

Silver Mines Limited  
ABN 45 107 452 942



**SILVER**  
**MINES LIMITED**



**2021**  
ANNUAL REPORT

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## **CORPORATE DIRECTORY**

### **Directors**

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

### **Company Secretary**

Trent Franklin

### **Australian Company Number**

107 452 942

### **Registered Office**

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Website: [www.silvermines.com.au](http://www.silvermines.com.au)

### **Share Registry**

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Sydney NSW 2000  
Australia

Tel: +61 2 8072 1400

E-mail: [hello@automic.com.au](mailto:hello@automic.com.au)

### **Auditors**

Crowe Sydney

Level 15

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Sydney NSW 2000

Tel: +61 2 9262 2155

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## **REVIEW OF OPERATIONS**

During the 2021 Financial Year, Silver Mines Limited ('**Silver Mines**', the '**Company**' or the '**Group**') submitted its Mining Lease Application and other documentation to the New South Wales Department of Planning, Industry and Environment for the development of the Bowdens Silver Project. The Company also continued with exploration, primarily at the Bowdens Silver Project.

## **COVID-19 RESPONSE**

During the 2021 Financial Year, the Company continued to carry out measures in response to the impact of the COVID-19 pandemic. The Company's priorities are to protect the health and safety of staff, contractors and local communities while maintaining the integrity of the business.

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

## **PROJECTS**

During the 2021 Financial Year, the Group controlled the following projects, all of which are located in New South Wales, Australia:

**Bowdens Silver Project (silver/polymetallic);**

**Barabolar Project (copper/gold/silver); and**

**Tuena Project (gold/silver).**

During the 2021 Financial Year, the Webbs and Conrad Projects (silver/polymetallic) located in New South Wales were divested (see ASX announcement 31<sup>st</sup> March 2021).



Figure 1. Group Project Locations.

## **Bowdens Silver Project**

### **Introduction**

During the 2021 Financial Year, the Company focussed on the continued pre-development works and mineral exploration at the Bowdens Silver Project located near Mudgee in the Central Tablelands Region of New South Wales, Australia. The Company submitted its Mining Lease Application and other documentation to the New South Wales Department of Planning, Industry and Environment for the development of the Bowdens Silver Project.

The Project comprises 2,007 km<sup>2</sup> (496,000 acres) of titles covering approximately 80 kilometres of strike of the highly mineralised Permian Rylstone Volcanics overlying Ordovician and Silurian formations. The area also hosts the Company's Barabolar Project.

The Group holds 100% of Exploration Licence EL5920 which contains the Bowdens Silver Deposit. In addition, the Company holds exploration licences EL6354, EL8159, EL8160, EL8168, EL8268, EL8403, EL8405, EL8480 and EL8682. Furthermore, the Company is earning an 80% interest and manages a Joint Venture over exploration licence EL7391 with Thomson Resources Limited. (Refer to Figure 2).

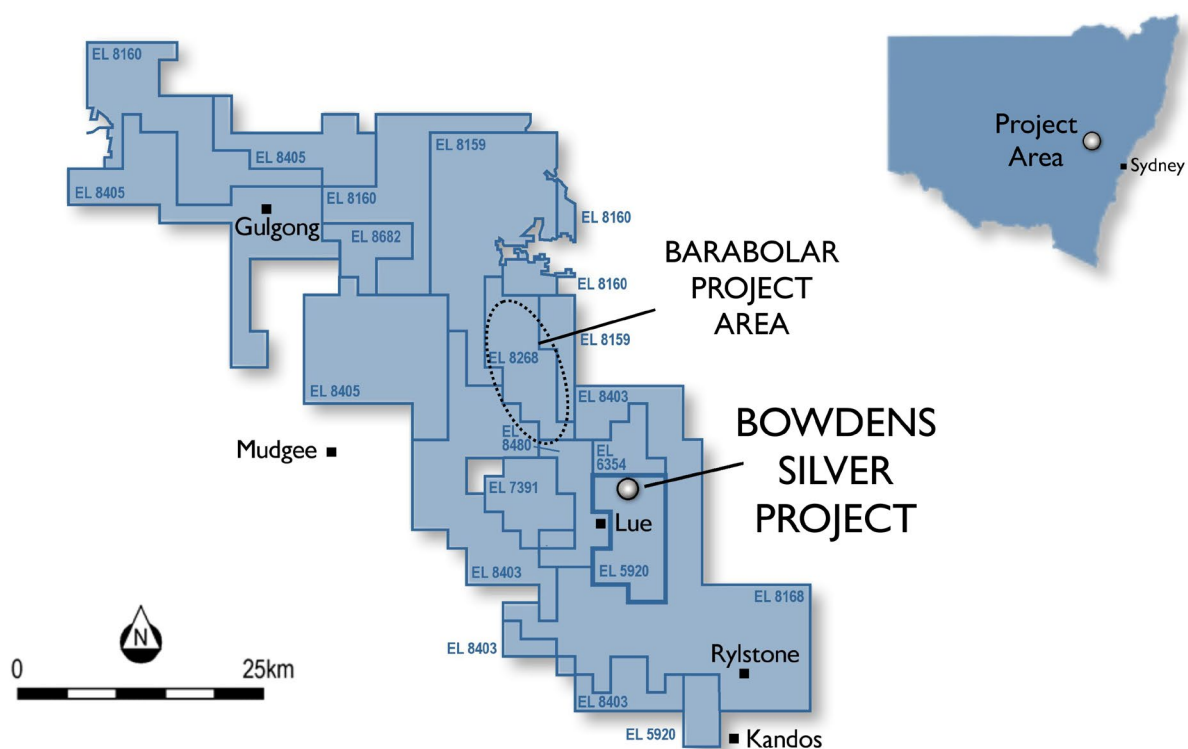


Figure 2: Silver Mines Limited Tenement and Project locations in the Mudgee district.

## **Bowdens Silver Project**

### **Description**

The Bowdens Silver Project is the largest known undeveloped silver mineral resource in Australia.

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

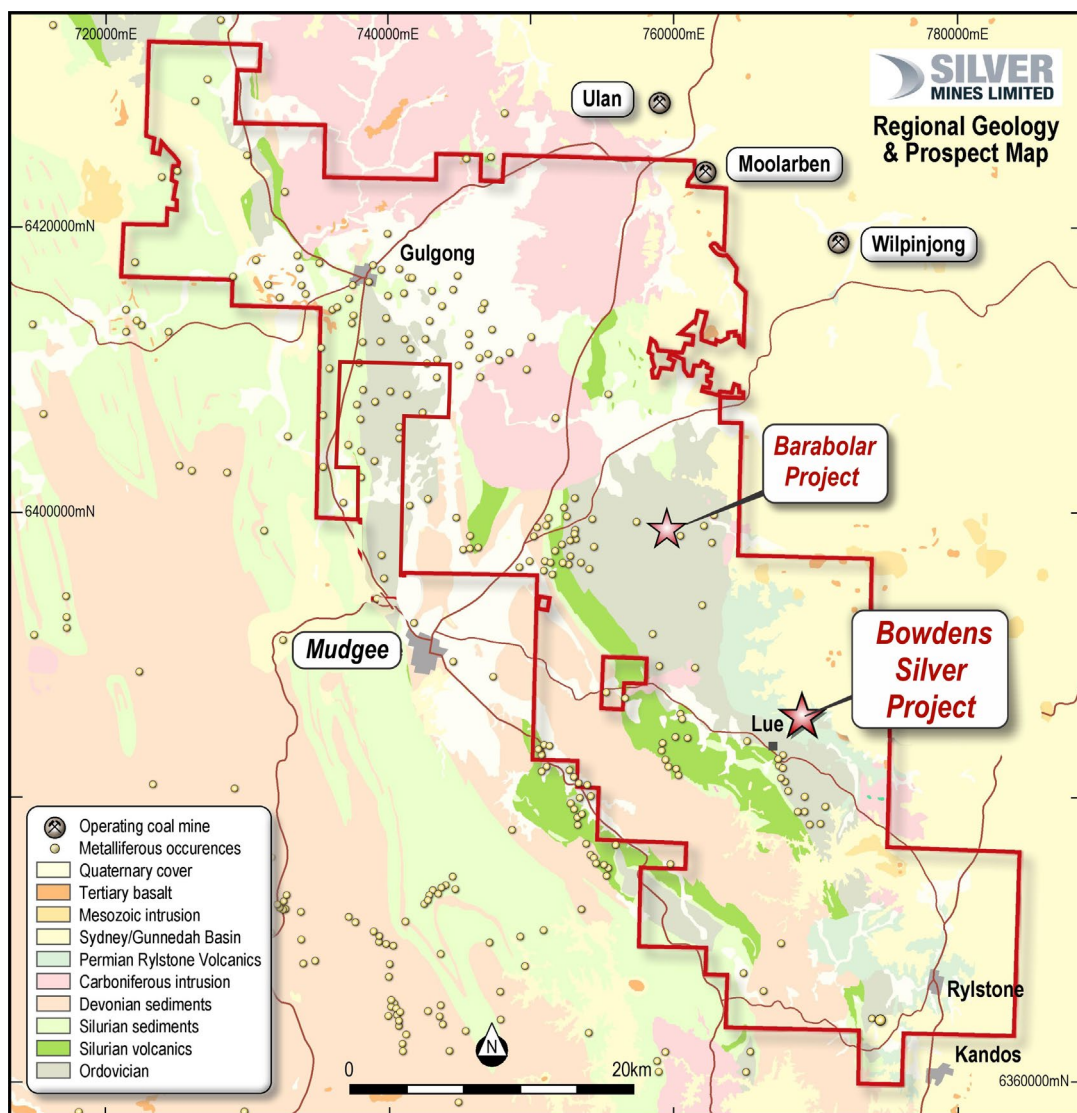


Figure 3: Silver Mines Limited prospect locations in the Mudgee district.

In March 2021, the Company submitted its Mining Lease Application and other documentation to the New South Wales Department of Planning, Industry and Environment for the development of the Bowdens Silver Project. The proposed development comprises an open-cut mine feeding a new processing plant with a conventional milling circuit and differential flotation to produce two concentrates that will be sold for smelting off site. Plant capacity is designed for 2.0 million tonnes per annum with a mine life of 16.5 years. Life of mine production is planned to be approximately 66 million ounces of silver, 130,000 tonnes of zinc and 95,000 tonnes of lead.

**Ore Reserve and Mineral Resource**

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

The Ore Reserve Estimate was prepared by mining engineering consultancy firm AMC Consultants Pty Ltd (AMC Consultants) and is based on the September 2017 Mineral Resource Estimate generated for Silver Mines by H & S Consultants Pty Ltd (H & S Consultants) (see ASX announcement 19<sup>th</sup> 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 at May 2018 is outlined in Table 1 below.

Table 1. Bowdens Silver Deposit Ore Reserve

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

Notes:

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

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

Table 2. Bowdens Silver Deposit Mineral Resource

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

Notes:

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

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

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

### **Development and Mining Lease Applications and Environmental Impact Statement**

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

In March 2021, the Company announced the submission of its Mining Lease Application ("MLA 601") (see ASX announcement 24<sup>th</sup> March 2021).

