



**SILVER
MINES LIMITED**

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**2020
ANNUAL REPORT**

CONTENTS

CORPORATE DIRECTORY	3
REVIEW OF OPERATIONS	4
INFORMATION ON BOARD	21
REMUNERATION REPORT	22
AUDITORS INDEPENDENCE DECLARATION	29
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	30
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	32
CONSOLIDATED STATEMENT OF CASH FLOWS	33
NOTES TO THE FINANCIAL STATEMENTS	34
DIRECTORS' DECLARATION	59
INDEPENDENT AUDITOR'S REPORT	60
ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 29 SEPTEMBER 2020	65
CORPORATE GOVERNANCE STATEMENT	67

CORPORATE DIRECTORY

Directors

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

Company Secretary

Trent Franklin

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REVIEW OF OPERATIONS

During the 2020 Financial Year, Silver Mines Limited (Silver Mines, the Company or the Group) submitted its Development Application and associated Environmental Impact Statement documentation for the development of the Bowdens Silver Project. The Company also continued with exploration works at Bowdens Silver and at the Barabolar and Tuena Projects. The Company also maintained the Webbs and Conrad Projects.

PROJECTS

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

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

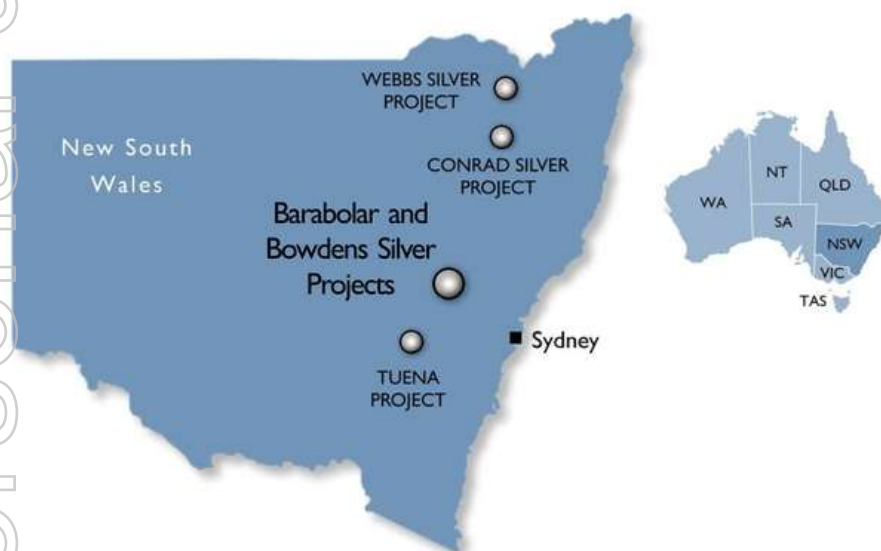


Figure 1. Group Project Locations.

Bowdens Silver Project

Introduction

During the 2020 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 Bowdens Silver Development Application and associated Environmental Impact Statement was completed and submitted during the Financial Year.

The Project comprises 2,007 km² (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).

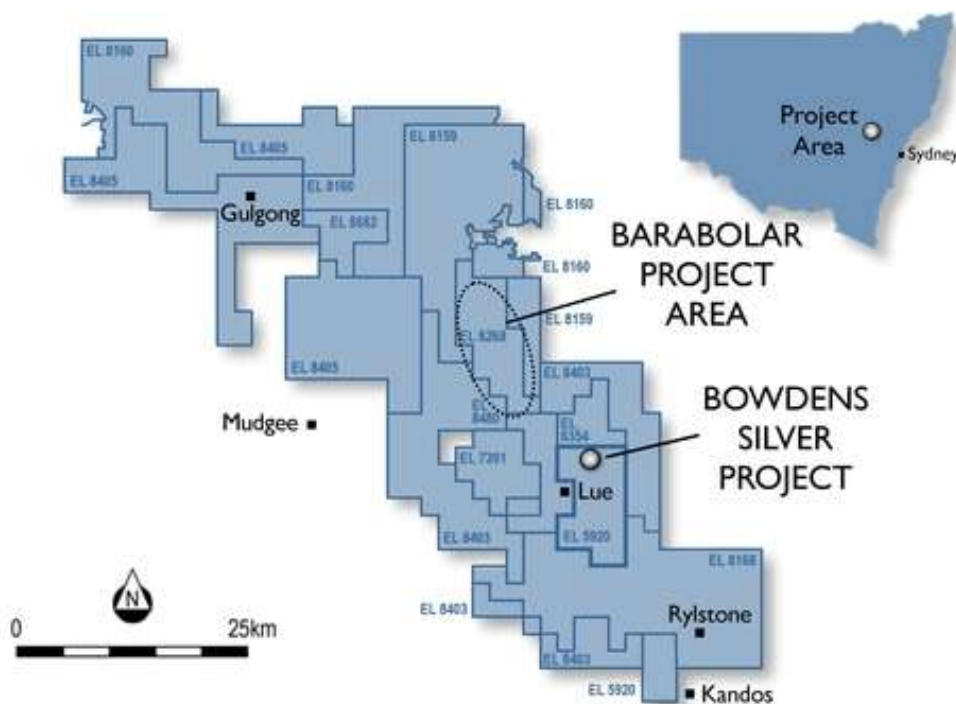


Figure 2: Silver Mines Limited Tenement and Project locations in the Mudgee district.

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.

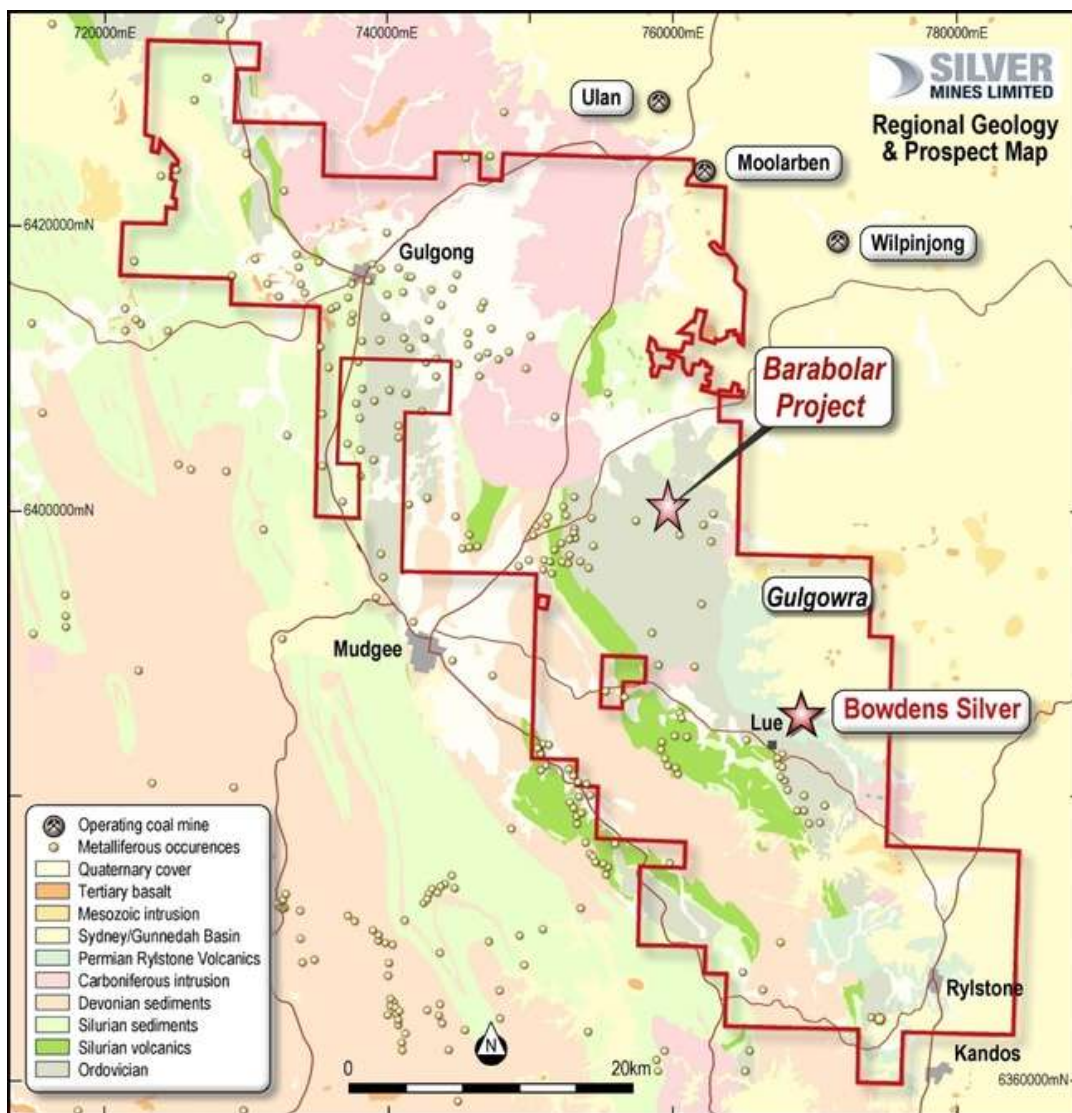


Figure 3: Silver Mines Limited prospect locations in the Mudgee district.

