm operational expenses | | (366,228) | - |
| Interest received | | 83,241 | 165,905 |
| Finance costs | | - | (11) |
| Net cash outflows from operating activities | 19 | (2,491,262) | (1,961,714) |
| Cash flows from investing activities | | | |
| Payments for deferred exploration | | (13,783,977) | (12,726,318) |
| Payments to acquire financial assets | | - | (80,000) |
| Grant received | | - | 1,822,983 |
| Payment to acquire intangible assets | | (290,455) | (330,000) |
| Payment for property, plant and equipment | | (8,894,012) | (2,355,083) |
| Investment on preference shares | | (1,300,000) | - |
| Redemption of preference shares investment | | 1,000,000 | - |
| Proceeds from sale of financial assets | | - | 501,519 |
| Proceeds from sale of property, plant and equipment | | 909 | 14,545 |
| Net cash outflows from investing activities | | (23,267,535) | (13,152,354) |
| Cash flows from financing activities | | | |
| Proceeds from issues of shares | | 18,000,000 | - |
| Option conversion | | - | 5,444,837 |
| Payments for capital raising costs | | (1,080,000) | - |
| Net cash inflows from financing activities | | 16,920,000 | 5,444,837 |
| Net (decrease)/increase in cash and cash equivalent | | (8,838,797) | (9,669,231) |
| Reclassification | 5 | - | (4,861,487) |
| Cash and cash equivalent at the beginning of the financial year | | 16,890,242 | 31,420,960 |
| Cash and cash equivalent at the end of the financial year | 5 | 8,051,445 | 16,890,242 |

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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 2023 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. 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.

e. 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.

f. 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 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (cont.)

g. 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.

In respect of impairment indicators, a high degree of management judgement is required. This judgment includes the Group's plan and ability to renew the tenements and continue the exploration activities, the Group's capacity to fund the exploration activities and the assessment on the impact of factors such as changes in the industry, geography of project, committed expenditure and tenement expiry date.

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 2023

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 2023 | Mining and Exploration Operations \$ | Agricultural Operations \$ | Total \$ |
|---|---|----------------------------------|--------------------|
| Revenue | - | 172,214 | 172,214 |
| Rental income | - | 94,981 | 94,981 |
| Total segment revenue and other income | - | 267,195 | 267,195 |
| Inter-segment elimination | | | - |
| Total group revenue and other income | | | 267,195 |
| EBITDA | (3,648,314) | (339,875) | (3,988,189) |
| <i>Unallocated expense</i> | | | |
| Depreciation | | | (277,903) |
| Interest income | | | 249,232 |
| Finance costs | | | (94,141) |
| Loss before income tax expense | | | (4,111,001) |
| Income tax expense | | | - |
| Loss after income tax expense | | | (4,111,001) |
| Material items include: | | | |
| Fair value movement of financial assets at fair value through profit and loss | (705,860) | - | (705,860) |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: OPERATING SEGMENTS (cont.)

| For the year ended 30 June 2022 | Mining and Exploration Operations \$ | Agricultural Operations \$ | Total \$ |
|---|---|----------------------------------|---------------------|
| Revenue | - | 170,479 | 170,479 |
| Government grants | - | 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) |
| Loss before income tax | | | (13,299,954) |
| Income tax expense | | | - |
| Loss before income tax expense | | | (13,299,954) |

(b) Segment assets

| As at 30 June 2023 | Mining and Exploration Operations \$ | Agricultural Operations \$ | Total \$ |
|--------------------------------|---|----------------------------------|--------------------|
| Segment assets | 90,789,225 | 1,316,458 | 92,105,683 |
| Inter-segment eliminations | | | (8,666,235) |
| | | | 83,439,448 |
| <i>Unallocated assets</i> | | | |
| Cash and cash equivalent | | | 8,051,445 |
| Receivables | | | 442,115 |
| Other assets | | | 1,705 |
| Financial assets | | | 5,709,346 |
| Right of use assets | | | 2,884,050 |
| Intangible assets | | | 415,663 |
| Investment in listed shares | | | 263,500 |
| Investment in unlisted options | | | 1,032 |
| Land and buildings | | | 29,549,339 |
| Total assets | | | 130,757,643 |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: OPERATING SEGMENTS (cont.)

| 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 |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: OPERATING SEGMENTS (cont.)