Summary points of the EIS include:

- Considerable local economic benefits with substantial local job creation;
- Minimal impacts on surface water and groundwater during and after operations;
- An arrangement to source surplus water from nearby coalfields via a dedicated water pipeline;

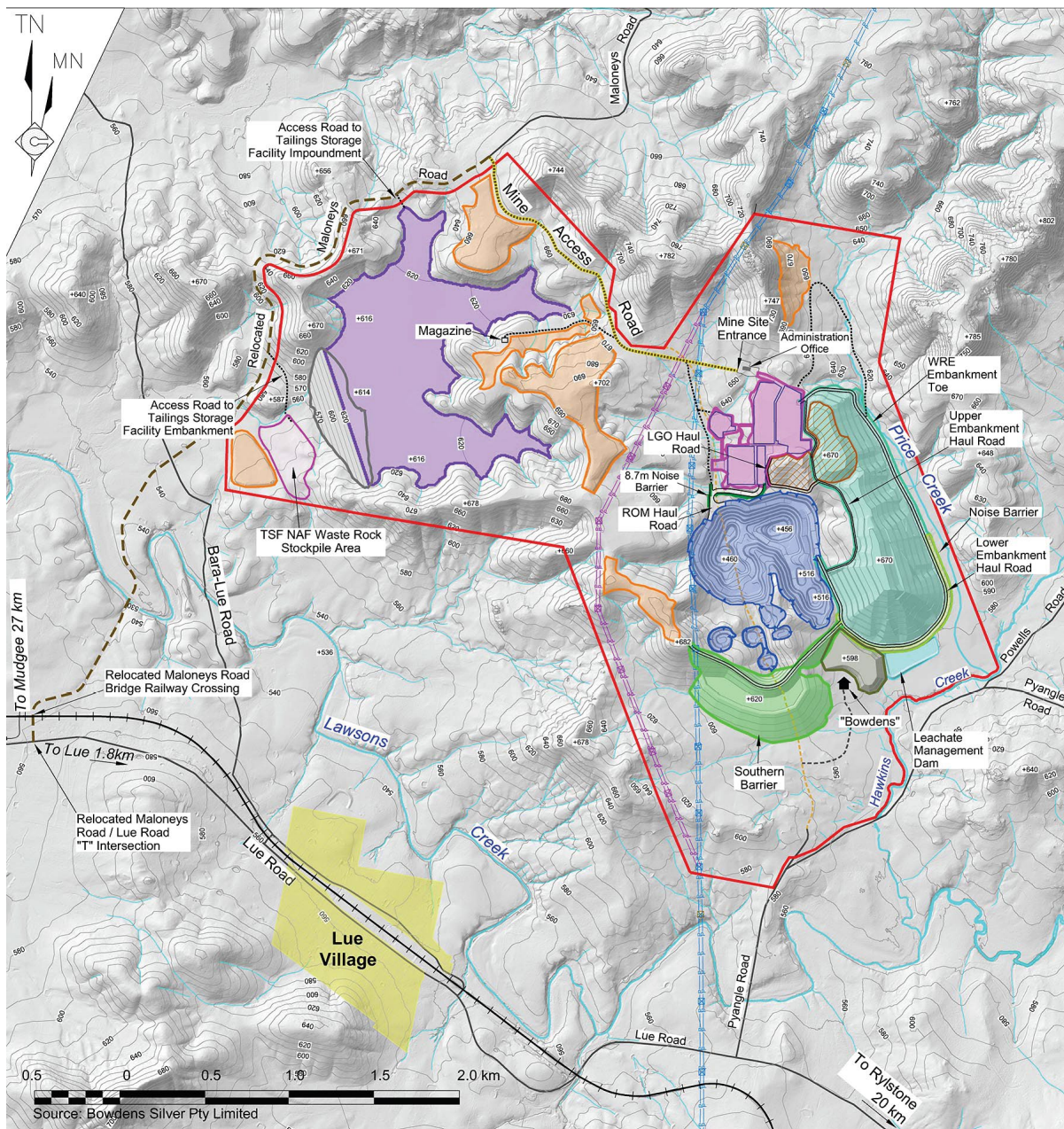
- No physical human health risk issues of concern identified;
- A progressive rehabilitation plan committed to with rehabilitation occurring throughout the life of the mine;
- No significant impacts upon migratory or threatened species and a significant area of land to be conserved in perpetuity as part 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.

The EIS had an eight-week public exhibition which concluded during the September 2020 quarter. At the end of the 2021 Financial Year, the Company submitted its Submissions Report to the New South Wales Department of Planning, Industry and Environment.

From the exhibition process, 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 can be accessed at the New South Wales Department of Planning, Industry and Environment website.





Source: Bowdens Silver Pty Limited

- |  |  |
|--|--|
| <p><b>REFERENCE</b></p> <ul style="list-style-type: none"> <li><span style="color: red;">—</span> Mine Site Boundary</li> <li><span style="color: grey;">—</span> Contour (m AHD) (Interval = 10m)</li> <li><span style="color: grey;">+</span> Spot Height (mAHD)</li> <li><span style="color: blue;">—</span> Existing Watercourse / Drainage Line</li> <li><span style="color: black;">—</span> Road</li> <li><span style="color: black;">—+—+—</span> Closed Railway Line</li> <li><span style="color: blue;">—+—+—</span> Existing Power Line (500kV) / Tower</li> <li><span style="color: orange;">—+—+—</span> Maloneys Road (Section to be closed)</li> </ul> <p>Note:</p> <ul style="list-style-type: none"> <li>LGO = Low-grade Ore</li> <li>NAF = Non-acid Forming</li> <li>ROM = Run of Mine</li> <li>TSF = Tailings Storage Facility</li> <li>WRE = Waste Rock Emplacement</li> </ul> <p><b>Proposed Component</b></p> <ul style="list-style-type: none"> <li><span style="color: red;">—+—+—</span> Re-aligned Power Line (500kV) / Tower</li> <li><span style="color: orange;">—+—+—</span> Relocated Maloneys Road</li> <li><span style="color: yellow;">—+—+—</span> Mine Access Road</li> <li><span style="color: black;">—+—+—</span> Internal Road</li> <li><span style="color: black;">—+—+—</span> Haul Road / Indicative Haul Road</li> <li><span style="color: blue;">—+—+—</span> Open Cut Pit</li> <li><span style="color: purple;">—+—+—</span> Tailings Storage Facility</li> <li><span style="color: pink;">—+—+—</span> Processing Plant/ROM Pad/Mining Facility Area</li> <li><span style="color: orange;">—+—+—</span> Soil Stockpile Area</li> <li><span style="color: orange;">—+—+—</span> Low-grade Ore Stockpile Area</li> <li><span style="color: pink;">—+—+—</span> TSF NAF Waste Rock Stockpile Area</li> <li><span style="color: green;">—+—+—</span> Southern Barrier</li> <li><span style="color: green;">—+—+—</span> Waste Rock Emplacement</li> <li><span style="color: green;">—+—+—</span> Oxide Ore Stockpile</li> <li><span style="color: green;">—+—+—</span> Lower Embankment Noise Barrier</li> <li><span style="color: green;">—+—+—</span> Noise Barrier Built by Shipping Containers</li> </ul> | <p><b>Proposed Component</b></p> <ul style="list-style-type: none"> <li><span style="color: purple;">—+—+—</span> Re-aligned Power Line (500kV) / Tower</li> <li><span style="color: orange;">—+—+—</span> Relocated Maloneys Road</li> <li><span style="color: yellow;">—+—+—</span> Mine Access Road</li> <li><span style="color: black;">—+—+—</span> Internal Road</li> <li><span style="color: black;">—+—+—</span> Haul Road / Indicative Haul Road</li> <li><span style="color: blue;">—+—+—</span> Open Cut Pit</li> <li><span style="color: purple;">—+—+—</span> Tailings Storage Facility</li> <li><span style="color: pink;">—+—+—</span> Processing Plant/ROM Pad/Mining Facility Area</li> <li><span style="color: orange;">—+—+—</span> Soil Stockpile Area</li> <li><span style="color: orange;">—+—+—</span> Low-grade Ore Stockpile Area</li> <li><span style="color: pink;">—+—+—</span> TSF NAF Waste Rock Stockpile Area</li> <li><span style="color: green;">—+—+—</span> Southern Barrier</li> <li><span style="color: green;">—+—+—</span> Waste Rock Emplacement</li> <li><span style="color: green;">—+—+—</span> Oxide Ore Stockpile</li> <li><span style="color: green;">—+—+—</span> Lower Embankment Noise Barrier</li> <li><span style="color: green;">—+—+—</span> Noise Barrier Built by Shipping Containers</li> </ul> |
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Figure 4: Bowdens Silver Mine Site Layout.

## Bowdens Silver Exploration

Exploration at the Bowdens Silver Project during the 2021 Financial Year focused on the commencement of a substantial 30,000 metre drilling program to target deep zones of high-grade silver mineralisation and massive and semi-massive sulphide zones.

During the 2021 Financial Year, the Company announced ongoing success in its exploration activities that yielded exceptional high grade silver intercepts (see ASX announcements 27<sup>th</sup> July 2021, 18<sup>th</sup> May 2021, 14<sup>th</sup> May 2021, 19<sup>th</sup> February 2021, 28<sup>th</sup> January 2021, 8<sup>th</sup> October 2020 & 28<sup>th</sup> July 2020). Diamond drilling continued to test the potential for underground mining scenarios at the Bowdens Silver Deposit with a focus on the Northwest High-Grade Zone, the Aegean Zone and the Bundarra Zone. The Aegean Zone is a high-grade vein system located beneath the bulk-tonnage Ore Reserve in the Main Zone area of the Bowdens Deposit (refer to Figure 5).

Drilling conducted during the 2021 Financial Year significantly added to the understanding of the context of the Bowdens Silver Deposit being located at the periphery of a large Caldera and highlighted the potential for analogue deposits as well as the potential for multiple higher-grade silver zones within and proximal to the Bowdens Silver Project. It is expected that the drilling program will continue until at least the end of the 2021 calendar year.

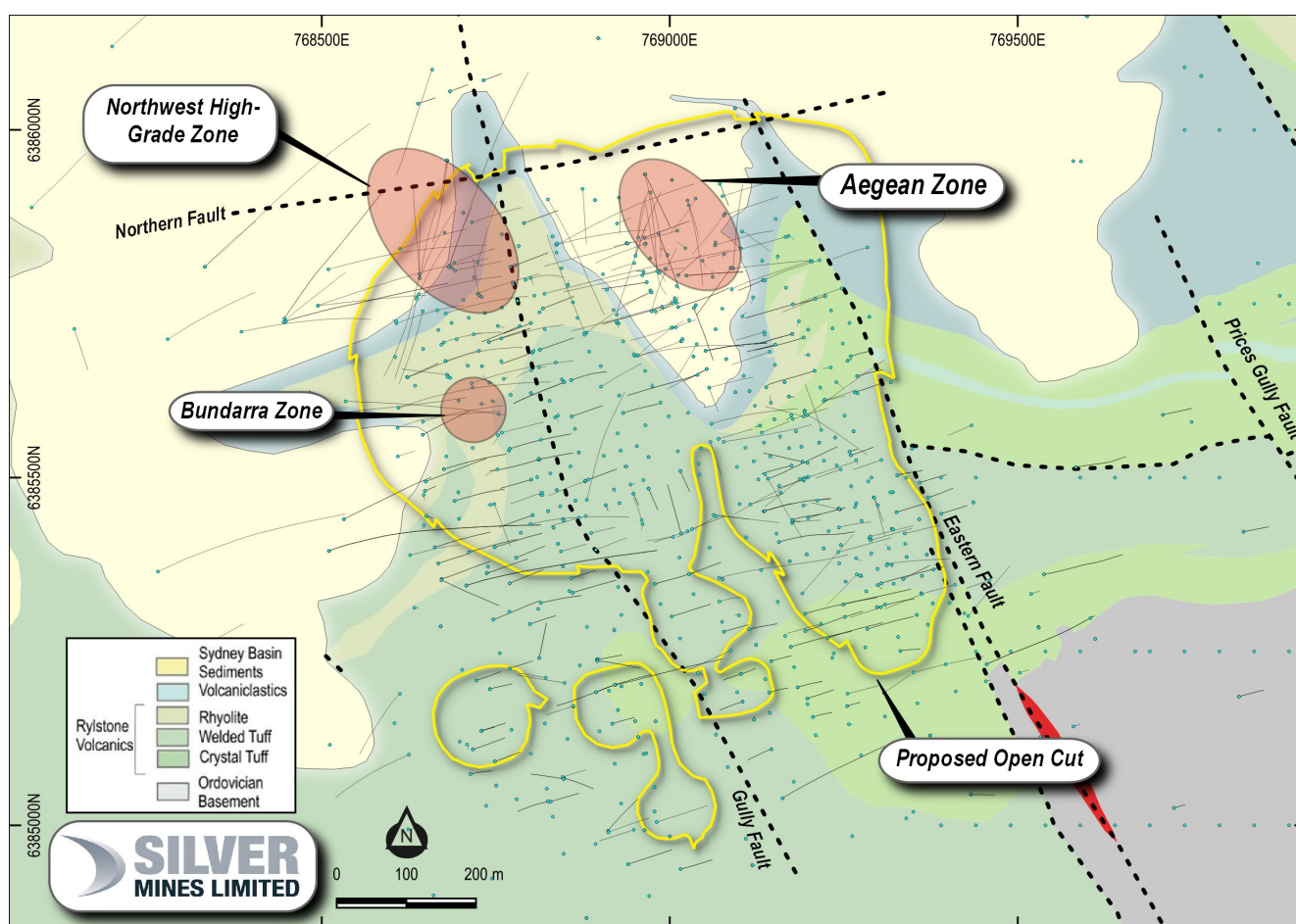


Figure 5: Drilling into high-grade silver targets at the Bowdens Silver Project.