In May 2020, the Company completed and submitted the Bowdens Silver Development Application and associated Environmental Impact Statement. 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 19th 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
Total	29.9	69.01	0.44	0.32	66.32	130.84	95.33

Notes:

1. Refer to ASX announcement 30th 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 19th 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
Total	128	67	40	0.38	0.26	163	275

Notes:

1. Refer to ASX announcement of 19th 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 Application and Environmental Impact Statement

In May 2020, Silver Mines reached the next milestone for the Bowdens Silver Project with the submission of its Development Application (DA) and associated Environmental Impact Statement (EIS) along with supporting technical studies.

The EIS confirms very favourable assessment outcomes and demonstrates a clear path to approval and development with key components including:

- 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 limiting the requirement to source water locally;
- No identified physical human health risk issues of concern;
- Commitment to a progressive rehabilitation plan with rehabilitation occurring throughout the life of the mine;

- No significant impacts upon migratory or threatened species. The Project's biodiversity offset program will see a significant area of land conserved in perpetuity;
- Relocation of a local road around the mine site with the result that the majority of traffic would avoid the local township;
- An Aboriginal Cultural Heritage assessment concluded in conjunction with the local Aboriginal communities with agreement on ongoing management; and
- More broadly, the potential for amenity-related impacts would be managed over the life of the mine through a range of management commitments, monitoring and reporting.

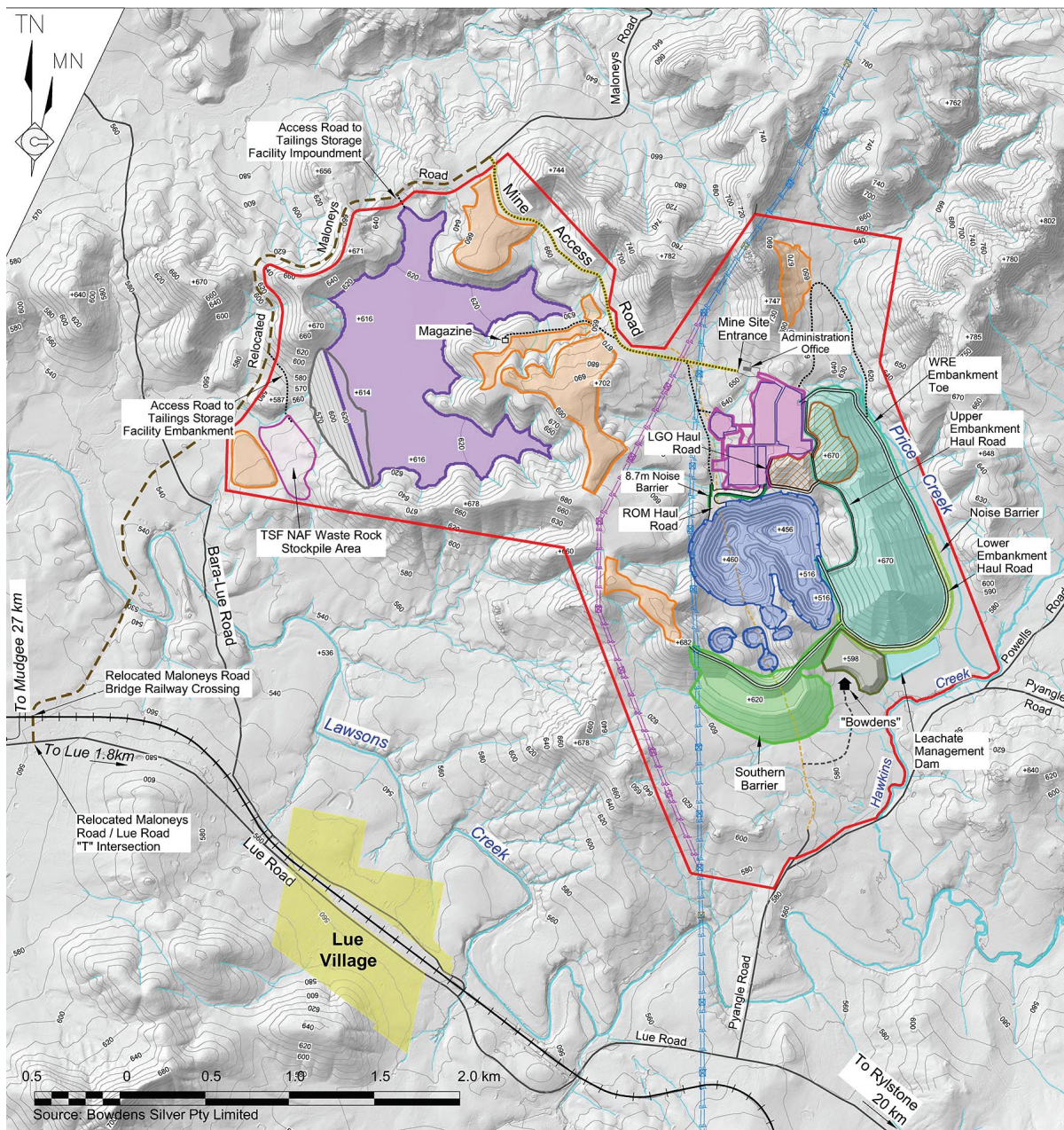
Preparation of the EIS has been a comprehensive process managed and authored by R.W. Corkery & Co with a range of selected independent specialist consultants covering the following disciplines:

- Noise, Vibration and Blasting
- Air Quality
- Health
- Social Impact
- Surface Water
- Groundwater
- Traffic and Transport
- Visibility
- Terrestrial Ecology
- Aquatic Ecology
- Soils and Land Capability
- Aboriginal and Cultural Heritage
- Economic Impact
- Agricultural Impact

A thorough peer review program has been undertaken with regards to the key components of the EIS specialty reports.

This assessment has been supported by a comprehensive community engagement program.

The full Bowdens Silver Environmental Impact Statement can be accessed at the Department of Planning, Industry and Environment website.



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

Figure 4: Bowdens Silver Mine Site Layout.

Bowdens Silver Exploration

Exploration at the Bowdens Silver Project during the 2020 Financial Year comprised a regional gravity survey completed at Bowdens NW, Bundarra and surrounding areas. Following this, up to 10,000 metres of drilling targeting deep zones of high-grade silver mineralisation, massive and semi-massive sulphide zones and the follow-up to the discovery of the porphyritic felsic intrusion beneath the Bowdens Silver Deposit commenced.

Drilling through the Financial Year has added significantly to the understanding of the context of the Bowdens Silver Deposit being located at the periphery of a large Caldera and highlights the potential for analogue deposits. Additionally, an external consultant's review has highlighted the potential for multiple higher-grade silver zones within and proximal to the Bowdens Silver Project). Diamond drilling is continuing with upcoming holes planned to test extensions of existing resources and to infill to the Northwest High-Grade silver zone, which previously returned spectacular high-grade silver results. At the date of this report, the drill program is on-going (refer to Figure 5).

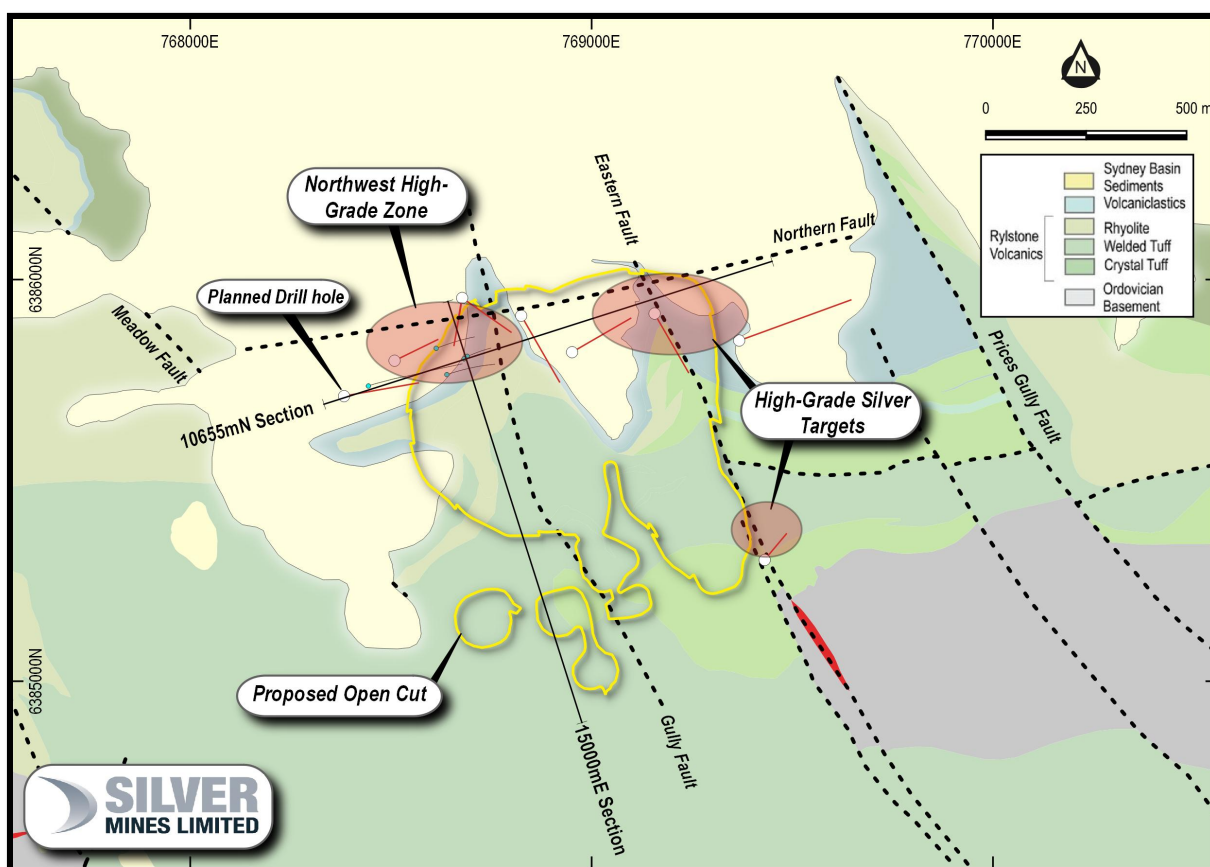


Figure 5: Drilling into high-grade silver targets at the Bowdens Silver Project.