(c) Segment liabilities

| As at 30 June 2023 | Mining and Exploration Operations \$ | Agricultural Operations \$ | Total \$ |
|--------------------------------|---|----------------------------------|------------------|
| Segment liabilities | 1,730,438 | 7,762,878 | 9,493,316 |
| Inter-segment eliminations | | | (8,666,235) |
| | | | 827,081 |
| <i>Unallocated liabilities</i> | | | |
| Employee benefits provisions | | | 431,656 |
| Lease liability | | | 3,574,117 |
| Total liabilities | | | 4,832,854 |

| For the year ended 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 |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3: REVENUE AND OTHER INCOME

| | 2023 \$ | 2022 \$ |
|--|----------------|----------------|
| Revenue | | |
| Sales of Livestock | 76,623 | 66,607 |
| Sales of Wool | 94,241 | 103,872 |
| Others | 1,350 | - |
| | 172,214 | 170,479 |
| Other Income | | |
| Gain on sales of property, plant and equipment | 909 | 897 |
| Rental income | 94,981 | 83,001 |
| | 95,890 | 83,898 |

Revenue Recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer.

For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4: INCOME TAX

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

| | 2023 \$ | 2022 \$ |
|--|-------------|--------------|
| Operating loss before income tax | (4,111,001) | (13,299,954) |
| Prima facie income tax expenses at 25% (2022: 25%) on operating loss | (1,027,750) | (3,324,989) |
| Add tax effect of: | | |
| Tax losses and temporary differences not recognised | 1,027,750 | 3,324,989 |
| Income tax attributable to operating (loss)/profit | - | - |
| 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4: INCOME TAX (cont.)

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.

| | 2023 \$ | 2022 \$ |
|--|--------------|-------------|
| (b) Deferred tax assets and (liabilities) are attributable to the following: | | |
| Exploration expenditure | (12,648,224) | (9,222,063) |
| Tax losses | 12,648,224 | 9,222,063 |
| | - | - |
| (c) Tax losses | | |
| Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for temporary differences (net) | 42,400,902 | 43,291,549 |
| Potential tax benefit at 25% (2022: 25%) | 10,600,226 | 10,822,887 |
| Potential effect on future tax expense | 10,600,226 | 10,822,887 |

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.

NOTE 5: CASH AND CASH EQUIVALENTS

| | 2023 \$ | 2022 \$ |
|--------------------------|------------|------------|
| Current | | |
| Cash and cash equivalent | 8,051,445 | 16,890,242 |

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 \$5,327,479, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 6: TRADE AND OTHER RECEIVABLES

| | 2023 \$ | 2022 \$ |
|-------------------|------------|------------|
| Current | | |
| GST | 215,619 | 289,458 |
| Prepayment | 157,979 | 145,418 |
| Other receivables | 68,517 | 100,832 |
| | 442,115 | 535,708 |

NOTE 7: INVENTORY - LIVESTOCK

| | 2023 \$ | 2022 \$ |
|----------------|------------|------------|
| Current | | |
| Livestock | 333,831 | 563,360 |

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.

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).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 8: FINANCIAL ASSETS

| | 2023 \$ | 2022 \$ |
|--|------------|------------|
| Current | | |
| Financial assets at fair value through profit or loss | | |
| Investment in Listed Shares | 263,500 | 954,800 |
| Investment in Unlisted Options | 1,032 | 15,592 |
| Financial assets measured at amortised cost | | |
| Redeemable preference shares (Note 17(b)) | 5,327,479 | 4,861,487 |
| Total | 5,592,011 | 5,831,879 |
| Non-current | | |
| Performance guarantee bonds | 381,867 | 363,867 |
| Total | 381,867 | 363,867 |

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 instruments credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

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 \$165,992 (2022: \$121,394).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 9: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

| | 2023 \$ | 2022 \$ |
|---|------------|-------------|
| Non-current | | |
| Exploration expenditures | | |
| Costs carried forward in respect of areas of interest in: | | |
| Exploration and evaluation phase | | |
| Opening balance | 68,809,087 | 58,363,389 |
| Government grants | - | (1,822,983) |
| Written off of tenements | - | (202,839) |
| Expenditure in the year | 13,704,582 | 12,471,520 |
| Closing balance | 82,513,669 | 68,809,087 |

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.