The Bowdens Silver mineral system is located within a series of stacked, west-dipping faults which acted as conduits for mineralising fluids. The faults include the Gully Fault and Eastern Fault. These faults also controlled mineralisation in the basement Ordovician rocks where the Company recently reported broad zones of base-metal mineralisation.

A number of other recently identified faults that sit close to the interpreted Caldera edge are situated under the post-mineral Sydney Basin sediments and these will be tested during the current diamond drilling campaign.

With continued insight from textural analysis, detailed gravity surveying and VTEM reprocessing, the ongoing drilling at the Northwest High-Grade and Aegean Zones will continue in tandem with targeted diamond drilling of steep feeder veins. This includes testing eastern extensions to the Northwest Zone that would link to the Aegean Zone. In particular, the Northwest High-Grade Zone is still considered to represent a feeder conduit for the Bowdens Silver system.

The results of this program are expected to provide the basis for a resource assessment of potential underground mineable resources.

Subsequent to the end of the 2021 Financial Year, the Company announced it had commissioned a Scoping Study and associated Mineral Resources assessment for potential underground mining scenarios (see ASX announcement 5<sup>th</sup> August 2021).

The Scoping Study will consider potential underground mining scenarios beneath the planned open-pit development which is in the final processes for mine approvals. The Resource Assessment and Scoping Study will not have any effects on the ongoing approval process for the Bowdens Silver open-pit development currently before the New South Wales Department of Planning, Industry and Environment.

**Barabolar Project**

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

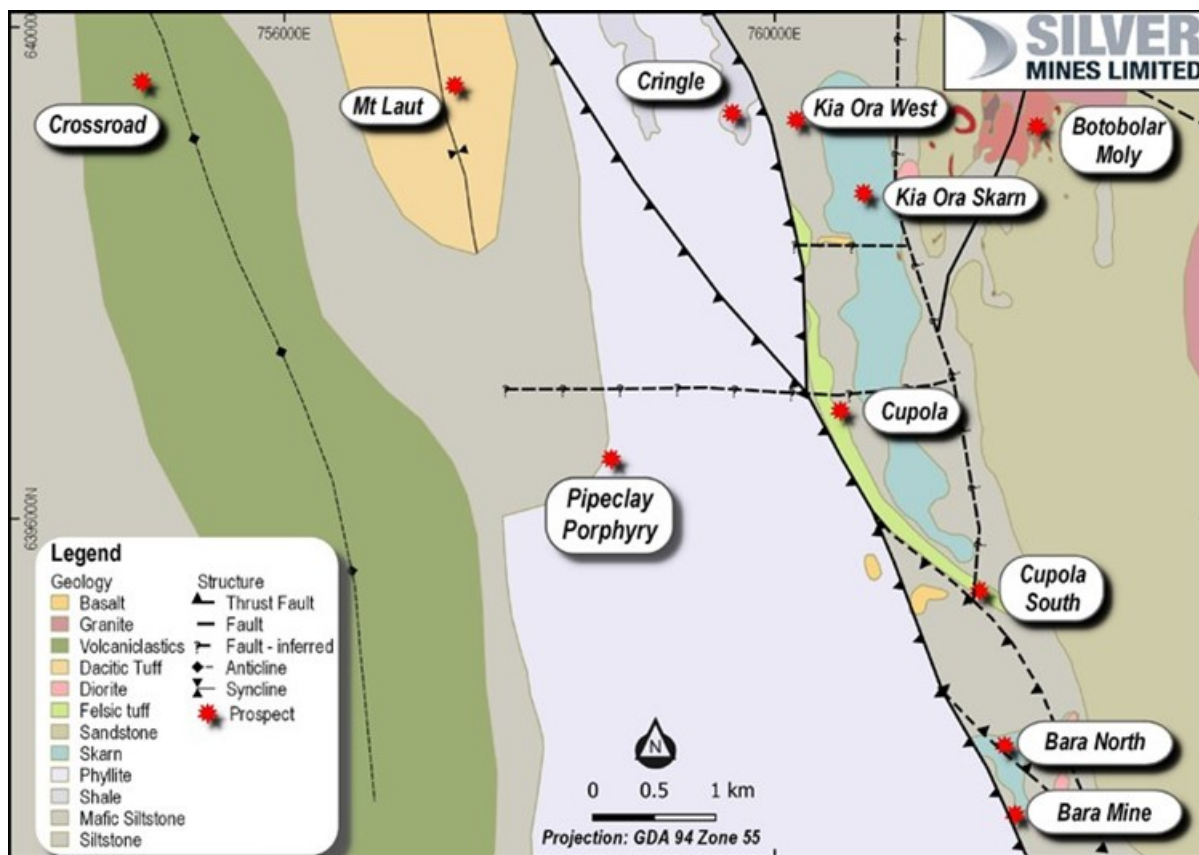


Figure 6: Prospect locations within the Barabolar Project area.

Due to the COVID-19 pandemic drilling planned at the Barabolar Project has been put on-hold. However, the Barabolar Project remains a compelling target area with a considerable hydrothermal footprint. The Company is continuing with desktop studies and the application of its internal R&D technologies in this area as it plans for the recommencement of activities in the 2022 Financial Year.

### **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 clearly defined by soil chemistry 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 veining with or without pyrite (iron sulphide). The Company is planning follow-up drilling.

Regionally, the Company has an expanded tenement footprint surrounding Tuena and has undertaken targeting along the Godolphin-Copperhania-Lake George fault corridor and intends to conduct further on-ground regional reconnaissance. To the south of Tuena, for example, there is a cluster of high-grade gold occurrences reported in the Binda area (EL8975, Figure 7) hosted by Devonian age granites which have had minimal exploration using modern techniques.

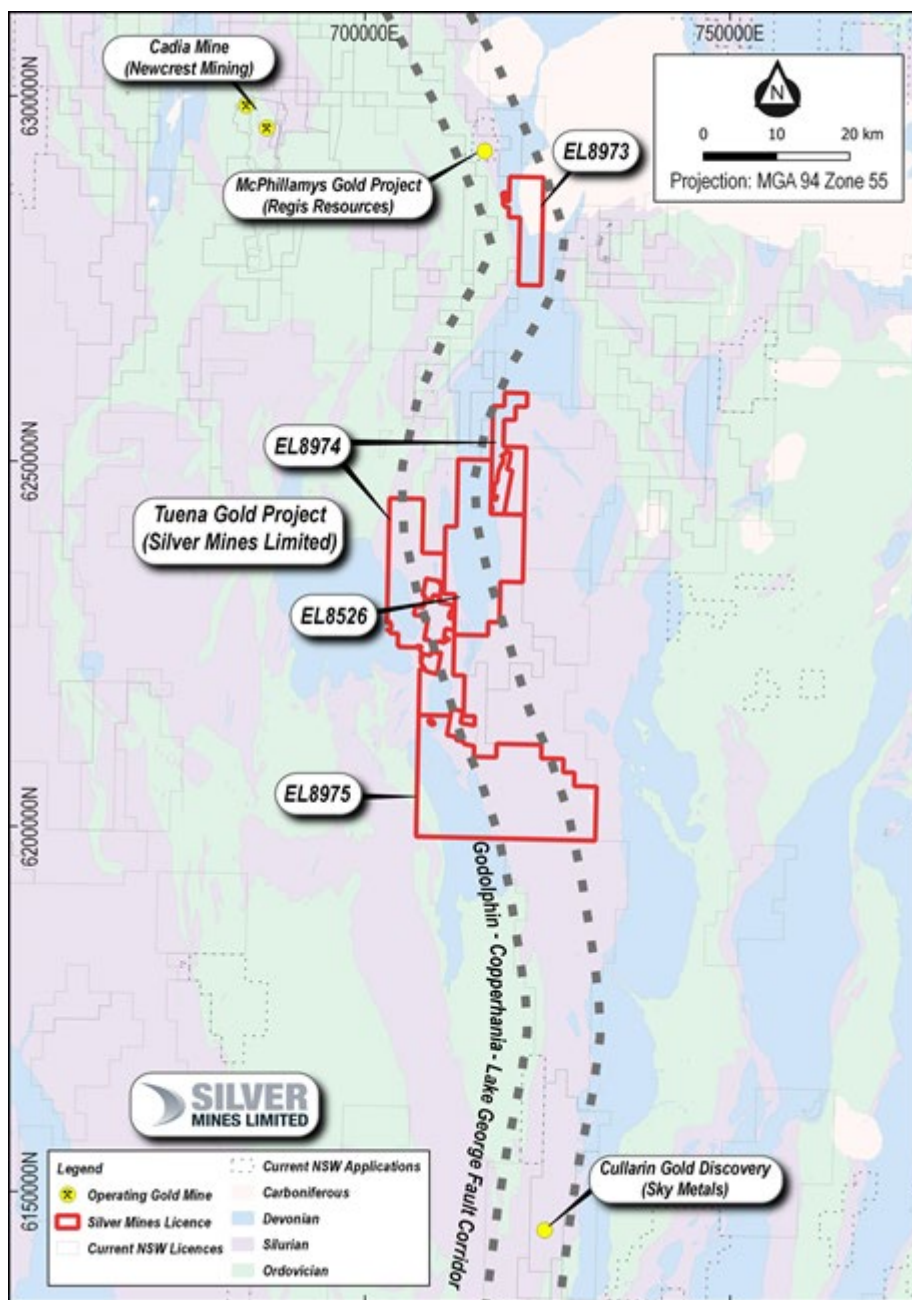


Figure 7: Map showing the Tuena Gold Project.

**Research and Development**

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

The R&D program involved developing innovative new technology and processes, which have been applied to geological studies on the Bowdens Silver Deposit, particularly the basement rocks and the search for a porphyry source or feeder structure. In addition, research has been applied to the Barabolar Project area and elsewhere in the Company's portfolio including Tuena. The Company developed new technologies for multivariate geochemical analysis, automated mapping of geology from geochemistry data and predictive geochemistry modelling using machine learning techniques. These R&D programs have developed further hypotheses for mineralisation in areas such as basement rocks beneath the main volcanic host at the Bowdens Silver Deposit, Bowdens northern and north-westerly extensions and several targets in the Barabolar Corridor including the Cringle prospect area. Much of the Company's exploration drilling is considered a test of hypotheses and targets developed under these R&D programs.