The Northwest High-Grade zone is structurally controlled by fault zones, (the Gully Fault and the Northern Fault) and is situated proximal to the main Bowdens Silver Deposit at depth.

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 also be tested during the diamond drilling campaign.

Silver Mines’ research and development programs are also continuing with further infill gravity geophysical data to be collected across the immediate Bowdens Silver Project area. Previously collected gravity data was on a broad line spacing to efficiently cover the Rylstone Volcanics package of rocks, successfully identifying faults, intrusions and the geometry of a Permian aged Caldera. Recently delineated, within the centre of the Bowdens Deposit, is a quartz-dacite porphyry intrusion, which is moderately north-dipping along an east to west strike through the Bundarra Zone and Main Zone. This intrusion is interpreted to be pre-mineralisation. The relationship of this intrusion to the source of hydrothermal mineralising fluids is not yet established, however it appears the intrusion has created fractures within the surrounding rocks which host the bulk of the silver-lead-zinc mineralisation at Bowdens. Further detailed gravity surveying will aid in identifying the extent of this intrusive, along with the controlling structures for its emplacement and where other intrusives and mineralisation may co-exist.

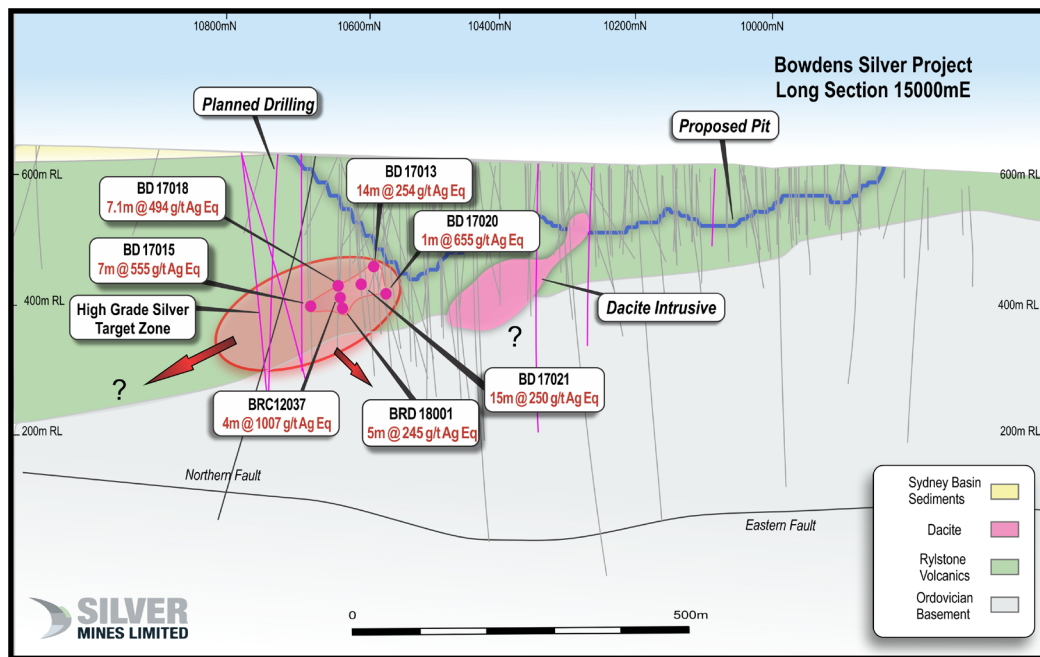


Figure 6. Long section 15000mE through the deposit showing Northwest High-Grade silver zone

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 Cadia-Ridgeway) 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 works have continued to assess and expand the target area.

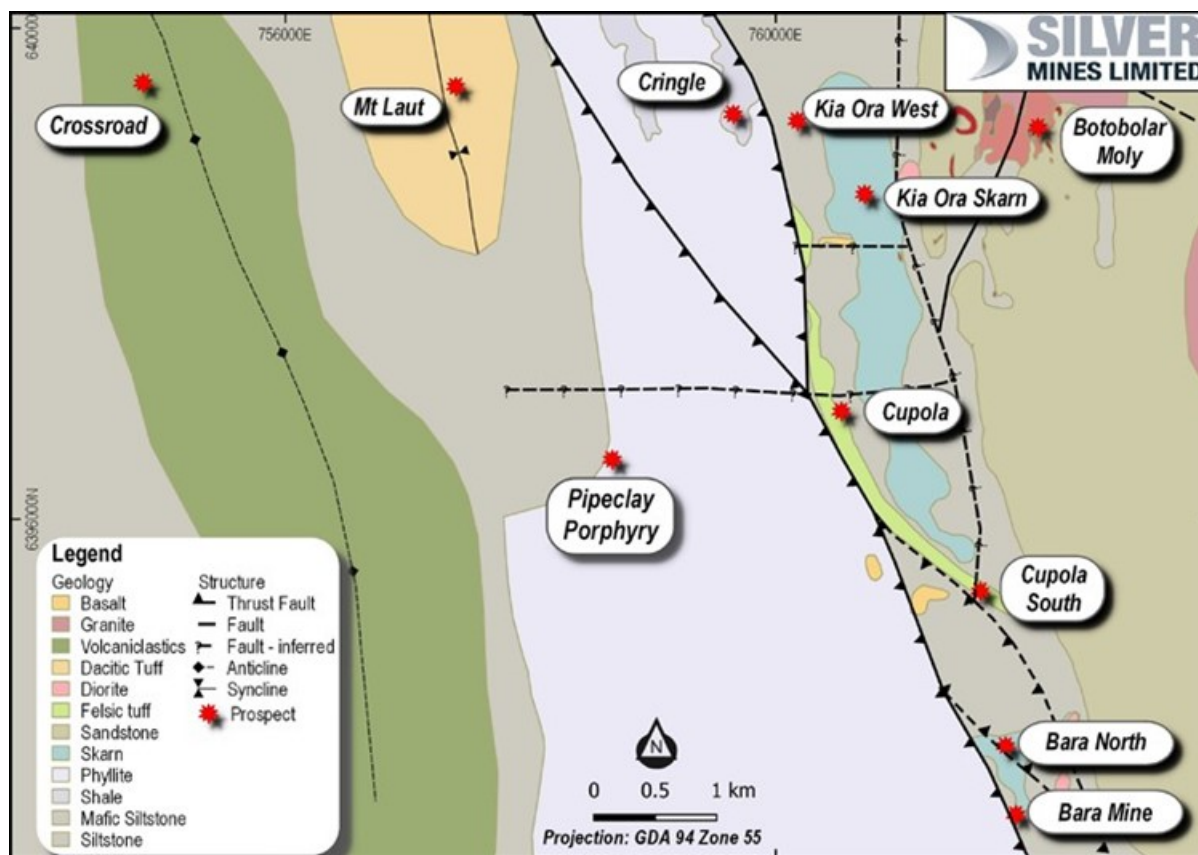


Figure 7: Prospect locations within the Barabolar Project area.

Drilling has confirmed a range of mineralisation styles. Low-grade base-metal mineralisation consisting of galena (lead sulphide), sphalerite (zinc sulphide) and chalcocopyrite (copper iron sulphide) was intersected at the Bara and Cupola targets and these will be followed up in the future.

Drilling at Cringle targeted multiple gold-silver high-grade rock chip samples and associated strong arsenic anomalism in soils, while at Kia Ora West, drilling was targeting a strong IP chargeability anomaly coincident with a copper anomaly in soils.

At Cringle and Kia Ora West, mineralisation appears widespread with multiple structures undergoing hydrothermal activity and deposition of quartz and sulphides. Results indicate that mineralisation in the Cringle area is related to a heat source, which is generating mineralised hydrothermal fluids. This heat source is likely an intrusive such as a porphyry. Based on structural geological analysis, along with a review of metal zoning, this source is most likely beneath and to the west of Cringle.