During the financial year, the Company announced that a local environmental group commenced judicial review proceedings in the Land and Environment Court of New South Wales against the IPC and Bowdens Silver Pty Ltd challenging the development consent for the Project. The Company is currently working with its legal advisers, and is in the process of defending these proceedings.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 10: INTANGIBLE ASSETS

| | 2023 \$ | 2022 \$ |
|--------------------|-------------|------------|
| Non-current | | |
| Opening balance | 1,183,947 | 853,947 |
| Additions | 290,455 | 330,000 |
| Utilisation | (1,058,739) | - |
| Closing balance | 415,663 | 1,183,947 |

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 \$290,455 (2022: \$330,000) during the year.

NOTE 11: LAND AND BUILDINGS

| | 2023 \$ | 2022 \$ |
|--------------------------|------------|------------|
| Non-current | | |
| Properties at cost | 30,371,164 | 20,245,420 |
| Accumulated Depreciation | (821,825) | (784,846) |
| | 29,549,339 | 19,460,574 |

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 2021 | 16,973,250 | 596,336 | 12,606 | 17,582,192 |
| Additions | 1,398,064 | 486,982 | 18,937 | 1,903,983 |
| Depreciation expense | - | (18,012) | (7,590) | (25,601) |
| Balance at 30 June 2022 | 18,371,314 | 1,065,307 | 23,953 | 19,460,574 |
| Additions | 10,096,902 | - | 28,842 | 10,125,744 |
| Depreciation expense | - | (29,152) | (7,827) | (36,979) |
| Balance at 30 June 2023 | 28,468,216 | 1,036,155 | 44,968 | 29,549,339 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 11: LAND AND BUILDINGS (cont.)

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

| | 2023 \$ | 2022 \$ |
|--------------------------------|-------------|------------|
| Plant and equipment - at cost | 4,607,456 | 4,410,758 |
| Less: accumulated depreciation | (1,131,458) | (890,533) |
| | 3,475,998 | 3,520,225 |

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 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) |
| Disposal | - | - | (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 |
| Additions | - | 24,115 | 143,208 | 22,982 | - | 6,392 | 196,697 |
| Depreciation expense | (27,083) | (4,451) | (62,794) | (11,083) | (132,093) | (3,420) | (240,924) |
| Balance at 30 June 2023 | 86,862 | 19,664 | 405,399 | 73,455 | 2,884,050 | 6,568 | 3,475,998 |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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. As at 30 June 2023, management reassessed that the commencement of work will start in January 2025 and that there is no material change to the right of use assets and lease liabilities as at 30 June 2023.

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.

NOTE 13: TRADE AND OTHER PAYABLES

| | 2023 \$ | 2022 \$ |
|------------------------------|------------|------------|
| Current | | |
| Trade creditors and accruals | 827,081 | 976,582 |

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: EMPLOYEE BENEFITS PROVISIONS

| | 2023 \$ | 2022 \$ |
|------------------------------|------------|------------|
| Current | | |
| Employee benefits provisions | 431,656 | 389,851 |

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.

NOTE 15: LEASE LIABILITY

| | 2023 \$ | 2022 \$ |
|--------------------|------------|------------|
| Current | | |
| Lease liabilities | - | - |
| Non-current | | |
| Lease liabilities | 3,574,117 | 3,485,962 |
| | 3,574,117 | 3,485,962 |
| Total | 3,574,117 | 3,485,962 |

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 2023.