During the 2021 Financial Year, the development and testing of the machine learning predictive geochemistry technology and integration with recently acquired gravity data continued. This work produced an integrated geology, geochemical and geophysical model of the Bowdens Project. This model is being used for detailed targeting of potential feeder zones and/or magmatic sources to the Bowdens Silver epithermal mineralisation. The current drill programs at Bowdens are on targets generated from this work and based on the integration of technologies and data.

The Company is now developing the frames of reference and design for stage two R&D programs to migrate technologies developed in the past years to the 3D environment.

### **Webbs and Conrad Silver/Polymetallic Projects**

The Webbs Project (EL5674) and Conrad Project (EPL1050, EL5977, ML6040, ML6041 and ML5992) are located in the New England region of northern New South Wales. Both projects were divested during the 2021 Financial Year (see ASX announcement 31<sup>st</sup> March 2021).

### **Tenement Information as at 30<sup>th</sup> June 2021**

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 7391 <sup>1</sup>	Bowdens Silver	NSW	0%
EL 8403	Bowdens Silver	NSW	100%
EL 8405	Bowdens Silver	NSW	100%
EL 8480	Bowdens Silver	NSW	100%
EL 8682	Bowdens Silver	NSW	100%
EL 8526	Tuena	NSW	100%
EL 8973	Tuena	NSW	100%
EL 8974	Tuena	NSW	100%
EL 8975	Tuena	NSW	100%

1. Under Joint Venture with Thomson Resources Limited. Silver Mines Limited earning 80%.

## **CORPORATE**

### **RESULTS AND DIVIDENDS**

The profit of the Group for the Financial Year after providing for income tax amounted to \$5,359,259 compared to a loss of \$3,748,251 for the previous year.

The Group incurred exploration and development expenditure of \$8,402,610 during the year (2020: \$5,456,667). The total net assets of the Group stands at \$119,741,453 (2020: \$83,623,476) of which investment in exploration expenditure accounts for \$58,363,389 (2020: \$56,788,308).

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**

#### **CAPITAL RAISING**

##### **February 2021 Placement**

On 15<sup>th</sup> February 2021, Silver Mines announced that it had successfully completed a capital raising of \$30 million (before costs) to institutional, professional and sophisticated investors ("Placement"). Demand for the Placement was well in excess of funds raised by the Company.

The Placement was conducted at an issue price of \$0.22 per share being a 13.6% discount to the five (5) day volume weighted average price for fully paid ordinary shares in the Company. The Placement resulted in the issue of 136,363,637 fully paid ordinary shares.

The funds raised in connection with the Placement will be primarily utilised towards the progression of and pre-development expenses associated with the Company's flagship Bowdens Silver Project. Funding is also to be made available for the Company's activities over the coming 12 months as well as for corporate and general working capital purposes as required.

#### **BOARD CHANGE**

On 25<sup>th</sup> May 2021, Non-Executive Director, Mr Peter Langworthy, resigned from the board. The Company acknowledges the outstanding contribution that Mr Langworthy has provided to the Company.

#### **SALE OF WEBBS AND CONRAD PROJECTS**

On 31<sup>st</sup> March 2021, Silver Mines completed the sale of the Webbs and Conrad Projects (Sale) to Thomson Resources Limited (ASX:TMZ) ("Thomson Resources").

The consideration for the Sale comprised the following:

- (a) non-refundable payment of A\$800,000 to be paid to Silver Mines comprising \$50,000 on the signing of the initial term sheet and \$750,000 on signing of further amended binding agreements;
- (b) a payment equivalent to the cash rehabilitation bonds totaling A\$269,000;
- (c) share consideration of 70,000,000 fully paid ordinary shares and 50 million options in Thomson Resources of which:
  - (i) 35,000,000 shares have been issued to Silver Mines (Tranche 1);
  - (ii) 35,000,000 shares have been issued to Silver Mines which are subject to 6-month voluntary escrow (Tranche 2);

- (iii) 50,000,000 options have been issued to Silver Mines with a vesting date of 6 months from the date of issue, an exercise price of \$0.124 per option and an expiry date of 3 years from the date of issue (TMZ Options).

Each of Tranche 1, Tranche 2 and TMZ Options were subject to Thomson Resources shareholder approval which was achieved on 29<sup>th</sup> March 2021.

## **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

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

## **COVID-19 RESPONSE**

During the 2021 Financial Year, the Company continued to carry out measures in response to the impact of the COVID-19 pandemic. The Company's priorities are to protect the health and safety of staff, contractors and local communities while maintaining the integrity of the business.

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

## **WAIVER**

On 27<sup>th</sup> November 2020, shareholders approved at the Annual General Meeting of the Company (Approval) a waiver granted by ASX Listing Compliance on 28<sup>th</sup> October 2020 (Waiver). The Waiver relates to the issue of 10,000,000 fully paid ordinary shares (Deferred Consideration Shares) in the Company to be issued to a Director of the Company in accordance with the provisions of the share sale and purchase deed dated 3<sup>rd</sup> 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; or
- a change of control milestone such as a takeover bid pursuant to section 9 of the *Corporations Act 2001* (Cth), (collectively, Milestones)

The Company confirms the Deferred Consideration Shares have not been issued in the 2021 Financial Year. The Deferred Consideration Shares may only be issued if either of the Milestones are achieved and occur in the period that is 24 months from the date that Approval is obtained.

The Group has not had any other significant changes in the state of the affairs of the Group during the year.

## **FORWARD LOOKING STATEMENTS**

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

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

Forward-looking information and statements, including projections, forecasts and estimates, are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. No representation or warranty, expressed



or implied, is made or given by or on behalf of the Company, any of the Company's directors, or any other person as to the accuracy or completeness or fairness of the information or opinions contained in this announcement and no responsibility or liability is accepted by any of them for such information or opinions or for any errors, omissions, misstatements, negligent or otherwise, or for any communication written or otherwise, contained or referred to in this announcement.

## **COMPETENT PERSONS STATEMENTS**

### **Bowdens Silver Project**

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

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

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

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

### **Exploration and Drill Results**

The information in this report that relates to mineral exploration from Bowdens Silver and extensions, the Barabolar Project and the Tuena Gold Project is based on information compiled or reviewed by Dr Darren Holden who is an advisor to the company. Dr Holden is a 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). Dr Holden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

## **INFORMATION ON BOARD**

### **DIRECTORS**

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

Keith Perrett	Non-Executive Chairman
Anthony McClure	Managing Director
Jonathan Battershill	Non-Executive Director
Peter Langworthy	Non-Executive Director (resigned 25 May 2021)

#### **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 30 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 20 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.

#### **Mr Peter Langworthy, Non-Executive Director (resigned 25 May 2021)**

Mr Langworthy graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. His career spans approximately 35 years in mineral exploration, project development and management both in Australia and internationally. Mr Langworthy's industry experience includes senior management roles with Jubilee Mines NL where he led the exploration team that was responsible for numerous discoveries, PacMin Mining Limited and WMC Resources Limited.

Mr Langworthy was formerly the Executive Chairman and a director of Gateway Mining Limited (resigned 25 May 2021) and the Non-Executive Chairman and a director of Discovex Resources Limited (resigned 11 March 2021). Mr Langworthy previously held executive and non-executive directorships with Capricorn Metals Limited, Northern Star Resources Limited, Talisman Mining Limited, Falcon Minerals Limited and Pioneer Resources Limited.

### **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 he is a Graduate of the Australia Institute of Company Directors.

He is currently the Managing Director of Enrizen Financial Group, Chairman 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 Australia Institute of Company Directors.

**Meetings of Directors**

	Meetings eligible to attend	Meetings attended
A McClure	4	4
K Perrett	4	4
P Langworthy (resigned 25 May 2021)	4	4
J Battershill	4	4

**REMUNERATION REPORT****Remuneration policy**

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

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

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

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

Executives are also entitled to participate in the employee share and option arrangements. The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black & Scholes methodology.

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

### **Performance based remuneration**

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

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

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This was facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. In particular, the Company notes at the commencement of the reporting period the share price at close on 1 July 2020 was \$0.11 and the share price at close on 30 June 2021 was \$0.25. At commencement of mine production, performance-based bonuses based on key performance indicators are expected to be introduced. The Group has not employed any executive officers, other than directors, who were involved in, concerned in, or who took part in the management of the Group's affairs.

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

### **Employee Incentive Plan**

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

### **Key Service Agreements**

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

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

**Mr Jonathan Battershill** has entered into a non-executive director service agreement with the Group whereby he receives non-executive director fees of \$60,000 per annum. 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.

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

### **Voting and comments made at the Group's 2020 Annual General Meeting (AGM).**

At the 2020 AGM, 78.92% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. 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	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
<b>2021</b>	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
K Perrett (Chairman)	80,000	-	-	-	-	-	-	80,000
P Langworthy	55,000	-	-	-	-	-	-	55,000
J Battershill	60,000	-	-	-	-	-	-	60,000
<i>Executive Directors:</i>								
A McClure	410,959	-	-	39,041	-	-	-	450,000
<i>Other Key Management Personnel:</i>								
T Franklin <sup>1</sup>	120,000	-	-	-	-	-	-	120,000
	<b>725,959</b>	-	-	<b>39,041</b>	-	-	-	<b>765,000</b>

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.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
<b>2020</b>	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
K Perrett (Chairman)	80,000	-	-	-	-	-	37,784	117,784
P Langworthy	60,000	-	-	-	-	-	37,784	97,784
J Battershill	60,000	-	-	-	-	-	37,784	97,784
<i>Executive Directors:</i>								
A McClure	308,219	-	-	29,281	-	-	-	337,500
<i>Other Key Management Personnel:</i>								
T Franklin <sup>2</sup>	102,000	-	-	-	-	-	22,670	124,670
	<b>610,219</b>	-	-	<b>29,281</b>	-	-	<b>136,022</b>	<b>775,522</b>

2. 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***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 2020	Net change	Net change due to directors resignation	Balance 30 June 2021
<b>Directors</b>				
A McClure	32,010,417	10,000,000	-	42,010,417
K Perrett	2,743,410	316,364	-	3,059,774
P Langworthy	875,000	-	(875,000)	-
J Battershill	625,000	-		625,000
<b>Specified executives</b>				
T Franklin	4,974,317	(2,522,498)		2,451,819

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	Balance 30 June 2020	Net change	Net change due to directors resignation	Balance 30 June 2021
<b>Directors</b>				
A McClure	7,067,711	-	-	7,067,711
P Langworthy	1,187,500	-	(1,187,500)	-
K Perrett	1,625,000	-	-	1,625,000
J Battershill	6,062,500	-	-	6,062,500
<b>Specified executives</b>				
T Franklin	1,350,000	(750,000)	-	600,000

*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 \$80,000 (2020: \$40,000) in relation to corporate advisory, capital raising and underwriting services; Enrizen Pty Ltd received \$635 (2020: \$2,250) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$143,242 (2020: \$42,407) in relation to legal services; Enrizen Accounting Pty Ltd received \$120,000 (2020: \$102,000) in relation to accounting services, and the Company withdrew \$400,000 investment in Redeemable Preference Shares in Enable Investments Pty Ltd, remaining balance receiving a 3% p.a. rate of return. During the period, the Company earned \$69,961 distribution income 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 \$136,875 (2020: \$120,000).

This concludes the remuneration report, which has been audited.

## **CORPORATE GOVERNANCE**

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

### **Proceedings on behalf of the Group**

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

### **Non-audit services**

There were no non-audit services performed by the external auditor during the financial year.