Drilling of up to 4,000 metres including deeper drilling is also being planned and is expected to be carried out in the 2021 Financial Year.

Tuena Project

During the previous Financial Year, the Group commenced initial exploration works at its 100% held Tuena Project (EL8526) located in the Southern Tablelands to the south of Orange, New South Wales. The area is being targeted for precious metals. In addition, the Company was granted 569 square kilometres of new exploration licences adjoining the Tuena Gold Project and associated with the major Godolphin-Copperhannia-Lake George Fault Corridor (EL8973, 8974, and EL8975). These licences include extensive historic mineral workings as well as prospective stratigraphy and structure. Total holdings in the area are now 747 square kilometres, all 100% held by the Company.

The Tuena Gold Project is situated at the southern end of the highly prospective Hill End Trough, within Silurian and early Devonian volcanic and sedimentary rocks. Mineralisation occurs within splay structures associated with the Copperhannia Thrust Fault. This structure is the continuation of the major Godolphin Fault, which is closely associated with mineralisation at the multi-million ounce McPhillamys Gold Project (Regis Resources) located 60 kilometres to the north (refer Figure 8). To the south, the structural corridor includes the Lake George Thrust Fault, which is associated with structures at the Cullarin gold discovery (Sky Metals). The mineralisation at Tuena is considered to be part of a structurally controlled orogenic gold system and, similarly to McPhillamys and Cullarin, has some association with base-metal anomalism.

The Tuena Gold Project consists of an extensive series of historic hard-rock and alluvial gold mines, which operated from the 1850s until the early 1900s. Mineralisation, as indicated by historic shafts and adits, can be mapped over several kilometres of strike. Mineralisation occurs within splay/horsetail structures associated with an inflection in the Copperhannia Thrust Fault. This structure is part of the major Godolphin-Copperhannia-Lake George Fault Corridor.

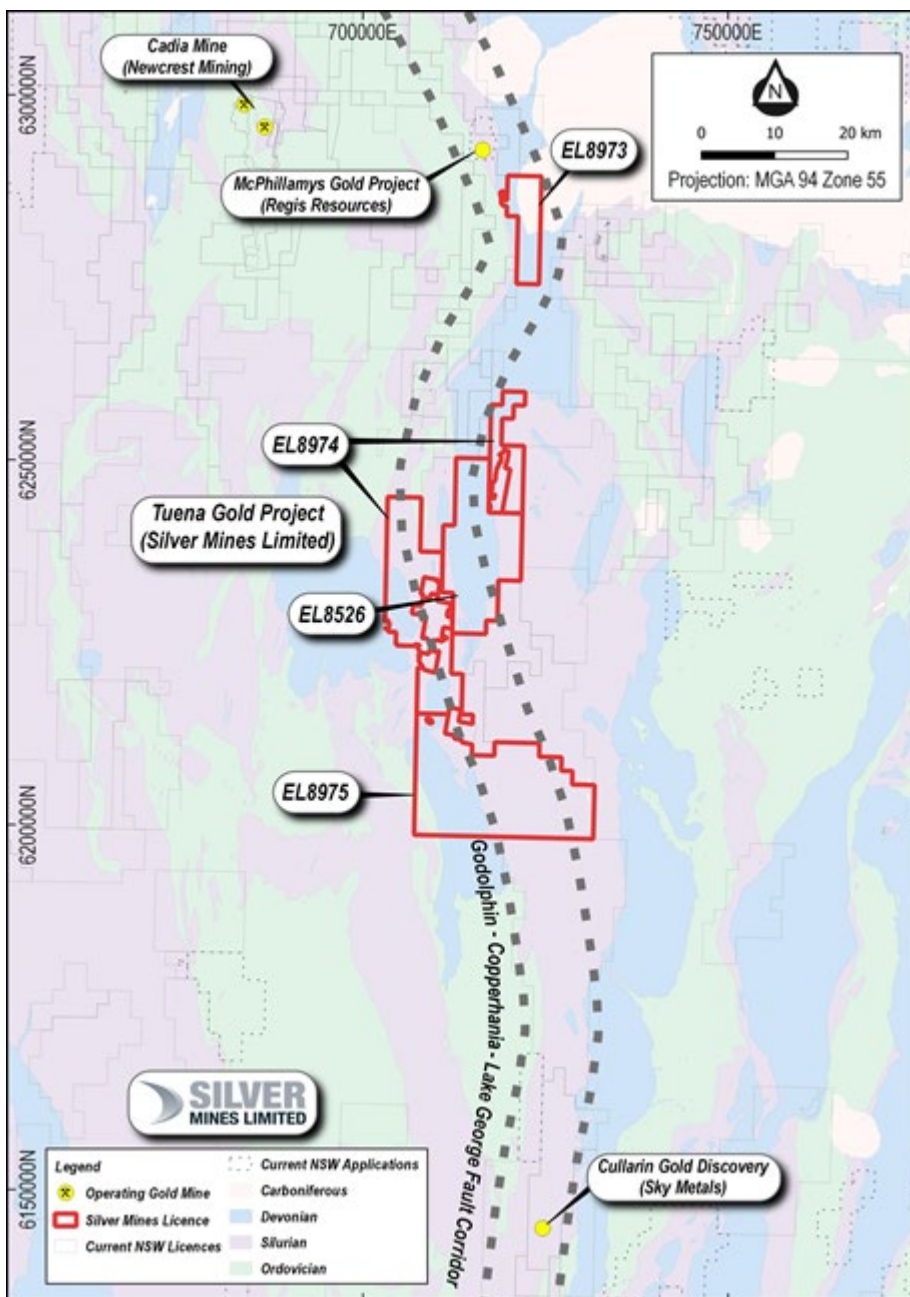


Figure 8: Map showing the Tuena Gold Project.

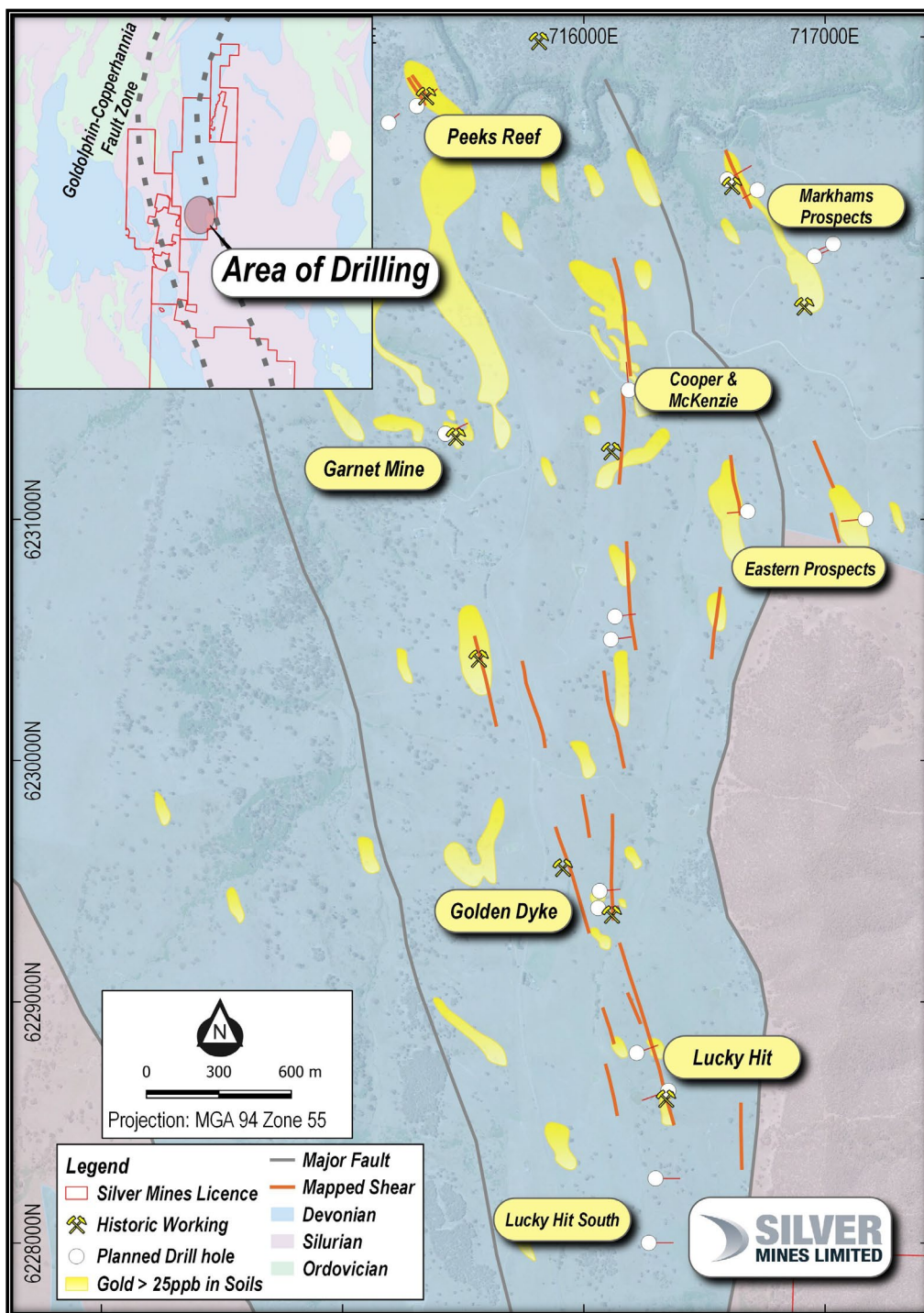


Figure 9: Map showing local scale map of Tuena Gold Project.