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

| | 2023 \$ | 2022 \$ |
|-----------------------|----------------|----------------|
| Interest expenses | 88,155 | 96,954 |
| Depreciation expenses | 132,094 | 132,094 |
| | 220,249 | 229,048 |

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 | - | 14,491 | 540,167 | 4,103,370 | 4,658,028 | 3,574,117 |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: CAPITAL AND RESERVES

(a) Movements in ordinary share capital

| Date | Details | Number of shares | Issue price | \$ |
|------------------|--|----------------------|-------------|--------------------|
| 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 |
| Feb-23 | Capital raising | 112,500,000 | 0.160 | 18,000,000 |
| Feb-23 | Capital raising fee | - | - | (1,080,000) |
| 30-Jun-23 | | 1,404,332,143 | | 165,667,656 |

(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 2023 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 |
| Unlisted options | 2,500,000 | \$0.30 | 1-Mar-2026 |
| Unlisted options | 2,500,000 | \$0.50 | 1-Mar-2028 |
| Total | 19,000,000 | | |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: CAPITAL AND RESERVES (cont.)

| | 2023 Number | 2022 Number |
|--|-------------------|-------------------|
| Movements in options | | |
| Balance at the beginning of the financial year | 14,000,000 | 103,077,361 |
| Options lapsed | - | (2,937,624) |
| Options exercised | - | (95,139,737) |
| Options issued | 5,000,000 | 9,000,000 |
| Balance at the end of the financial year | 19,000,000 | 14,000,000 |

2023

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Lapsed | Balance at the end of the year |
|---------------------------------|---|----------------|----------------------------------|------------------|-----------|--------|--------------------------------|
| 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 |
| 01-Mar-23 | 01-Mar-26 | \$0.30 | - | 2,500,000 | - | - | 2,500,000 |
| 01-Mar-23 | 01-Mar-28 | \$0.50 | - | 2,500,000 | - | - | 2,500,000 |
| | | | 14,000,000 | 5,000,000 | - | - | 19,000,000 |
| Weighted average exercise price | | | 0.264 | 0.400 | - | - | 0.300 |

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 | 01-Aug-21 | \$0.10 | 3,600,000 | - | (3,600,000) | - | - |
| 19-Mar-19 | 01-Aug-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 |

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 \$0.19 (2022: \$0.21).

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 2.67 years (2022: 3.48 years).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: CAPITAL AND RESERVES (cont.)

(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.

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 23 September 2022 and approved by shareholders of Silver Mines at the Annual General Meeting of the Company on 9 November 2022. The Remaining Deferred Consideration is valued at \$2,000,000.

| | 2023 \$ | 2022 \$ |
|--|------------------|------------------|
| Movements in reserves | | |
| Balance at the beginning of the financial year | 2,387,117 | 2,418,070 |
| Share based payment reserve movement | 434,790 | (30,953) |
| Balance at the end of the financial year | 2,821,907 | 2,387,117 |

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 2023, 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 |
|------------|-------------|-------------------|---------------------------|----------------|---------------------|-------------------------|--------------------------|
| 1/03/2023 | 1/03/2026 | 2,500,000 | \$0.18 | 0.30 | 125.55% | 3.81% | \$0.112 |
| 1/03/2023 | 1/03/2028 | 2,500,000 | \$0.18 | 0.50 | 179.63% | 3.78% | \$0.165 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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:

| | 2023 \$ | 2022 \$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 1,083,162 | 689,892 |
| Post-employment benefits | 42,955 | 40,909 |
| Share based payment | 29,388 | 32,260 |
| | 1,155,505 | 763,061 |

(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 \$52,975 (2022:Nil) in relation to corporate advisory, capital raising and underwriting services; Enrizen Pty Ltd received \$5,857 (2022: \$4,850) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$89,430 (2022: \$94,570) in relation to legal services; Enrizen Accounting Pty Ltd received \$124,070 (2022:\$ 125,800) in relation to accounting services, and the Company invested a further \$1,300,000 and redeemed \$1,000,000 in Redeemable Preference Shares in Enable Investments Pty Ltd with the invested balance receiving a 3-4% p.a. rate of return. During the period, the Company earned distribution income of \$165,992 (2022: \$121,394) which was reinvested.