### **Directors and officers indemnification**

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

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

### **Shares under option**

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

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number under option</b>
28 November 2017	3 years from milestone achievement <sup>1</sup>	\$0.20	5,000,000
<b>Total</b>			<b>5,000,000</b>

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.

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

The following ordinary shares of Silver Mines Limited were issued during the year ended 30 June 2021 on the exercise of options granted:

Date of shares issued	Exercise price	Number of shares issued
Jul-20	\$0.06	787,000
Aug-20	\$0.06	10,461,263
Sep-20	\$0.06	2,042,550
Sep-20	\$0.10	3,850,000
Nov-20	\$0.06	64,848
Dec-20	\$0.06	1,240,640
Jan-21	\$0.06	3,681,875
Feb-21	\$0.06	6,093,420
Mar-21	\$0.06	2,820,749
Mar-21	\$0.10	100,000
Apr-21	\$0.06	926,238
May-21	\$0.06	2,079,933
May-21	\$0.10	525,000
Jun-21	\$0.06	5,392,232
Jun-21	\$0.10	425,000
<b>Total</b>		<b>40,490,748</b>

### 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.



## **EVENTS SUBSEQUENT TO REPORTING DATE**

### **Securities**

Subsequent to the reporting date, the following new shares were issued following the exercise of options with an exercise price of \$0.06 per share (**SVLOB Options**):

- 6,807,715 shares issued on 2 July 2021
- 2,984,604 shares issued on 30 July 2021
- 3,997,902 shares issued on 11 August 2021
- 6,856,910 shares issued on 24 August 2021
- 70,347,830 shares issued on 13 September 2021 (with the balance of SVLOB Options expiring on 6 September 2021).

On 30 July 2021, 3,600,000 new shares were issued following the exercise of options issued under the Employee Incentive Plan as outlined in the Company's Notice of 2018 Annual General Meeting published to the ASX on 31 October 2018, with an exercise price of \$0.10 per share.

### **COVID-19 RESPONSE**

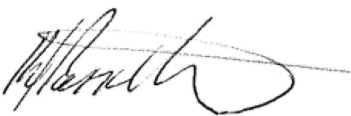
Following the Financial Year, the Company continues to carry out measures implemented in response to the impact of the COVID-19 pandemic.

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

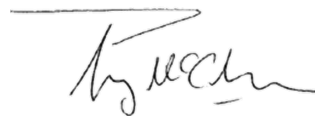
The Company continues to adhere to directives from Federal and State Government and has put in place comprehensive COVID-19 Policies and Procedures. This has allowed our current operations to continue safely and with minimal interruption.

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

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



**Keith Perrett**  
Chairman



**Anthony McClure**  
Managing Director

**24 September 2021**

24 September 2021

The Board of Directors  
Silver Mines Limited  
Level 11, 52 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 year ended 30 June 2021, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely



**Crowe Sydney**



**Suwarti Asmono**  
Partner

*Liability limited by a scheme approved under Professional Standards Legislation.*

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

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

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Revenue		199,482	115,946
Cost of sales		(32,277)	(42,685)
<b>Gross profit from continuing operations</b>		<b>167,205</b>	<b>73,261</b>
Other income	3	7,624,799	184,440
Share registry and exchange fees		(205,186)	(161,030)
Auditors remuneration		(58,593)	(53,529)
Marketing expenses		(131,537)	(133,596)
Office expenses		(43,321)	(51,877)
IT and communication expenses		(15,392)	(15,863)
Depreciation expenses		(273,034)	(223,805)
Accounting services fees		(120,000)	(102,000)
Professional and technical advisors expenses		(462,201)	(430,381)
Employee benefits expenses		(846,394)	(427,245)
Travel and accommodation expenses		(10,909)	(24,407)
Share based payment		-	(321,164)
Farm operations		(89,229)	(81,291)
Fair value for contingent consideration expenses		-	(1,899,900)
Other expenses		(144,138)	(117,753)
<b>Profit / (Loss) from continuing operations before interest and income tax</b>		<b>5,392,070</b>	<b>(3,786,140)</b>
Interest income		101,821	89,755
Finance costs		(134,632)	(51,866)
<b>Profit / (Loss) from continuing operations before income tax</b>		<b>5,359,259</b>	<b>(3,748,251)</b>
Income tax		-	-
<b>Profit / (Loss) from continuing operations after income tax</b>		<b>5,359,259</b>	<b>(3,748,251)</b>
Other comprehensive income			
<b>Total comprehensive income / (loss) (attributable to owners of the company)</b>		<b>5,359,259</b>	<b>(3,748,251)</b>
<b>Earnings per share (cents per share)</b>			
Basic earnings per share	23	0.49	(0.44)
Diluted earnings per share	23	0.45	(0.44)

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 2021

	Notes	2021 \$	2020 \$
<b>Current assets</b>			
Cash and cash equivalent	5	31,420,960	12,124,402
Trade and other receivables	6	248,078	291,731
Inventory – livestock	7	371,041	229,683
Financial assets	8	11,936,593	-
Other assets		7,928	11,037
<b>Total current assets</b>		<b>43,984,600</b>	<b>12,656,853</b>
<b>Non-current assets</b>			
Prepayment		220,711	-
Financial assets	8	207,867	303,367
Deferred exploration and development expenditures	9	58,363,389	56,788,308
Intangible assets	10	853,947	56,603
Land and buildings	11	17,582,192	15,846,413
Property, plant and equipment	12	4,076,276	4,050,774
<b>Total non-current assets</b>		<b>81,304,382</b>	<b>77,045,465</b>
<b>Total assets</b>		<b>125,288,982</b>	<b>89,702,318</b>
<b>Current liabilities</b>			
Trade and other payables	13	1,392,754	962,753
Employee benefits provisions	14	306,186	204,467
Loans and borrowings	15	-	1,009,237
Lease liability	16	59,731	53,796
<b>Total current liabilities</b>		<b>1,758,671</b>	<b>2,230,253</b>
<b>Non-Current liabilities</b>			
Lease liability	16	3,788,858	3,848,589
<b>Total non-current liabilities</b>		<b>3,788,858</b>	<b>3,848,589</b>
<b>Total liabilities</b>		<b>5,547,529</b>	<b>6,078,842</b>
<b>Net assets</b>		<b>119,741,453</b>	<b>83,623,476</b>
<b>Equity</b>			
Contributed equity	17	142,477,202	109,987,534
Reserves	17	2,418,070	4,149,020
Accumulated losses		(25,153,819)	(30,513,078)
<b>Total Equity</b>		<b>119,741,453</b>	<b>83,623,476</b>

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

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** **FOR THE YEAR ENDED 30 JUNE 2021**

	Ordinary Shares \$	Share capital reserve \$	Share based payment reserve	Accumulated losses \$	Total \$
<b>Balance at 1 July 2019</b>	<b>83,867,293</b>	<b>4,000,000</b>	-	<b>(26,764,827)</b>	<b>61,102,466</b>
<b>Transactions with owners, in their capacity as owners</b>					
Equity funds received, issue of shares	27,813,957	(1,000,000)	-	-	26,813,957
Option Issued	-	-	1,149,020	-	1,149,020
Cost of funds raised	(1,693,716)	-	-	-	(1,693,716)
Total transactions with owners, in their capacity as owners	26,120,241	(1,000,000)	1,149,020	-	26,269,261
<b>Comprehensive income for period</b>					
Loss attributable to owners of the company	-	-	-	(3,748,251)	(3,748,251)
Total comprehensive income for the period	-	-	-	(3,748,251)	(3,748,251)
<b>Balance at 30 June 2020</b>	<b>109,987,534</b>	<b>3,000,000</b>	<b>1,149,020</b>	<b>(30,513,078)</b>	<b>83,623,476</b>
<b>Balance at 1 July 2020</b>	<b>109,987,534</b>	<b>3,000,000</b>	<b>1,149,020</b>	<b>(30,513,078)</b>	<b>83,623,476</b>
<b>Transactions with owners, in their capacity as owners</b>					
Equity funds received, issue of shares	33,628,226	(1,000,000)	-	-	32,628,226
Fair value of options exercised	730,950	-	(730,950)	-	-
Costs of funds raised	(1,869,508)	-	-	-	(1,869,508)
Total transactions with owners, in their capacity as owners	32,489,668	(1,000,000)	(730,950)	-	30,758,718
<b>Comprehensive income for period</b>					
Profit/(Loss) attributable to owners of the company	-	-	-	5,359,259	5,359,259
Total comprehensive income for the period	-	-	-	5,359,259	5,359,259
<b>Balance at 30 June 2021</b>	<b>142,477,202</b>	<b>2,000,000</b>	<b>418,070</b>	<b>(25,153,819)</b>	<b>119,741,453</b>

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

## **CONSOLIDATED STATEMENT OF CASH FLOWS** **FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		277,050	185,214
Payments to suppliers & employees		(2,297,259)	(1,783,157)
Interest received		101,821	89,755
Finance costs		(26,642)	(32,468)
Grant received		317,004	89,328
Net cash outflows from operating activities	<b>21</b>	(1,628,026)	(1,451,328)
<b>Cash flows from investing activities</b>			
Payments for deferred exploration		(8,431,306)	(6,147,065)
R&D Tax Benefit		-	663,423
Payment to acquire intangible		(797,344)	(796,603)
Payment to acquire right of use asset		-	(50,000)
Payment for property, plant and equipment		(2,026,290)	(4,770,035)
Cash Consideration received for disposal of subsidiaries		969,000	-
Proceeds from sale of financial assets		1,128,158	-
Proceeds from sale of property, plant and equipment		-	19,091
Net cash outflows from investing activities		(9,157,782)	(11,081,189)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		30,000,000	24,849,815
Option conversion		2,959,189	739,144
Repayment of bank borrowing		(1,009,237)	-
Payments for capital raising costs		(1,867,586)	(1,565,860)
Net cash inflows from financing activities		30,082,366	24,023,099
<b>Net (decrease)/increase in cash and cash equivalent</b>		<b>19,296,558</b>	<b>11,490,582</b>
Cash and cash equivalent at the beginning of the financial year		12,124,402	633,820
<b>Cash and cash equivalent at the end of the financial year</b>	<b>5</b>	<b>31,420,960</b>	<b>12,124,402</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2021**

### **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.

During the year, the Group has successfully completed the capital raisings as disclosed in note 17.

#### **c. Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silver Mines Limited as at 30 June 2021 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021****NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)****d. Coronavirus (COVID-19) pandemic**

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

**e. New or amended Accounting Standards and Interpretations adopted.**

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

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

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

**g. Operating segments**

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

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

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



## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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.