During the 2020 Financial Year, a detailed airborne magnetic geophysical survey was completed at Tuena. On ground activity included geochemistry sample collection and reconnaissance mapping. Planning is now complete for the commencement of an initial reverse circulation (RC) and diamond drilling program at the Tuena Gold Project. Despite being an extensive historic gold field, this project has had very little exploration completed in the modern era and the planned drilling campaign will represent the first comprehensive drill investigations. Several targets have gold and base-metal associations (with other pathfinder elements such as tellurium) indicating they are potentially analogous to the structurally controlled McPhillamys (Regis Resources) bulk-tonnage gold deposit. Other targets at Tuena include testing beneath historic hard-rock gold workings for high-grade gold quartz-reef mineralisation, within the extensive 5.4 kilometre by 1.5 kilometre shear complex.

A priority program of 4,000 metres drilling will commence early in the 2021 Financial Year.

Research and Development

The Company has an active research and development (R&D) program to better map and understand the Permian Volcanics and basement Palaeozoic (Ordovician and Silurian) rocks at the Bowdens Project and wider exploration licenses. The R&D programs are ongoing and have, over the past three years, involved Company geoscientists in collaboration with 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.

The R&D project involves developing innovative new technology and processes and includes geological studies on the Bowdens Silver Deposit and particularly the basement rocks and the search for a porphyry source. In addition, site-specific research has been conducted on the Barabolar Project area and elsewhere in the Company's portfolio. The Company has developed and continues to develop 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. Much of the Company's drilling is considered as a test of hypotheses developed by these R&D technologies.

Webbs Silver Project

The Webbs Silver Project (EL5674) is located in the New England region of northern New South Wales approximately 45 kilometres north of Glen Innes and lies within the New England Orogen, which extends from north-eastern New South Wales into eastern Queensland.

The dominant geological feature in the wider region is the Mole Granite which is associated with extensive mineralisation with over 2,000 separate mineral occurrences. At Webbs, mineralisation is hosted in sediments and consists of polymetallic vein lode zones in a narrow two kilometre long north trending zone which is marked by scattered historic workings. The veins contain high grades of silver along with lead, zinc and copper-sulphide mineralisation.

The Webbs Silver Project has some of the highest grades of any undeveloped silver project in Australia. The previous Mineral Resource Estimate was completed under the JORC 2004 code and although it has been reviewed by Silver Mines and is considered to be a reasonable estimate of the mineral system, it has not been updated to the JORC 2012 code. During the 2020 Financial Year, Silver Mines continued to review the Webbs Silver Project and continued its rehabilitation works on the site.

Conrad Silver Project

The Conrad Silver Project (EPL1050, EL5977, ML6040, ML6041 and ML5992) is located in the New England region of northern New South Wales approximately 25 kilometres south of Inverell.

The project is also located in the New England Orogen and is hosted in the Gilgai Granite with the nearby Tingha Granite being the assumed mineralising source. Historically, Conrad was mined underground over a 1.4 kilometre strike length and to a maximum depth of 260 metres. The mineralisation is hosted in sulphide-bearing narrow veins with an additional body of near-surface greisen style disseminated and veinlet sulphide mineralisation, 20 metres to 40 metres wide. Mineralisation consists of high grades of silver along with lead, zinc, tin and copper sulphides and tin oxide (cassiterite). Outside the main line of historic workings, there are more than 20 other historic shafts and diggings that have not yet been adequately tested and as a result, Silver Mines believes that the project has considerable potential to expand beyond the current known mineralised zone.

The previous Mineral Resource Estimate was completed by Malachite Resources Limited under the JORC 2004 code and although it has been reviewed by Silver Mines and is understood to be a reasonable representation of the mineral system, it has not yet been updated to the JORC 2012 code. During the 2020 Financial Year, Silver Mines continued to review the Conrad Silver Project and continued its rehabilitation works on site.

There have been no further drilling or changes to the geological model for either project and as a result the resource estimates have not changed.

For historical mineral resource estimates for the Webbs & Conrad Projects, see page 18 and 19.

Tenement Information as at 30th June 2020

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 ¹	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%
EL 5674	Webbs	NSW	100%
EPL1050	Conrad	NSW	100%
EL 5977	Conrad	NSW	100%
ML 6040	Conrad	NSW	100%
ML 6041	Conrad	NSW	100%
ML 5992	Conrad	NSW	100%

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

CORPORATE

RESULTS AND DIVIDENDS

The loss of the Group for the Financial Year after providing for income tax amounted to \$3,748,251 compared to a loss of \$1,790,920 for the previous year.

The Group incurred exploration and development expenditure of \$5,456,667 during the year (2019: \$3,957,739). The total net assets of the Group stands at \$83,623,476 (2019: \$61,102,466) of which investment in exploration expenditure accounts for \$56,788,308 (2019: \$51,331,641).

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

July Placement

On 5 July 2019, the Group successfully completed a capital raising of \$2.75 million (before costs) to institutional, professional and sophisticated investors (**July Placement**). The July Placement was conducted at an issue price of \$0.05 per share, with participants receiving one SVLOB option (\$0.06 exercise price, expiry 6 September 2021) for every two shares for which they subscribed. The July Placement resulted in the issue of 55,000,000 fully paid, ordinary shares and 27,500,000 options.

The funds raised were utilised for funding exploration at the Barabolar Project, other exploration activities, the completion of the Environmental Impact Statement for the Bowdens Silver Project, associated land acquisitions and for corporate and general working capital purposes.

September Placement

On 9 September 2019, the Group successfully completed a capital raising of \$10 million (before costs) to institutional, professional and sophisticated investors (**September Placement**). The September Placement was conducted at an issue price of \$0.10 per share. The September Placement resulted in the issue of 100,000,000 fully paid, ordinary shares.

The funds raised were applied to the expansion of exploration activities including drilling at the Company's flagship Bowdens Silver Project and Barabolar Project, the completion of the Environmental Impact Statement for the Bowdens Silver Project, associated land acquisitions and for general and working capital purposes.

May Placement

On 27 May 2020, the Group successfully completed a capital raising of \$12 million (before costs) to institutional, professional and sophisticated investors (**May Placement**). The May Placement was conducted at an issue price of \$0.10 per share and resulted in the issue of 120,000,000 fully paid ordinary shares, noting that of those shares, 500,000 shares were subscribed for by related parties of the Group and are subject to shareholder approval.

The funds raised in conjunction with the May Placement have been primarily directed towards the pre-development progression of the Group's Bowdens Silver Project which includes extensional drilling at Bowdens Silver and explorational drilling at the Barabolar Project. Funding was also and continues to be applied to initial drilling at the Group's Tuena Gold Project and will also be make available for land acquisitions, corporate and general working capital purposes.

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

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 Financial Year, the Company carried 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 our business.

The Company adheres 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.

Although there have been significant impacts on capital markets and commodity prices due to the pandemic, it is the Company's view that the medium to long term market fundamentals for mineral commodities including precious metals are strong.

The Company is well positioned to react should COVID-19 pandemic circumstances change.

PREVIOUS AND HISTORICAL MINERAL RESOURCES ESTIMATES

The Mineral Resource Estimates for the Conrads Silver Deposit and the Webbs Silver Deposit were completed under JORC code 2004 and have not been updated to JORC code 2012 and hence are classed as 'historical estimates' and not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the historical estimates of mineral resources in accordance with the JORC 2012 code. It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as a mineral resource in accordance with the JORC code 2012.

The Conrads Silver Deposit Resource Estimate was first presented by Malachite Resources NL on 16th December 2008 based on work by Hellman and Schofield Pty Ltd and disclosed under the JORC code 2004. Since the mineral resource estimate was last calculated there have been no further material drill results from the project and as a result the historical resource estimate has not been updated. It is the intention to continue to review the historical estimates and, in time, update these estimates to be compliant with JORC code 2012. This will be conducted prior to any economic studies, when these historical estimates will be updated accordingly.

The Webbs Silver Deposit Resource Estimate was presented by Silver Mines Limited on 27th February 2012 based on work compiled by GeoRes Pty Ltd and disclosed under the JORC code 2004. Since the mineral resource estimate was last calculated there have been no further material drill results from the project and as a result the historical resource estimate has not been updated. It is the intention to continue to review the historical estimates and, in time, update these estimates to be compliant with JORC code 2012. This will be conducted prior to any economic studies, when these historical estimates will be updated accordingly.

Webb's Mineral Resource Estimate February 2012 ¹							
Resource Category	Tonnes (Million)	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)	Ag Eq (g/t)	Ag Eq (Moz)
Measured	0.194	364	0.29	0.75	1.67	470	2.9
Indicated	0.775	245	0.26	0.70	1.49	341	8.5
Inferred	0.522	201	0.27	0.71	1.61	302	5.1
Total	1.49	245	0.27	0.71	1.56	345	16.5

Webb's Mineral Resource estimate as released by Silver Mines Limited on 27th February 2012. Based on work compiled by GeoRes Pty Ltd. Totals may vary due to rounding.