Further to these transactions the Company also employed a family member of a key management person with a total remuneration package of \$145,659 (2022: \$145,000).

(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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18: PARENT ENTITY INFORMATION

| | Parent | |
|---|--------------|--------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Statement of profit or loss and other comprehensive income | | |
| Loss after income tax | (2,879,687) | (12,484,047) |
| Total comprehensive income/(loss) | (2,879,687) | (12,484,047) |
| Statement of financial position | | |
| Total current assets | 13,285,846 | 22,366,168 |
| Total assets | 132,999,875 | 118,432,119 |
| Total current liabilities | 568,416 | 475,763 |
| Total liabilities | 568,416 | 475,763 |
| Equity | | |
| Issued capital | 165,667,656 | 148,747,656 |
| Reserves | 2,821,907 | 2,387,117 |
| Accumulated losses | (36,058,104) | (33,178,417) |
| Total equity | 132,431,459 | 117,956,356 |

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 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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

| | 2023 \$ | 2022 \$ |
|---|--------------------|--------------------|
| Loss after income tax | (4,111,001) | (13,299,954) |
| Adjustment for: | | |
| Depreciation expenses | 277,903 | 253,932 |
| Fair value measurement of livestock | 295,499 | (26,550) |
| Borrowing cost amortisation | 3,111 | 3,111 |
| Interest expense on AASB 16 lease accounting | 88,155 | 95,541 |
| Gain on sales of non-current assets | (909) | (897) |
| Fair value movement of financial assets at fair value through profit and loss | 705,860 | 9,850,201 |
| Net gain on derecognition of financial assets at fair value through profit and loss | - | 614,481 |
| Written off of tenements | - | 202,902 |
| Share based payment | 434,791 | 387,117 |
| | (2,306,591) | (1,920,116) |
| <i>Changes in operating assets and liabilities:</i> | | |
| (Increase)/decrease in receivables and prepayments | 52,086 | (62,547) |
| (Increase)/decrease in inventory | (231,963) | (165,769) |
| Increase/(decrease) in payables and provision | (46,599) | 103,052 |
| Increase/(decrease) in employee provisions | 41,805 | 83,666 |
| Net cash outflows from operating activities | (2,491,262) | (1,961,714) |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: 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 - 2023 | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| - Investment in listed shares | 10% | 26,350 | 26,350 | (8%) | (21,080) | (21,080) |
| - Investment in unlisted options | 10% | 103 | 103 | (8%) | (83) | (83) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: FINANCIAL INSTRUMENT DISCLOSURES (cont.)

(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.

| | Floating interest rate \$ | Fixed interest rate maturing | | Non-interest bearing \$ | Total \$ |
|---|---------------------------------|------------------------------|--------------------|-------------------------------|-------------------|
| | | Within 1 year \$ | Over 1 year \$ | | |
| 2023 | | | | | |
| FINANCIAL ASSETS | | | | | |
| Cash assets | 8,051,445 | - | - | - | 8,051,445 |
| Performance guarantee bonds | - | - | - | 381,867 | 381,867 |
| Financial assets at fair value through Profit and Loss | - | - | - | 264,532 | 264,532 |
| Financial assets measured at amortised cost | - | 5,327,479 | - | - | 5,327,479 |
| Other financial assets | - | - | - | 442,115 | 442,115 |
| | 8,051,445 | 5,327,479 | - | 1,088,514 | 14,467,438 |
| FINANCIAL LIABILITIES | | | | | |
| Payables (current) | - | - | - | (827,081) | (827,081) |
| Lease liabilities | - | - | (3,574,117) | - | (3,574,117) |
| | - | - | (3,574,117) | (827,081) | (4,401,198) |
| NET FINANCIAL ASSETS/ (LIABILITIES) | 8,051,445 | 5,327,479 | (3,574,117) | 261,433 | 10,066,240 |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: FINANCIAL INSTRUMENT DISCLOSURES (cont.)