#### **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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **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**

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 2: OPERATING SEGMENTS (continued)**

**For the year ended 30 June 2020**

	<b>Mining and Exploration Operations</b>	<b>Agricultural Operations</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	-	115,946	115,946
Government grant	99,160	-	99,160
Rental income	72,053	-	72,053
Total segment revenue and other income	171,213	115,946	287,159
Inter-segment elimination			-
<b>Total group revenue and other income</b>			<b>287,159</b>
EBITDA	(3,566,589)	4,254	(3,562,335)
<i>Unallocated expense</i>			
Depreciation			(223,805)
Interest income			89,755
Finance costs			(51,866)
<b>Loss before income tax</b>			<b>(3,748,251)</b>
Income tax expense			-
<b>Loss after income tax expense</b>			<b>(3,748,251)</b>

#### **(b) Segment assets**

**As at 30 June 2021**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 2: OPERATING SEGMENTS (continued)

	Mining and Exploration Operations	Agricultural Operations	Total
	\$	\$	\$
<b>As at 30 June 2020</b>			
Segment assets	57,017,857	1,056,929	58,074,786
Inter-segment eliminations			(891,046)
			<u>57,183,740</u>
<i>Unallocated assets</i>			
Cash and cash equivalent			12,124,402
Trade and other receivables			291,731
Other assets			11,037
Financial assets			303,367
Right of use assets			3,885,025
Intangible assets			56,603
Land and buildings			15,846,413
<b>Total assets</b>			<u><b>89,702,318</b></u>

### (c) Segment liabilities

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

	Mining and Exploration Operations	Agricultural Operations	Total
	\$	\$	\$
<b>For the year ended 30 June 2020</b>			
Segment liabilities	1,585,251	1,277,785	2,863,036
Inter-segment eliminations			(891,046)
			<u>1,971,990</u>
<i>Unallocated liabilities</i>			
Employee benefits provisions			204,467
Lease liability			3,902,385
<b>Total liabilities</b>			<u><b>6,078,842</b></u>

The information on segment assets and segment liabilities for the year ended 30 June 2020 have been updated to align with the current year presentation.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 3: OTHER INCOME**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Government grants	100,840	99,160
Fair value movement of financial assets at fair value through profit and loss	4,506,237	-
Net gain on derecognition of financial assets at fair value through profit and loss	208,158	-
Net gain on disposal of subsidiaries (refer note 20)	2,557,699	-
Gain on sales of property, plant and equipment	11,877	943
Fair value measurement of livestock	161,040	12,284
Rental income	78,948	72,053
	<u>7,624,799</u>	<u>184,440</u>

### **NOTE 4: INCOME TAX**

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

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Operating loss before income tax	<u><b>5,359,259</b></u>	<u><b>(3,748,251)</b></u>
Prima facie income tax benefit/(expense) at 26% (2020: 27.5%) on operating profit/(loss)	(1,393,407)	(1,030,769)
Add tax effect of:		
Tax losses and temporary differences not recognised	1,393,407	1,030,769
Non temporary differences	-	-
<b>Income tax attributable to operating (loss)/profit</b>	<u><b>-</b></u>	<u><b>-</b></u>

Directors are of the view that there is insufficient probability that the Group will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

#### **(b) Deferred tax assets and (liabilities) are attributable to the following:**

Exploration expenditure	6,875,367	6,103,505
Tax losses	(6,875,367)	(6,103,505)
	<u>-</u>	<u>-</u>

#### **(c) Tax losses**

Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for non temporary differences	41,477,184	34,273,921
Potential tax benefit at 26% (2020: 27.5%)	<u>10,784,068</u>	<u>9,425,328</u>

#### **(d) Unrecognised temporary differences**

Non-deductible amounts as temporary differences	836,727	602,740
Accelerated deductions for book compared to tax	-	-
Total	<u>11,620,795</u>	<u>10,028,069</u>
Potential effect on future tax expense	<u>11,620,795</u>	<u>10,028,069</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 5: CASH AND CASH EQUIVALENTS**

	2021 \$	2020 \$
<b>Current</b>		
Cash and cash equivalent	31,420,960	12,124,402

Cash and cash equivalents include investment in redeemable preference shares of \$1,240,093 (refer to Note 17(b)). This investment matures on 30 September 2021 and can be redeemed earlier in line with withdrawal schedule.

### **NOTE 6: TRADE AND OTHER RECEIVABLES**

	2021 \$	2020 \$
<b>Current</b>		
GST	164,159	170,091
Prepayment	52,683	108,625
Other receivables	31,236	13,015
	<u>248,078</u>	<u>291,731</u>

### **NOTE 7: INVENTORY – LIVESTOCK**

	2021 \$	2020 \$
<b>Current</b>		
Livestock	371,041	229,683

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).

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 8: FINANCIAL ASSETS**

	2021 \$	2020 \$
<b>Current</b>		
<b>Financial assets at fair value through profit or loss</b>		
Investment in Listed Shares	7,440,000	-
Investment in Unlisted Options	4,496,593	-
Total	11,936,593	-
<b>Non-current</b>		
Performance guarantee bonds	207,867	303,367

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

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

#### Financial assets at fair value through profit or loss

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

#### Impairment of financial assets

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

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.

### **NOTE 9: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES**

	2021 \$	2020 \$
<b>Non-current</b>		
Exploration expenditures		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase		
Opening balance	56,788,308	51,331,641
Government grants	(200,000)	-
Disposals through disposal of subsidiaries	(6,627,529)	-
Expenditure in the year	8,402,610	5,456,667
Closing balance	58,363,389	56,788,308

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 9: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES (continued)**

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.

As part of the purchase consideration of the Bowdens Silver project in 2016, there was a provision of 1% Gross Revenue Royalty. This has been accounted for as contingent consideration at the acquisition date and had been assessed at nil. On 29 January 2020, the Group acquired this Royalty for a period, which is the equivalent of approximately four years of production at the Bowdens Silver Project or approximately 20 million ounces of silver, with the estimated value of \$1,900,000. This reflects the remeasurement of the fair value of the contingent consideration and has been recognised in profit or loss during the year ended 30 June 2020.

### **NOTE 10: INTANGIBLE ASSETS**

	2021	2020
	\$	\$
<b>Non-current</b>		
Opening balance	56,603	1,740,000
Additions	797,344	796,603
Exercised	-	(2,480,000)
Closing balance	853,947	56,603

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 \$797,344 (June 2020: \$796,603) during the year.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 11: LAND AND BUILDINGS**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current</b>		
Properties at cost	18,341,437	16,549,501
Accumulated Depreciation	(759,245)	(703,089)
	<b>17,582,192</b>	<b>15,846,412</b>

#### *Reconciliations*

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

	<b>Land</b>	<b>Buildings</b>	<b>Buildings improvements</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>				
Balance at 1 July 2019	8,330,121	217,586	133,338	8,681,045
Additions	6,851,193	409,100	-	7,260,293
Depreciation expense	-	(13,373)	(81,553)	(94,926)
Balance at 30 June 2020	15,181,344	613,313	51,785	15,846,412
Additions	1,791,936	-	-	1,791,936
Depreciation expense	-	(16,977)	(39,179)	(56,156)
Balance at 30 June 2021	<b>16,973,250</b>	<b>596,336</b>	<b>12,606</b>	<b>17,582,192</b>

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

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

Buildings	40 years
Building improvements	4-8 years

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

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

	2021 \$	2020 \$
Plant and equipment - at cost	5,075,806	4,871,212
Less: accumulated depreciation	(999,530)	(820,438)
	<u>4,076,276</u>	<u>4,050,774</u>

#### *Reconciliations*

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

<b>Consolidated</b>	<b>Plant &amp; Mining Equipment \$</b>	<b>Office &amp; Camp Equipment \$</b>	<b>Motor Vehicles \$</b>	<b>Other Assets - Farming \$</b>	<b>Right of use Assets \$</b>	<b>Computer Equipment \$</b>	<b>Total \$</b>
Balance at 1 July 2019	57,643	33,205	166,809	2,882	-	1,065	261,604
Adoption of AASB 16 Lease					3,911,098		3,911,098
Additions	-	-	38,296	1,445	-	-	39,741
Disposals	-	-	(18,148)	-	-	-	(18,148)
Depreciation expense	(15,597)	(25,252)	(71,530)	(4,058)	(26,074)	(1,065)	(143,521)
Balance at 30 June 2020	42,046	7,953	115,427	324	3,885,024	-	4,050,774
Additions	126,200	-	108,994	36,142	-	5,985	277,321
Disposals	-	-	(34,941)	-	-	-	(34,941)
Depreciation expense	(21,145)	(7,711)	(28,991)	(461)	(156,444)	(2,126)	(216,878)
Balance at 30 June 2021	<u>147,101</u>	<u>242</u>	<u>160,489</u>	<u>36,005</u>	<u>3,728,580</u>	<u>3,859</u>	<u>4,076,276</u>

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 asset, 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.

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 12: PROPERTY, PLANT AND EQUIPMENT (continued)**

The Group has leasehold arrangement that commenced on 1 May 2020 for 25 years. At the reporting date, the Group had commenced drilling activities and had ongoing rehabilitation activities carried out as required.

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**

	2021	2020
	\$	\$
<b>Current</b>		
Trade creditors and accruals	1,392,754	962,753

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

### **NOTE 14: EMPLOYEE BENEFITS PROVISIONS**

	2021	2020
	\$	\$
<b>Current</b>		
Employee benefits provisions	306,186	204,467

#### *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: LOANS AND BORROWINGS**

	2021	2020
	\$	\$
<b>Current</b>		
Bank loan	-	1,009,237

#### *Assets pledged as security*

As at 30 June 2020, the bank loan was secured by the mortgages over the consolidated entity's land with variable interest rate at 4.06%. The loan was fully repaid during the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 16: LEASE LIABILITY

	2021 \$	2020 \$
<b>Current</b>		
Lease liabilities	59,731	53,796
	59,731	53,796
<b>Non-current</b>		
Lease liabilities	3,788,858	3,848,589
	3,788,858	3,848,589
<b>Total</b>	3,848,589	3,902,385

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.

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

	2021 \$	2020 \$
Interest expenses	96,954	16,287
Depreciation expenses	156,444	26,074
	<b>253,398</b>	<b>42,361</b>

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	155,273	159,931	509,160	4,468,777	5,293,141	3,848,589

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 17: CAPITAL AND RESERVES

#### (a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
12-Jul-19	Issued capital	55,000,000	0.050	2,750,000
23-Jul-19	Capital raising costs			(179,349)
1-Aug-19	Options conversion	10,886,523	0.060	653,191
28-Aug-19	Issued capital	3,000,000	0.050	150,000
13-Sep19	Issued capital	100,000,000	0.100	10,000,000
13-Sep19	Capital raising costs			(704,551)
20-Dec-19	Options conversion	636,875	0.060	38,213
20-Jan-20	Issued capital	12,000,000	0.100	1,200,000
3-Apr-20	Options conversion	5,550	0.060	333
21-May-20	Issued capital	304,878	0.082	25,000
27-May-20	Issued capital	129,500,000	0.100	12,950,000
4-Jun-20	Capital raising costs			(809,816)
30-Jun-20	Options conversion	787,000	0.060	47,220
<b>30-Jun-20</b>		<b>1,010,125,021</b>		<b>109,987,534</b>
Aug-20	Options conversion	10,461,263	0.060	627,676
Sep-20	Options conversion	2,042,550	0.060	122,553
Sep-20	Options conversion	3,850,000	0.100	385,000
Sep-20	Capital Raising costs	-	-	(3,487)
Nov-20	Options conversion	64,848	0.060	3,891
Dec-20	Options conversion	753,640	0.060	45,218
Dec-20	Issued capital	500,000	0.100	50,000
Dec-20	Capital Raising costs	-	-	(9,387)
Dec-20	Issued capital	10,000,000	0.100	1,000,000
Dec-20	Options conversion	487,000	0.060	29,220
Dec-20	Realisation from share-based payment reserve	-	-	160,388
Jan-21	Options conversion	2,425,211	0.060	145,513
Jan-21	Options conversion	1,256,664	0.060	75,400
Feb-21	Options conversion	6,093,420	0.060	365,605
Feb-21	Issued capital	136,363,637	0.220	30,000,000
Feb-21	Capital Raising costs	-	-	(1,850,868)
Mar-21	Options conversion	2,820,749	0.060	169,245
Mar-21	Capital Raising costs	-	-	(1,922)
Mar-21	Options conversion	100,000	0.100	10,000
Apr-21	Options conversion	926,238	0.060	55,574
May-21	Options conversion	2,079,933	0.060	124,796
May-21	Options conversion	525,000	0.100	52,500
May-21	Capital Raising costs	-	-	(1,922)
Jun-21	Options conversion	5,392,232	0.060	323,535
Jun-21	Options conversion	425,000	0.100	42,500
Jun-21	Capital Raising costs	-	-	(1,922)
Jun-21	Realisation from share-based payment reserve			570,562
<b>30-Jun-21</b>		<b>1,196,692,406</b>		<b>142,477,202</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 17: CAPITAL AND RESERVES (continued)**

#### **(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 2021 details of Listed and Unlisted Options are as follows:

Details	Number	Exercise price	Expiry date
Listed options	94,477,361	\$0.06	6-Sep-2021
Unlisted options	3,600,000	\$0.10	1-Aug-2021
Unlisted options	5,000,000	\$0.20	3 years from milestone achievement <sup>1</sup>
<b>Total</b>	<b>103,077,361</b>		

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.