Notes:

- [1] The Group confirms that it is not aware of any new information received since the original disclosure (27th February 2012) or data that materially affects the information included in this table. The Group confirms that all material assumptions and technical parameters underpinning the mineral resource estimates continue to apply and have not materially changed.
- [2] Webb's silver equivalent calculation based on equal recoveries of all metals based on silver price of US\$17.30 per ounce, copper price of US\$4935 per tonne, lead price of US\$1773 per tonne and zinc price of US\$1871 per tonne as recorded as spot prices on 27th April 2016.
- [3] In the Group's opinion, the silver, lead, copper and zinc included in the metal equivalent calculations have a reasonable potential to be recovered.

Conrad Mineral Resource Estimate December 2008 ¹								
Resource Category	Tonnes (Million)	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)	Tin (%)	Ag Eq (g/t)	Ag Eq (Moz)
Indicated	0.658	128.8	0.24	1.69	0.68	0.28	254.0	5.37
Inferred	1.994	97.6	0.19	1.21	0.48	0.21	190.2	12.19
Total	2.652	105.4	0.20	1.33	0.53	0.22	206.1	17.5

Conrad Mineral Resource estimate as released by Malachite Resources Limited on 16th December 2008. Based on work compiled by Hellman & Schofield Pty Ltd, Geological Consultants. Totals may vary due to rounding.

Notes:

- [1] The Group confirms that it is not aware of any new information received since the original disclosure (16th December 2008) or data that materially affects the information included in this table. The Group confirms that all material assumptions and technical parameters underpinning the mineral resource estimates continue to apply and have not materially changed.
- [2] Conrad silver equivalent is presented as calculated in the original release 16th December 2008 which were AgEq = Ag (g/t) + 22.5 Pb (%) + 20.0 Zn (%) + 73.3 Cu (%) + 203.1 Sn (%) Based on a ratio of metal prices on 8th December 2008 of US\$9.50 per oz Ag, US\$1000/t Pb, US\$1100/t Zn, US\$3100/t Cu, US\$11600/t Sn, estimated Net Smelter Return with factored process recoveries estimated by Malachite Resources on metallurgical testing and previous experience.
- [3] In the Group's opinion, the silver, lead, copper, tin and zinc included in the metal equivalent calculations have a reasonable potential to be recovered.

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; the Webbs Silver Project; the Conrads Silver 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
Peter Langworthy	Non-Executive Director
Jonathan Battershill	Non-Executive Director

Mr Keith Perrett, Non-Executive Chairman

Mr Perrett has had a long involvement in agriculture as a producer and industry leader at local, state, national and international levels. He was formerly Chairman of the Grains Research and Development Corporation (GRDC), the National Rural Advisory Council (NRAC), the Wheat Research Foundation, and President of the Grains Council of Australia. Mr Perrett is Chairman of Acumentis Group Limited (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 Santana Minerals Limited (since December 2019). He is also a past director of Bolnisi Gold NL, Nickel Mines Limited, European Gas Limited and Mekong Minerals Limited.

Mr Peter Langworthy, Non-Executive Director

Mr Langworthy graduated with a Bachelor of Science (Geology) degree (Hons) from Macquarie University in 1986. His career spans 34 years in mineral exploration, project development and management, both in Australia and internationally. His 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 is currently Managing Director of Gateway Mining Limited (since March 2018) and Chairman of Discoverex Resources Limited (since March 2012). 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.

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 Battershill is currently Managing Director, Australian Equity Sales, Canaccord Genuity Limited and is based in the UK.

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 and Chairman of Gateway Mining Limited. Mr Franklin is formerly a director of the Australian Olympic Committee Inc and Australian Water Polo Inc. He is also a Fellow of the Australian Institute of Company Directors.

Meetings of Directors

	Meetings eligible to attend	Meetings attended
A McClure	3	3
K Perrett	3	3
P Langworthy	3	3
J Battershill	3	3

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

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

Employee Incentive Plan

Options were issued to executives under the Employee Incentive Plan as outlined in the Company's Notice of 2018 Annual General Meeting published to the ASX on 31 October 2018. The options were a new class of options with an exercise price of \$0.10 and an expiry date of 1 August 2021. The options vested on 1 August 2020.

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 \$337,500 per annum (inclusive of superannuation). The agreement provides a notice period of six months in the event of termination.

Mr Peter Langworthy 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 Langworthy and the Group is ongoing on a month-to-month basis. Mr Langworthy is required to provide 90 days' written notice if he wishes to resign from the Group.

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 \$8,500 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 2019 Annual General Meeting (AGM).

At the 2019 AGM, 98.45% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. 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	
2020	\$	\$	\$	\$	\$	\$	\$	\$
<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 ¹	102,000	-	-	-	-	-	22,670	124,670
	610,219	-	-	29,281	-	-	136,022	775,522

	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	
2019	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
K Perrett (Chairman)	80,000	-	-	-	-	-	-	80,000
P Langworthy	60,000	-	-	-	-	-	-	60,000
J Battershill	62,500	-	-	-	-	-	-	60,000
<i>Executive Directors:</i>								
A McClure	316,781	-	-	30,094	-	-	-	346,875
<i>Other Key Management Personnel:</i>								
T Franklin ¹	102,000	-	-	-	-	-	-	102,000
	618,781	-	-	30,094	-	-	-	648,875

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

Additional disclosures relating to key management personnel*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 2019	Net change	Balance 30 June 2020
Directors			
A McClure	29,010,417	3,000,000	32,010,417
K Perrett	2,250,000	0	2,250,000
P Langworthy	875,000	0	875,000
J Battershill	625,000	0	625,000
Specified executives			
T Franklin	4,071,306	903,011	4,974,317

Option holding

Options	Balance 30 June 2019	Received as part of remuneration	Net change	Balance 30 June 2020
Directors				
A McClure	5,567,711	-	1,500,000	7,067,711
P Langworthy	187,500	1,000,000	-	1,187,500
K Perrett	625,000	1,000,000	-	1,625,000
J Battershill	5,062,500	1,000,000	-	6,062,500
Specified executives				
T Franklin	750,000	600,000	-	1,350,000

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 their personally related parties, is set out below:

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 \$40,000 (2019: \$10,000) in relation to corporate advisory, capital raising and underwriting services; Enrizen Pty Ltd received \$2,250 (2019: \$4,000) in relation to insurance services; Enrizen Money Pty Ltd received \$nil (2019: \$3,500) in relation to finance consultancy services; Enrizen Lawyers Pty Ltd received \$42,407 (2019: \$57,506) in relation to legal services; and the Company invested \$1,500,000 (2019: \$Nil) in Redeemable Preference Shares in Enable Investments Pty Ltd receiving a 6% p.a. rate of return. During the period, the Company earned \$70,132.46 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 \$120,000 (2019: \$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:

Grant date	Expiry date	Exercise price	Number under option
28 November 2017	3 years from milestone achievement ¹	\$0.20	5,000,000
6 September 2018	6-Sep-21	\$0.06	48,609,775
26 October 2018	6-Sep-21	\$0.06	4,000,000
24 December 2018	6-Sep-21	\$0.06	3,958,334
4 April 2019	6-Sep-21	\$0.06	30,500,000
12 July 2019	6-Sep-21	\$0.06	17,500,000
1 August 2019	1-Aug-21	\$0.10	8,500,000
28 August 2019	6-Sep-21	\$0.06	13,500,000
29 January 2020	6-Sept-21	\$0.06	12,000,000
Total			143,568,109

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 2020 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
1 August 2019	\$0.06	12,260
14 August 2019	\$0.06	556,250
28 August 2019	\$0.06	10,318,013
13 September 2019	\$0.06	600,625
10 October 2019	\$0.06	11,250
9 December 2019	\$0.06	25,000
4 March 2020	\$0.06	5,550
26 June 2020	\$0.06	787,000
Total		12,315,948

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

Capital raising

On 28 July 2020, the Company announced an exploration update in relation to its substantial drilling program at the Bowdens Silver Project and the Tuena Gold Project.

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:

- 787,000 shares issued on 17 July 2020
- 10,461,263 shares issued on 21 August 2020
- 2,042,550 shares issued on 9 September 2020

On 10 September 2020, 3,850,000 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

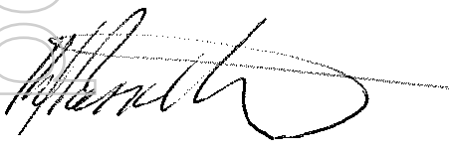
Following the Financial Year, the Company continues to carry out measures implemented in response to the impact of the COVID-19 pandemic.

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.

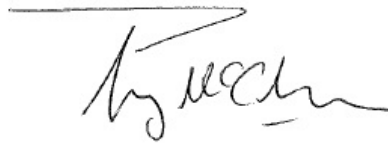
No other matter or circumstance has arisen since the reporting date that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

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



Keith Perrett
Chairman

30th September 2020



Anthony McClure
Managing Director

30 September 2020

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 financial year ended 30 June 2020, 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

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 the Crowe Australasia external audit division. 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.