| | Floating | Fixed interest rate maturing | | Non-interest | Total |
|--|-------------------|------------------------------|--------------------|----------------|-------------------|
| | interest rate | Within 1 year | Over 1 year | bearing | |
| | \$ | \$ | \$ | \$ | \$ |
| 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) | - | - | - | (976,582) | (976,582) |
| Lease liabilities | - | - | (3,485,962) | - | (3,485,962) |
| | - | - | (3,485,962) | (976,582) | (4,462,544) |
| NET FINANCIAL ASSETS/ (LIABILITIES) | 16,890,242 | 4,861,487 | (3,485,962) | 893,385 | 19,159,152 |

(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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20: FINANCIAL INSTRUMENT DISCLOSURES (cont.)

(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

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|----------------|---------------|---------------|----------------|
| Consolidated - 2023 | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Investment in listed shares | 263,500 | - | - | 263,500 |
| - Investment in unlisted options | - | 1,032 | - | 1,032 |
| Total assets | 263,500 | 1,032 | - | 264,532 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 21: EARNING PER SHARE

| | 30-June-2023 Cents | 30-June-2022 Cents |
|---|-----------------------|-----------------------|
| Basic earnings per share | (0.30) | (1.04) |
| Diluted earnings per share | (0.30) | (1.04) |
| | 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 | 1,335,599,266 | 1,275,109,819 |

Diluted earnings per share

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.

| | 2023 \$ | 2022 \$ |
|--|-------------|--------------|
| Reconciliation of earnings used in calculating basic and diluted earnings per share | | |
| Earnings used in calculating basic and diluted earnings per share | (4,111,001) | (13,299,954) |

NOTE 22: 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:

| | 2023 \$ | 2022 \$ |
|---|------------|------------|
| <i>Audit services - Crowe Sydney</i> | | |
| Audit or review of the financial statements | 66,500 | 67,599 |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 23: COMMITMENTS

| | 2023 \$ | 2022 \$ |
|---|------------|------------|
| Capital commitments | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Intangible assets - option purchases | 6,350,000 | 12,120,000 |
| Land Purchase | - | 2,250,000 |
| | 6,350,000 | 14,370,000 |
| Proposed expenditure on tenements for a year | 3,985,000 | 3,204,376 |
| Proposed expenditure on native title | 350,000 | - |
| | 4,335,000 | 3,204,376 |

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 | 6,350,000 | - | - | - | 6,350,000 | 6,350,000 |

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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

Native Title Agreement

Subsequent to the 2023 Financial Year, on 4 September 2023, the Company announced its wholly owned subsidiary, Bowdens Silver Pty Ltd, had completed a native title agreement with the Warrabinga-Wiradjuri #7 native title claim, in regards to a parcel of Crown land within the area of Mining Lease Application 601 ("MLA 601") being the Bowden Silver Project. The native title agreement was signed in June 2023 and the capital commitment has been disclosed in the financial statements for the year ended 30 June 2023.

In addition, the related Section 31 Deed has subsequently been executed by the Minister for Natural Resources on behalf of the State of New South Wales on 30 August 2023.

This now completes the "Right to Negotiate" process in accordance with Section 31 of the Native Title Act 1993 (Cth). The completion of this process enables the continued processing of MLA 601 covering the Bowdens Silver Project.

Redemption of Redeemable Preference Shares

In August 2023, the Company fully redeemed all redeemable preference shares in Enable Investments Pty Ltd of \$5,349,356.

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 25: 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

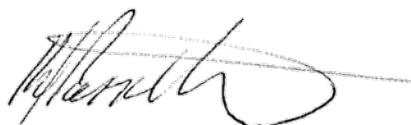
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DIRECTORS' DECLARATION

The directors declare that:

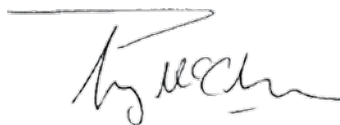
- 1 The financial statements and notes, as set out on pages 33 to 65 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (b) give a true and fair view of the financial position as at 30 June 2023 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

29 September 2023



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 2023, 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 2023 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 & 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.