#### **Movements in options**

	2021 Number	2020 Number
Balance at the beginning of the financial year	143,568,109	103,597,057
Options lapsed	-	-
Options exercised	(40,490,748)	(11,528,948)
Options issued	-	51,500,000
Balance at the end of the financial year	<b>103,077,361</b>	<b>143,568,109</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 17: CAPITAL AND RESERVES (continued)**

#### **(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 28 October 2020 and approved by shareholders of Silver Mines at the Annual General Meeting of the Company on 27 November 2020. The Remaining Deferred Consideration is valued at \$2,000,000.

	2021 \$	2020 \$
<b>Movements in reserves</b>		
Balance at the beginning of the financial year	4,149,020	4,000,000
Share capital reserve movement	(1,000,000)	(1,000,000)
Share based payment reserve movement	(730,950)	1,149,020
Balance at the end of the financial year	<b>2,418,070</b>	<b>4,149,020</b>

#### **(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 2020, 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
01 August 2019	01 August 2021	8,500,000	\$0.08	\$0.10	111.14%	0.59%	\$354,104
23 August 2019	6 September 2021	2,000,000	\$0.10	\$0.06	110.35%	0.59%	\$127,856

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 17: CAPITAL AND RESERVES (continued)**

The options valued at the market price at the grant date are as follows:

Grant date	Expiry date	Number of options	Market price of options	Fair value at grant date
29 January 2020	6 September 2021	12,000,000	\$0.006	\$700,000

No options are granted during the year.

### **NOTE 18: RELATED PARTY TRANSACTIONS**

#### **(a) Key Management Personnel**

The names and positions held of Group key personnel are:

<b>Key Management Personnel</b>	<b>Position</b>
Keith Perrett	Non-Executive Chairman
Anthony McClure	Managing Director
Peter Langworthy	Non-Executive Director (resigned 25 May 2021)
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:

	2021 \$	2020 \$
Short-term employee benefits	725,959	610,219
Post-employment benefits	39,041	29,281
Share based payment	-	136,022
	765,000	775,522

#### **(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 \$80,000 (2020: \$40,000) in relation to corporate advisory, capital raising and underwriting services; Enrizen Pty Ltd received \$635 (2020: \$2,250) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$107,102 (2020: \$42,407) in relation to legal services; Enrizen Accounting Pty Ltd received \$120,000 (2020: \$102,000) in relation to accounting services; and the Company withdrew \$400,000 (2020: \$Nil) investment in Redeemable Preference Shares in Enable Investments Pty Ltd. During the period, the Company earned distribution income of \$69,960.90 (2020: \$70,132.46) which was reinvested, in relation to the investment in Redeemable Preference Shares.

Further to these transactions the Company also employed a family member of a key management personnel with a total remuneration package of \$136,875 (2020: \$120,000).



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 18: RELATED PARTY TRANSACTIONS (continued)**

#### **(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  
Webbs Resources Pty Ltd (until 31 March 2021)  
Conrad Resources Pty Ltd (until 31 March 2021)

### **NOTE 19: PARENT ENTITY INFORMATION**

#### **Statement of profit or loss and other comprehensive income**

	Parent	
	2021	2020
	\$	\$
Profit / (loss) after income tax	5,954,147	(3,148,634)
Total comprehensive income/(loss)	5,954,147	(3,148,634)

#### **Statement of financial position**

	Parent	
	2021	2020
	\$	\$
Total current assets	42,824,274	11,795,326
Total assets	124,889,113	85,887,166
Total current liabilities	688,212	298,894
Total liabilities	688,212	298,894
Equity		
Issued capital	144,895,271	114,136,554
Retained profits	(20,694,370)	(28,548,281)
Total equity	124,200,901	85,588,273

### **NOTE 20: DISPOSAL OF SUBSIDIARIES**

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

The consideration comprised the following:

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 20: DISPOSAL OF SUBSIDIARIES (continued)**

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

### **NOTE 21: RECONCILIATION OF OPERATING PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Operating profit/(loss) after income tax	5,359,259	(3,748,251)
Depreciation	273,034	223,805
Employee provisions	101,719	(27,039)
Fair value for contingent consideration expenses	-	1,899,900
Fair value measurement of livestock	(161,040)	12,284
Borrowing cost amortisation	3,111	11,037
Interest expense on AASB 16 lease accounting	96,954	-
Gain on sales of non-current assets	(11,877)	-
Fair value movement of financial assets at fair value through profit and loss	(4,506,237)	-
Net gain on disposal of subsidiaries	(2,557,699)	-
Net gain on derecognition of financial assets at fair value through profit and loss	(208,158)	-
Share based payment	-	321,164
	(1,610,934)	(1,307,100)
<i>Movements in working capital:</i>		
(Increase)/decrease in receivables and prepayments	(110,878)	(94,565)
(Increase)/decrease in inventory	19,682	(45,243)
Increase/(decrease) in payables and provision	74,104	(4,420)
<b>Net cash outflows from operating activities</b>	<b>(1,628,026)</b>	<b>(1,451,328)</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 22: 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
<b>Consolidated - 2021</b>						
Financial assets at fair value through profit or loss						
- Investment in listed shares	10%	744,000	744,000	8%	595,200	595,200
- Investment in unlisted options	10%	449,659	449,659	8%	359,727	359,727

##### **(iii) Cash flow and fair value interest rate risk**

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### NOTE 22: FINANCIAL INSTRUMENT DISCLOSURES (continued)

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

	Floating interest rate	Fixed interest rate maturing		Non-interest bearing	Total
	\$	Within 1 year	Over 1 year	\$	\$
<b>2021</b>					
<b>FINANCIAL ASSETS</b>					
Cash assets	31,420,960	-	-	-	31,420,960
Performance guarantee bonds	-	-	-	207,867	207,867
Financial assets at fair value through Profit and Loss	-	-	-	11,936,593	11,936,593
Other financial assets	-	-	-	248,078	248,078
	<u>31,420,960</u>	<u>-</u>	<u>-</u>	<u>12,392,538</u>	<u>43,813,498</u>
<b>FINANCIAL LIABILITIES</b>					
Payables (current)	-	-	-	(1,392,754)	(1,392,754)
Lease liabilities	-	(59,731)	(3,788,858)	-	(3,848,589)
	<u>-</u>	<u>(59,731)</u>	<u>(3,788,858)</u>	<u>(1,392,754)</u>	<u>(5,241,343)</u>
<b>NET FINANCIAL ASSETS/(LIABILITIES)</b>	<b>31,420,960</b>	<b>(59,731)</b>	<b>(3,788,858)</b>	<b>10,999,784</b>	<b>38,572,155</b>
<b>2020</b>					
<b>FINANCIAL ASSETS</b>					
Cash assets	12,124,402	-	-	-	12,124,402
Performance guarantee bonds	-	-	-	303,367	303,367
Other financial assets	-	-	-	291,731	291,731
	<u>12,124,402</u>	<u>-</u>	<u>-</u>	<u>595,098</u>	<u>12,719,500</u>
<b>FINANCIAL LIABILITIES</b>					
Payables (current)	-	-	-	(962,753)	(962,753)
Borrowings (current)	(1,009,237)	-	-	-	(1,009,237)
Lease liabilities	-	(53,796)	(3,848,589)	-	(3,902,385)
	<u>(1,009,237)</u>	<u>(53,796)</u>	<u>(3,848,589)</u>	<u>(962,753)</u>	<u>(5,874,375)</u>
<b>NET FINANCIAL ASSETS/(LIABILITIES)</b>	<b>11,115,165</b>	<b>(53,796)</b>	<b>(3,848,589)</b>	<b>(367,655)</b>	<b>6,845,125</b>

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 22: FINANCIAL INSTRUMENT DISCLOSURES (continued)**

#### **(b) Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised financial 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 4.

#### **(c) Liquidity risk**

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

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

#### **(d) Net fair values**

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

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

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

#### **(e) Sensitivity analysis**

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

#### **(f) Fair value hierarchy**

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

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

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 22: FINANCIAL INSTRUMENT DISCLOSURES (continued)**

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Consolidated - 2021</b>				
Assets				
Financial assets at fair value through profit or loss				
- Investment in listed shares	7,440,000	-	-	7,440,000
- Investment in unlisted options	-	4,496,593	-	4,496,593
Performance guarantee bonds	207,867	-	-	207,867
<b>Total assets</b>	<b>7,647,867</b>	<b>4,496,593</b>	<b>-</b>	<b>12,144,460</b>
<b>Consolidated - 2020</b>				
Assets				
Financial assets at fair value through profit or loss				
- Investment in listed shares	-	-	-	-
- Investment in unlisted options	-	-	-	-
Performance guarantee bonds	303,367	-	-	303,367
<b>Total assets</b>	<b>303,367</b>	<b>-</b>	<b>-</b>	<b>303,367</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 23: EARNINGS PER SHARE**

	<b>2021 Cents</b>	<b>2020 Cents</b>
Basic earnings per share	0.49	(0.44)
Diluted earnings per share	0.45	(0.44)
	<b>Number</b>	<b>Number</b>
<b>Basic earnings per share</b>		
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic earnings per share	<b>1,083,678,215</b>	<b>856,100,176</b>
<b>Diluted earnings per share</b>		
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of shares used in calculating basic earnings per share	1,083,678,215	856,100,176
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	86,351,221	-
Contingent issuable shares	24,410,959	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>1,194,440,395</b>	<b>856,100,176</b>
	<b>2021 \$</b>	<b>2020 \$</b>
<b>Reconciliation of earnings used in calculating basic and diluted earnings per share</b>		
Earnings used in calculating basic and diluted earnings per share	<b>5,359,259</b>	<b>(3,748,251)</b>

### **NOTE 24: 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:

	<b>2021 \$</b>	<b>2020 \$</b>
<i>Audit services - Crowe Sydney</i>		
Audit or review of the financial statements	58,593	53,529

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **NOTE 25: COMMITMENTS**

2021	2020
\$	\$

#### **Capital commitments**

Committed at the reporting date but not recognised as liabilities, payable:

Intangible assets

Option Purchase	12,460,000	6,927,500
Land Purchase	1,917,000	-

Tenement minimum spend for a year	2,843,376	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 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	3,607,000	5,770,000	5,000,000	0	14,377,000	14,377,000

To maintain the right to a tenement the Group is committed to a minimum spend on the tenement in a 12-month period

### **NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE**

#### **Securities**

Subsequent to the reporting date, the following new shares were issued following the exercise of options with an exercise price of \$0.06 per share:

- 6,807,715 shares issued on 2 July 2021
- 2,984,604 shares issued on 30 July 2021
- 3,997,902 shares issued on 11 August 2021
- 6,856,910 shares issued on 24 August 2021
- 70,347,830 shares issued on 13 September 2021 (with the balance of SVLOB Options expiring on 6 September 2021)

On 30 July 2021, 3,600,000 new shares were issued following the exercise of options issued under the Employee Incentive Plan as outlined in the Company's Notice of 2018 Annual General Meeting published to the ASX on 31 October 2018, with an exercise price of \$0.10 per share.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021****NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE (continued)****COVID-19 Response**