For personal use only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

Notes	2020 \$	2019 \$
Revenue	115,946	125,674
Cost of sales	(42,685)	(71,659)
Gross Profit from continuing operations	73,261	54,015
Grant	99,160	-
Other income	72,053	20,352
Share registry and exchange fees	(161,030)	(92,887)
Auditors	(53,529)	(54,004)
Marketing	(133,596)	(107,113)
Office expenses	(51,877)	(98,348)
IT and communication	(15,863)	(25,309)
Depreciation	(223,805)	(168,047)
Accountancy	(102,000)	(103,000)
Professional and technical advisors	(430,381)	(409,348)
Employee benefits expenses	(427,245)	(690,075)
Travel and accommodation	(24,407)	(78,377)
Impairment of exploration assets	-	-
Share based payment	16 (321,164)	-
Farm operations	(81,291)	(46,485)
Fair value movement of contingent consideration	(1,899,900)	-
FV gain/loss on initial recognition of livestock	12,284	81,230
Gain on sales of non-current assets	943	14,831
Foreign exchange gains/(losses)	-	(226)
Other expenses	(117,753)	(79,654)
Loss from continuing operations before interest and income tax	(3,786,140)	(1,782,445)
Interest income	89,755	13,954
Finance costs	(51,866)	(22,429)
Loss from continuing operations before income tax	(3,748,251)	(1,790,920)
Income tax	-	-
Loss from continuing operations after income tax	(3,748,251)	(1,790,920)
Other comprehensive income	-	-
Total comprehensive income (loss) (attributable to owners of the company)	(3,748,251)	(1,790,920)
Earnings per share (cents per share)		
Basic & diluted earnings per share	(0.44)	(0.28)

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 2020**

	Notes	2020 \$	2019 \$
Current assets			
Cash and cash equivalent	4	12,124,402	633,820
Receivables	5	291,731	166,427
Inventory - livestock	6	229,683	184,440
Other assets		11,037	14,148
Total current assets		12,656,853	998,835
Non-current assets			
Financial assets	7	303,367	274,000
Deferred exploration and development	8	56,788,308	51,331,641
Intangible assets	9	56,603	1,740,000
Land and buildings	10	15,846,413	8,681,045
Property, plant and equipment	11	4,050,774	261,604
Total non-current assets		77,045,465	62,288,290
Total assets		89,702,318	63,287,125
Current liabilities			
Payables	12	962,753	967,173
Employee provisions	13	204,467	207,486
Loans and borrowings	14	1,009,237	1,010,000
Lease Liability (current)	15	53,796	-
Total current liabilities		2,230,253	2,184,659
Non-current liabilities			
Lease Liability (non-current)	15	3,848,589	-
Total non-current liabilities		3,848,589	-
Total liabilities		6,078,842	2,184,659
Net assets		83,623,476	61,102,466
Equity			
Contributed equity	16	109,987,534	83,867,293
Reserve	16	4,149,020	4,000,000
Accumulated losses		(30,513,078)	(26,764,827)
Total Equity		83,623,476	61,102,466

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 2020**

	Notes	Ordinary Shares \$	Share capital reserve \$	Share based payment reserve \$	Accumulate d losses \$	Total \$
Balance at 1 July 2018		77,764,760	4,000,000	-	(24,973,907)	56,790,853
Transactions with owners, in their capacity as owners						
Equity funds received, issue of shares		6,696,194	-	-	-	6,696,194
Cost of funds raised		(593,661)	-	-	-	(593,661)
Total transactions with owners, in their capacity as owners		6,102,533	-	-	-	6,102,533
Comprehensive income for period						
Loss attributable to owners of the company		-	-	-	(1,790,920)	(1,790,920)
Total comprehensive income for the period		-	-	-	(1,790,920)	(1,790,920)
Balance at 30 June 2019		83,867,293	4,000,000	-	(26,764,827)	61,102,466
Balance at 1 July 2019		83,867,293	4,000,000	-	(26,764,827)	61,102,466
Transactions with owners, in their capacity as owners						
Equity funds received, issue of shares	16	27,813,957	(1,000,000)	-	-	26,813,957
Option Issued	16	-	-	1,149,020	-	1,149,020
Costs of funds raised	16	(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
Comprehensive income for period						
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)
Balance at 30 June 2020		109,987,534	3,000,000	1,149,020	(30,513,078)	83,623,476

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 2020**

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		185,214	147,051
Payments to suppliers & employees		(1,783,157)	(2,034,368)
Interest received		89,755	13,954
Finance costs		(32,468)	(21,023)
Grant received		89,328	-
		<hr/>	<hr/>
Net cash outflows from operating activities	19	(1,451,328)	(1,894,386)
Cash flows from investing activities			
Payments for deferred exploration		(6,147,065)	(4,853,288)
R&D Tax Benefit		663,423	651,031
Payment to acquire intangible		(796,603)	(1,118,589)
Payment to acquire right of use asset		(50,000)	-
Payment for property, plant and equipment		(4,770,035)	(35,000)
Proceeds from sale of property, plant and equipment		19,091	58,950
		<hr/>	<hr/>
Net cash outflows from investing activities		(11,081,189)	(5,296,896)
Cash flows from financing activities			
Proceeds from issues of shares		24,849,815	6,696,006
Option conversion		739,144	188
Proceeds from borrowings		-	1,010,000
Payments for capital raising costs		(1,565,860)	(593,661)
Transaction costs related to loans and borrowings		-	(18,110)
		<hr/>	<hr/>
Net cash inflows from financing activities		24,023,099	7,094,423
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalent		11,490,582	(96,859)
Cash and cash equivalent at the beginning of the financial year		633,820	730,679
		<hr/>	<hr/>
Cash and cash equivalent at the end of the financial year	4	12,124,402	633,820

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 2020**

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.

Subsequent to reporting date, the Group has successfully completed the capital raisings as disclosed in note 24.

The Directors have prepared a forecast for the foreseeable future reflecting the abovementioned expectations and their effect on the Group. The forecast is conservative, and reflects current market prices, reduction in interest income, and the further development of the Group's purchase of tenements along with exploration.

In the unlikely event that the above results in a negative outcome, then the going concern basis may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report. No allowance for such circumstances has been made in the Financial Report.

c. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silver Mines Limited as at 30 June 2020 and the results of its subsidiaries for the period 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity has adopted this standard from 1 July 2019.

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

g. Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

It is reasonably possible that the underlying metal price assumption may change which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of mining development assets. Furthermore, the expected future cash flows used to determine the value-in-use of these assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as metal spot prices, discount rates, estimates of costs to produce reserves and future capital expenditure.

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

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Lease

The discount rate of 2.5% pre-tax reflects management's estimate of the time value of money and the risk-free rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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
	\$	\$	\$
For the year ended 30 June 2020			
Revenue	-	115,946	115,946
Grant	99,160	-	99,160
Other income	72,053	-	72,053
Total segment revenue	171,213	115,946	287,159
Inter-segment elimination			-
Total group revenue			287,159
EBITDA	(3,566,589)	4,254	(3,562,335)
<i>Unallocated expense</i>			
Depreciation			(223,805)
Interest income			89,755
Finance costs			(51,866)
Profit (Loss) before income tax			(3,748,251)
Income tax expense			-
Profit (Loss) after income tax expense			(3,748,251)

	Mining and Exploration Operations	Agricultural Operations	Total
	\$	\$	\$
For the year ended 30 June 2019			
Revenue	-	125,674	125,674
Other income	20,352	-	20,352
Total segment revenue	20,352	125,674	146,026
Inter-segment elimination			-
Total group revenue			146,026
EBITDA	(1,703,158)	88,760	(1,614,398)
<i>Unallocated expense</i>			
Depreciation			(168,047)
Interest income			13,954
Finance costs			(22,429)
Profit (Loss) before income tax			(1,790,920)
Income tax expense			-
Profit (Loss) after income tax expense			(1,790,920)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: OPERATING SEGMENTS (continued)

(b) Segment assets

For the year ended 30 June 2020

	Mining and Exploration Operations	Agricultural Operations	Total
	\$	\$	\$
Segment assets	65,668,947	230,008	65,898,955
Inter-segment eliminations			(8,715,215)
			<u>57,183,740</u>
<i>Unallocated assets</i>			
Cash and cash equivalent			12,124,402
Receivables			291,731
Other assets			11,037
Financial assets			303,367
Right of used assets			3,885,025
Intangible assets			56,603
Land and buildings			15,846,413
Total assets			<u>89,702,318</u>

For the year ended 30 June 2019

	Mining and Exploration Operations	Agricultural Operations	Total
	\$	\$	\$
Segment assets	58,405,578	187,322	58,592,900
Inter-segment eliminations			(6,815,215)
			<u>51,777,685</u>
<i>Unallocated assets</i>			
Cash and cash equivalent			633,820
Receivables			166,427
Other assets			14,148
Financial assets			274,000
Intangible assets			1,740,000
Land and buildings			8,681,045
Total assets			<u>63,287,125</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: OPERATING SEGMENTS (continued)