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.

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

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

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 1 and Note 9 | |
| <p>The carrying amount of deferred exploration and development expenditure was a significant component of the Group's total assets at \$82,513,669 at 30 June 2023.</p> <p>As outlined in Note 1 and Note 9 of the financial report, the application of the Group's accounting policy in respect of capitalised (deferred) exploration and development expenditure required management's significant judgment and estimation uncertainty.</p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Evaluated the Group's processes and controls in relation to the recognition and deferral of exploration and development expenditure. • Tested the allocation of a sample of deferred exploration and development expenditure to the relevant project, and assessed that the capitalisation (deferral) of expenditure was in accordance with the Group's accounting policy. • Evaluated the Group's ownership interest of each of the tenements to which the deferred exploration and development expenditure relates. • Assessed the Group's accounting policy in conjunction with the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. |
| Consideration of Impairment for Deferred Exploration and Development Expenditure – Note 1 and Note 9 | |
| <p>Deferred exploration and development expenditure are assessed for impairment when facts and circumstances suggest that the carrying amount of deferred exploration and evaluation asset may exceed its recoverable amount.</p> <p>This required a high degree of judgement by management, particularly in respect of impairment indicators which are outlined in Note 1 and Note 9 of the financial report.</p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Challenged the management's assumptions that supported the evaluation of impairment indicators. • Enquired with the management and obtained the Group's budgets and assessed whether the budget covered the committed expenditure and assessed that substantive deferred exploration and development expenditure was planned and budgeted. • Assessed the Group's capacity to fund future committed exploration expenditure. |

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 2023 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. 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. We are responsible for the direction, supervision and performance of our group audit. We remain solely responsible for our 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 our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our 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 in pages 24 to 28 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Silver Mines Limited, for the year ended 30 June 2023, 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

29 September 2023
Sydney

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ADDITIONAL SECURITIES EXCHANGE INFORMATION

At 25 September 2023 the issued capital in the Company was comprised of:

- 1,404,332,143 fully paid ordinary shares held by 12,375 holders;
- 9,000,000 unlisted options held by 26 holders, with an exercise price of \$0.30 and an expiry date 21 December 2024;
- 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.
- 2,500,000 unlisted options held by 1 holder, with an exercise price of \$0.30 and an expiry date 1 March 2026; and
- 2,500,000 unlisted options held by 1 holder, with an exercise price of \$0.50 and an expiry date 1 March 2028.

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 25 September 2023, the Company has 1,466 shareholders whose holdings are less than a marketable parcel of shares (total value of A\$500, assuming a share price of \$0.18).

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

There are currently no listed options on issue.

Substantial shareholders at 25 September 2023

Silver Mines Limited has the following substantial shareholders:

| Holder | Shares | % |
|---|-------------|--------|
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 196,398,537 | 13.99% |