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

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

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

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

**NOTE 26: COMPANY DETAILS**

The registered office and principal place of business of the Group is:  
Silver Mines Limited  
Level 11  
52 Phillip Street,  
Sydney NSW 2000  
Australia

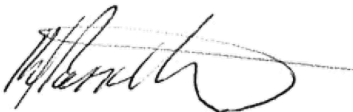
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**DIRECTORS' DECLARATION**

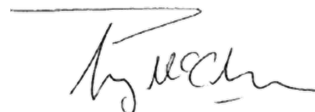
The directors declare that:

- 1 The financial statements and notes, as set out on pages 27 to 57 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the *Corporations Regulations 2001*;
  - (b) give a true and fair view of the financial position as at 30th June 2021 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



**Anthony McClure**  
Managing Director

**24 September 2021**

# 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 2021, 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 2021 and of its financial performance for the year then ended;
- (b) and complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

*Liability limited by a scheme approved under Professional Standards Legislation.*

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

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

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## Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
<b>Recognition of Deferred Exploration and Development Expenditure – Note 9</b>	
<p>The carrying amount of deferred exploration and development expenditure was a significant component of the Group's total assets at \$58,363,389 at 30 June 2021.</p> <p>As outlined in Note 8 of the financial report, the application of the Group's accounting policy in respect of capitalised (deferred) exploration and development expenditure required significant judgment, as follows:</p> <ul style="list-style-type: none"> <li>• The assessment of areas of interest;</li> <li>• Relating the expenditure to an area of interest; and</li> <li>• Determining the extent to which expenditure is expected to be recouped through successful development of the area.</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessed the Group's accounting policy in conjunction with the requirements of AASB 6 – Exploration for and Evaluation of Mineral Resources.</li> <li>• Evaluated the Group's processes and controls in relation to the recognition and deferral of exploration and development expenditure.</li> <li>• Selected a sample of deferred exploration and development expenditure, tested the allocation of the expenditure to the project referenced, and checked that the capitalisation (deferral) of expenditure was in accordance with the Group's accounting policy.</li> <li>• Checked the Group's ownership interest of each of the tenements to which the deferred exploration and development expenditure relates.</li> </ul>

<b>Consideration of Impairment for Deferred Exploration and Development Expenditure - Note 9</b>	
<p>Furthermore, exploration assets are required to be tested for impairment when facts and circumstances suggest that the carrying amount of deferred exploration and evaluation asset may exceed its recoverable amount.</p> <p>This required a high degree of judgement by directors, particularly in respect of impairment indicators which included:</p> <ul style="list-style-type: none"> <li>• The Group's title to the tenement lapses;</li> <li>• The Group ceasing to explore, or is unable to fund the minimum capital commitments to maintain the tenement title; and</li> <li>• Reports indicating the asset will not be viable because of the impact of changes in the industry, geography of project, committed expenditure and tenement expiry date.</li> </ul>	<p>We challenged the directors' assumptions that supported the evaluation of impairment indicators and:</p> <ul style="list-style-type: none"> <li>• Obtained the Group's budgets and drilling programs and checked whether they covered the committed expenditure before the expiry date.</li> <li>• Checked that substantive deferred exploration and development expenditure was planned and budgeted for each tenement.</li> <li>• Assessed the Group's capacity to fund future committed exploration expenditure.</li> <li>• Checked the Group's ownership interest for each of the tenements to which the deferred exploration expenditure relates.</li> </ul>

## Key Audit Matter

## How we addressed the Key Audit Matter

**Disposal of 100% share ownerships in subsidiaries – Note 20**

The divestment of 100% shares in two subsidiaries that held the Webbs and Conrad projects was a significant transaction that resulted in material balances which included:

- Recognition of net gain on disposal of \$2,557,699;
- Recognition of financial assets of \$8,350,350 at the transaction price; and
- Derecognition of deferred exploration and development expenditure assets of \$6,627,529.

The transactions required the directors' careful analysis and determination of the correct accounting procedure for the various aspects of the transactions which included:

- The completion date of the transaction and the date of loss of control of Webbs and Conrad;
- The carrying amount of Webbs and Conrad at the date of disposal;
- The amount of the sale consideration received/receivable;
- The fair value at transaction date of the shares and options received as part of the proceeds.

Our procedures included, amongst others:

- Read the Share Sale and Purchase Agreements and company announcements on the Australian Securities Exchange by the buyer and the Company to obtain an understanding of the terms and conditions;
- Checked the date of completion of the transactions;
- Checked the directors' carrying value calculation of assets disposed of;
- Checked the receipt of cash proceeds to bank statements and the receipt of shares and options proceeds to share registry statements;
- Checked the directors' fair value calculation of the shares and options received and the calculation of net gain on disposal.

## 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 2021 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 skepticism 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. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

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

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

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

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the remuneration report included in pages 19 to 25 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Silver Mines Limited, for the year ended 30 June 2021, 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

24 September 2021  
Sydney

**ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 22 SEPTEMBER 2021**

At 22 September 2021 the issued capital in the Company was comprised of:

- 1,291,287,367 fully paid ordinary shares held by 11,890 holders;
- 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<sup>th</sup> October 2017.

Each fully paid ordinary share in the Company entitles the holder to one vote at a meeting of shareholders. Options do not carry voting rights.

At 22 September 2021, the Company has 2,744 shareholders whose holdings are less than a marketable parcel of shares (total value of A\$500, assuming a share price of \$0.10).

**Substantial shareholders at 22 September 2021**

Silver Mines Limited has the following substantial shareholders:

Holder	Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	164,333,070	12.73%

**20 Largest Holders of Ordinary Shares and their holdings at 22 September 2021**

Position	Holder Name	Holding	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	164,333,070	12.73%
2	CITICORP NOMINEES PTY LIMITED	36,039,786	2.79%
3	MR ANTHONY MCCLURE	26,445,313	2.05%
4	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	25,738,771	1.99%
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	24,588,894	1.90%
6	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	13,395,065	1.04%
7	L11 CAPITAL PTY LTD <GASCOYNE FAMILY A/C>	12,000,000	0.93%
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,639,665	0.90%
9	MCCLURE FAMILY SUPER PTY LTD <MCCLURE FAMILY SUPER FUND AC>	10,000,001	0.77%
10	NATIONAL NOMINEES LIMITED	9,768,050	0.76%
11	ALDON FINANCE PTY LTD <GREG RANSOM SUPER FUND A/C>	8,500,000	0.66%
12	MRS GEORGINA SUSAN KING	7,854,688	0.61%
13	MR PHILLIP RICHARD PERRY	7,772,001	0.60%
14	COOLHAND NOMINEES PTY LIMITED <COOLHAND INVESTMENT A/C>	7,266,667	0.56%
15	MURANA PTY LTD <MURANA INVESTMENT A/C>	6,993,201	0.54%
16	MR JINHUA GUAN	6,825,200	0.53%
17	SQUIRRELLY PTY LTD <THE NUTS S/F A/C>	6,390,903	0.49%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,330,350	0.49%
19	HARDER DEVELOPMENTS PTY LTD	6,053,988	0.47%
20	MR GREGORY DONALD RANSOM <GREGORY RANSOM A/C>	6,000,000	0.46%
	<b>Total</b>	<b>380,105,375</b>	<b>31.13%</b>



**Distribution of holders and holdings at 22 September 2021****Fully paid ordinary shares:**

Holdings Ranges	Holders	Total Units	%
1-1,000	301	60,093	0.00%
1,001-5,000	2,792	8,974,057	0.70%
5,001-10,000	1,866	15,287,371	1.18%
10,001-100,000	5,260	202,200,162	15.66%
100,001-9,999,999,999	1,671	1,064,749,606	82.46%
<b>Totals</b>	<b>11,890</b>	<b>1,291,271,289</b>	<b>100.00%</b>

**Unquoted Equity Securities Holdings as at 22 September 2021**

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

## **CORPORATE GOVERNANCE STATEMENT**

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

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the Group's Board of Directors ('Board') and is current as at 24 September 2021.

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

### **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

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

## **Principle 1: Lay solid foundations for management and oversight**

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

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

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

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

**Recommendation 1.2 - A listed entity should:**

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

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

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.

The Board at this stage has no intention of appointing a director in place of former director Mr Peter Langworthy who resigned on 25 May 2021. Should the Board reconsider its decision the Board will employ and following the recommendations above including its Nomination Committee Charter.

**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.

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. It is the Board’s belief that employment should be on a merit-based system and that a diversity policy may hinder this system due to the size of the organisation.

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	0 out of 3 (0%)
In senior executive positions	1 out of 2 (50%)
Across the whole organisation	6 out of 21 (28.57%)

On 22 March 2021, the Company was admitted to the S&P 300 Index. 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 was not admitted to the S&P/ASX 300 Index at the commencement of the reporting period. Nonetheless, Silver Mines notes the recommendation and will consider same in the context of the size and composition of the Board.

**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.

**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 2021 Financial Year, the Group, considered the composition of senior executives within the were employed throughout the period in light of Mr Peter Langworthy's resignation in May 2021. 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:**

- (b) 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,**
- (c) 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**
- (d) 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.**

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

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

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

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

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

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

During the 2021 Financial Year, the Group, considered the composition of the Board in light of Mr Peter Langworthy's resignation in May 2021. The Board determined that notwithstanding Mr Langworthy's departure the relevant expertise was met from a Board perspective and should further technical advice be required the Board would seek to appoint a Board member with such experience.

### **Recommendation 2.3 - A listed entity should disclose:**

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

The Board considers that Keith Perrett 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) 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
- (f) 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.

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 at 28 September (approx.)	Independence status
Anthony McClure	20 <sup>th</sup> June 2016	5 years 3 months	Executive
Keith Perrett	20 <sup>th</sup> June 2016	5 years 3 months	Independent Non-Executive
Jonathan Battershill	16 <sup>th</sup> June 2017	4 year 3 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 2021, two thirds 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 silver and other metals.

The Group's core values include:

- Integrity and Accountability
- Excellence in Performance
- Safety
- Collaboration
- Community

The Group is committed to working by its core values.

**Recommendation 3.2 - A listed entity should:**

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

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

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

**Recommendation 3.3 - A listed entity should:**

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

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

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

**Recommendation 3.4 - A listed entity should:**

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

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

**Principle 4: Safeguard the integrity in corporate reporting**

**Recommendation 4.1 - The board of a listed entity should:**

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

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

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

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 on page 18 of this report.

**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 2021, the Board received a statement from its Managing Director and Company Secretary, who perform the functions of CEO and CFO respectively, declaring that in their opinion, the financial records of the Group have been properly maintained and comply with the appropriate accounting standards.

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

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

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

## **Principle 5: Make timely and balanced disclosure**

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

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

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

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

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

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



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

## **Principle 6: Respect the rights of security holders**

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

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

### **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.**

In the Financial Year 2021, all resolutions put to a meeting of security holders in the Group were decided by poll rather than by a show of hands in accordance with Guidance Note 35 Security Holder Resolutions. This is to support the principle of "one share, one vote" and also supports the ASX stance on voting at general meetings of security holders.

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

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

## **Principle 7: Recognise and manage risk**

### **Recommendations 7.1 and 7.2**

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director,
- (b) and disclose:
  - (i) the charter of the committee;
  - (ii) the members of the committee; and
  - (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (c) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

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

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

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

**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.

**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.

**Principle 8: Remunerate fairly and responsibly**

**Recommendation 8.1 - The board of a listed entity should:**

- (a) have a remuneration committee which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director,
- (b) and disclose:
  - (i) the charter of the committee;
  - (ii) the members of the committee; and
  - (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (c) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

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

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

**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.**

All options issues under Group's equity-based remuneration scheme announced as outlined in the Company's Notice of 2018 Annual General Meeting published to the ASX on 31 October 2018 expired on 1 August 2021. 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.



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