20 Largest Holders of Ordinary Shares and their holdings at 25 September 2023

| Position | Holder Name | Holding | % IC |
|----------|---|----------------------|----------------|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 196,398,537 | 13.99% |
| 2 | CITICORP NOMINEES PTY LIMITED | 58,845,980 | 4.19% |
| 3 | MR ANTHONY MCCLURE | 26,445,313 | 1.88% |
| 4 | BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 25,450,610 | 1.81% |
| 5 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 24,174,926 | 1.72% |
| 6 | BNP PARIBAS NOMS PTY LTD <DRP> | 23,620,685 | 1.68% |
| 7 | MCCLURE FAMILY SUPERANNUATION PTY LTD<MCCLURE FAMILY S/F A/C> | 10,000,001 | 0.71% |
| 8 | SANDHURST TRUSTEES LTD<COLLINS ST VALUE FUND A/C> | 9,076,666 | 0.65% |
| 9 | HARDER DEVELOPMENTS PTY LTD <TEAM HARDER FAMILY A/C> | 9,050,000 | 0.64% |
| 10 | ALDON FINANCE PTY LTD <GREG RANSOM SUPER FUND A/C> | 8,500,000 | 0.61% |
| 11 | MRS GEORGINA SUSAN KING | 7,854,688 | 0.56% |
| 12 | COOLHAND NOMINEES PTY LIMITED <COOLHAND INVESTMENT A/C> | 7,266,667 | 0.52% |
| 13 | MURANA PTY LTD <MURANA INVESTMENT A/C> | 6,993,201 | 0.50% |
| 14 | MR PHILLIP RICHARD PERRY | 6,772,001 | 0.48% |
| 15 | TEAM HARDER SUPER INVESTMENTS PTY LTD | 6,400,000 | 0.46% |
| 16 | MR JINHUA GUAN | 6,113,100 | 0.44% |
| 17 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 6,046,625 | 0.43% |
| 18 | MR TONG WOON TEO | 5,295,123 | 0.38% |
| 19 | MR BRIAN PAUL KILGANNON | 4,950,000 | 0.35% |
| 20 | SQUIRRELLY PTY LTD <THE NUTS S/F A/C> | 4,904,153 | 0.35% |
| | Total | 454,158,276 | 32.34% |
| | Total issued capital - selected security class(es) | 1,404,332,143 | 100.00% |

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Distribution of shareholders and option holdings at 25 September 2023

Fully paid ordinary shares:

| Holdings Ranges | Holders | Total Units | % |
|--|---------------|----------------------|----------------|
| above 0 up to and including 1,000 | 328 | 62,229 | 0.00% |
| above 1,000 up to and including 5,000 | 2,811 | 9,282,183 | 0.66% |
| above 5,000 up to and including 10,000 | 1,932 | 15,574,434 | 1.11% |
| above 10,000 up to and including 100,000 | 5,459 | 212,674,498 | 15.14% |
| above 100,000 | 1,845 | 1,166,738,799 | 83.08% |
| Totals | 12,375 | 1,404,332,143 | 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% |

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ADDITIONAL SECURITIES EXCHANGE INFORMATION

Unlisted options, exercise price \$0.30 expiry 01 March 2026:

| 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 | 2,500,000 | 100.00% |
| Totals | 1 | 2,500,000 | 100.00% |

Unlisted options, exercise price \$0.50 expiry 01 March 2028:

| 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 | 2,500,000 | 100.00% |
| Totals | 1 | 2,500,000 | 100.00% |

Unquoted Equity Securities Holdings as at 25 September 2023

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% |
| 2 | Joel Ray | Unlisted Options @ \$0.30 EXP 1 MAR 2026 and Unlisted Options @ \$0.50 EXP 1 MAR 2028 | 5,000,000 | 100% |

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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 29 September 2023.

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, 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

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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 10 (40%) |
| 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 2023 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 2023 Financial Year, the group conducted an evaluation of senior executives within the Group who employed throughout the period. 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

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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.

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) associated directly with, a substantial shareholder of the Group;
- (c) 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;
- (d) 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;
- (e) receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of the Group;
- (f) has close personal ties with any person who falls within any of the categories described above;
- (g) 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
- (h) has been a director of the Group for such a period that their independence from management and substantial holders may have been compromised; or
- (i) 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 th June 2016 | 7 years | Executive |
| Keith Perrett | 20 th June 2016 | 7 years | Independent Non-Executive |
| Jonathan Battershill | 16 th June 2017 | 6 years | Independent Non-Executive |
| Kristen Podagiel | 19 th April 2022 | 1 year 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 2023, 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

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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,**
- 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**
- (b) 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.

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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 2023, 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, Chairman 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.

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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,

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

(b) 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 2023 financial period, the Board 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.

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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,

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

(b) 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 2023 financial year however, remuneration related items were tabled and considered during a number of Board meetings during that period.

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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 unvested 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.

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Directors

Keith Perrett - Non-Executive Chairman
Anthony McClure - Managing Director
Jonathan Battershill - Non-Executive Director
Kristen Podagiel - Non-Executive Director

Company Secretary

Trent Franklin

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