(c) Segment liabilities

For the year ended 30 June 2020

	Mining and Exploration Operations	Agricultural Operations	Total
	\$	\$	\$
Segment liabilities	885,604	1,086,385	1,971,989
Inter-segment eliminations			-
			<u>1,971,989</u>
<i>Unallocated liabilities</i>			
Employee provisions			204,467
Lease liability			3,902,385
Total liabilities			<u><u>6,078,841</u></u>

For the year ended 30 June 2019

	Mining and Exploration Operations	Agricultural Operations	Total
	\$	\$	\$
Segment liabilities	962,906	1,014,267	1,977,173
Inter-segment eliminations			-
			<u>1,977,173</u>
<i>Unallocated liabilities</i>			
Employee provisions			207,486
Total liabilities			<u><u>2,184,659</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: INCOME TAX

(a) Reconciliation of income tax expense to prima facie tax payable	2020	2019
	\$	\$
Operating loss before income tax	(3,748,251)	(1,790,920)
Prima facie income tax benefit/(expense) at 27.5% on operating profit/(loss)	(1,030,769)	(492,503)
Add tax effect of:		
Tax losses and temporary differences not recognised	1,030,769	492,503
Non temporary differences	-	-
Income tax attributable to operating (loss)/profit	-	-

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	6,103,505	5,119,515
Tax losses	(6,103,505)	(5,119,515)
	-	-

(c) Tax losses

Unused tax losses for which no tax loss has been booked as a deferred tax asset adjusted for non temporary differences	34,273,921	30,005,512
Potential tax benefit at 27.5%	9,425,328	8,251,516

(d) Unrecognised temporary differences

Non deductible amounts as temporary differences	602,740	457,032
Accelerated deductions for book compared to tax	-	-
Total	10,028,069	8,708,548
Potential effect on future tax expense	10,028,069	8,708,548

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

NOTE 4: CASH AND CASH EQUIVALENTS

Current	2020	2019
	\$	\$
Cash and cash equivalent	12,124,402	633,820

Cash and cash equivalents include investment in redeemable preference shares of \$1,570,132 (refer to Note 17(b)). This investment matures on 30 September 2020 and can be redeemed earlier in line with withdrawal schedule.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: RECEIVABLES

	2020	2019
Current	\$	\$
GST	170,091	129,416
Prepayment	108,625	37,001
Other receivable	13,015	-
	<u>291,731</u>	<u>166,417</u>

NOTE 6: INVENTORY – LIVESTOCK

	2020	2019
Current	\$	\$
Livestock	<u>229,683</u>	<u>184,440</u>

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 measure livestock at fair value. The fair value is determined through price movements, natural increase and natural death.

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

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

NOTE 7: FINANCIAL ASSETS

	2020	2019
Non-current	\$	\$
Performance guarantee bonds	<u>303,367</u>	<u>274,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE

Non-current	2020	2019
	\$	\$
Exploration expenditures		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase		
Opening balance	51,331,641	47,373,902
Expenditure in the year	5,456,667	3,957,739
Closing balance	<u>56,788,308</u>	<u>51,331,641</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: INTANGIBLE ASSETS

	2020 \$	2019 \$
Non-current		
Opening balance	1,740,000	1,770,000
Additions	796,603	1,118,589
Exercised	(2,480,000)	(1,148,589)
Closing balance	<u>56,603</u>	<u>1,740,000</u>

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 \$796,603 (June 2019: \$1,118,589) during the year. Following the exercise of one of these option agreements, the Group converted an option to acquisition for \$2,480,000 this being a transfer to land. However, if the Group chooses not to exercise the other option agreements, the rights to purchase the land will be forfeited and the amount will be written off through the Profit and Loss statement.

NOTE 10: LAND AND BUILDINGS

	2020 \$	2019 \$
Non-current		
Properties at cost	16,549,501	9,289,208
Accumulated Depreciation	(703,089)	(608,163)
	<u>15,846,412</u>	<u>8,681,045</u>

Reconciliations

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

	Land \$	Buildings \$	Buildings improvements \$	Total \$
Consolidated				
Balance at 1 July 2018	7,181,532	224,336	219,145	7,625,013
Additions	1,148,589	-	-	1,148,589
Depreciation expense	-	(6,750)	(85,807)	(92,557)
Balance at 30 June 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	<u>15,181,314</u>	<u>613,313</u>	<u>51,785</u>	<u>15,846,412</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: LAND AND BUILDINGS (continued)

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

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

Buildings	40 years
Building improvements	4-8 years

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

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

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2020 \$	2019 \$
Plant and equipment - at cost	960,114	957,778
Right of use assets (adoption of AASB 16 Leases)	3,911,098	-
Less: accumulated depreciation	(820,438)	(696,174)
	4,050,774	261,604

Reconciliations

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

	Plant & Mining Equipment \$	Office & Camp Equipment \$	Motor Vehicles \$	Other Assets - Farming \$	Right of use Assets \$	Computer Equipment \$	Total \$
Consolidated							
Balance at 1 July 2018	53,867	65,615	230,599	6,940	-	3,394	360,415
Additions	35,000	-	-	-	-	-	35,000
Disposals	(10,522)	(1,040)	(29,382)	-	-	-	(40,944)
Depreciation expense	(20,702)	(31,370)	(34,408)	(4,058)	-	(2,329)	(92,867)
Balance at 30 June 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	115,426	325	3,885,024	-	4,050,774

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (continued)

For the new Accounting Standards AASB 16 Lease adopted on 1 July 2019, please refer to note 1(d). The right of use assets was related to the adoption of AASB 16 Leases and its associated lease liabilities can be referred to note 15. The Group has leasehold arrangement that commenced on 1 May 2020 for 25 years. At the reporting date, the Group had not commenced drilling activities and therefore had not made a provision for rehabilitation.

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 12: PAYABLES

	2020	2019
	\$	\$
Current		
Trade creditors and accruals	962,753	967,173

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 13: EMPLOYEE PROVISIONS

	2020	2019
	\$	\$
Current - Employee provisions	204,467	207,486

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 14: LOANS AND BORROWINGS

	2020	2019
	\$	\$
Bank loan	1,009,236	1,010,000

Assets pledged as security

The bank loan is secured by the mortgages over the consolidated entity's lands with variable interest rate at 4.06%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: LEASE LIABILITY

	2020 \$	2019 \$
Lease liabilities (current)	53,796	-
Lease liabilities (non-current)	3,848,589	-
Total lease liability	3,902,385	-

For the new Accounting Standards AASB 16 Lease adopted on 1 July 2019, please refer to note 1(d). The lease assets were presented in property, plant and equipment on adoption of AASB 16 on 1 July 2019 (refer to note 11).

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

	2020 \$	2019 \$
Interest expenses	16,287	-
Depreciation	26,074	-
	42,361	-

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	53,796	59,731	217,733	3,571,425	3,902,385	3,902,385

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: CAPITAL AND RESERVES

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1-Jul-18		512,800,856		77,764,760
6-Sep-18	Issued capital	128,200,214	0.03	3,846,006
6-Sep-18	Capital Raising costs			(330,941)
19-Mar-19	Options conversion	3,125	0.06	188
4-Apr-19	Issued capital	57,000,000	0.05	2,850,000
4-Apr-19	Capital Raising costs			(262,720)
30-Jun-19		698,004,195		83,867,293
12-Jul-19	Issued capital	55,000,000	0.05	2,750,000
23-Jul-19	Capital Raising costs			(179,349)
1-Aug-19	Options conversion	10,886,523	0.06	653,191
28-Aug-19	Issued capital	3,000,000	0.05	150,000
13-Sep-19	Issued capital	100,000,000	0.1	10,000,000
13-Sep-19	Capital Raising costs			(704,551)
20-Dec-19	Options conversion	636,875	0.06	38,213
20-Jan-20	Issued capital	12,000,000	0.1	1,200,000
3-Apr-20	Options conversion	5,550	0.06	333
21-May-20	Issued capital	304,878	0.082	25,000
27-May-20	Issued capital	129,500,000	0.1	12,950,000
4-Jun-20	Capital Raising costs			(809,816)
30-Jun-20	Options conversion	787,000	0.06	47,220
30-Jun-20		1,010,125,021		109,987,534

(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 2019 details of Listed and Unlisted Options are as follows:

Details	Number	Exercise price	Expiry date
Listed options	130,068,109	\$0.06	6-Sep-2021
Unlisted options	5,000,000	\$0.20	3 years from milestone achievement ¹
Unlisted options	8,500,000	\$0.10	1-Aug-2021
Total	143,568,109		

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: CAPITAL AND RESERVES (CONTINUED)

Movements in options

	2020 Number	2019 Number
Balance at the beginning of the financial year	103,597,057	14,000,000
Options lapsed	-	(9,000,000)
Options exercised	(11,528,948)	(3,125)
Options issued	51,500,000	98,600,182
Balance at the end of the financial year	143,568,109	103,597,057

(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. On 27 May 2020, the company issued \$10,000,000 shares as realisation of part of the deferred consideration.

Movements in reserves

	2020 \$	2019 \$
Balance at the beginning of the financial year	4,000,000	4,000,000
Share capital reserve movement	(1,000,000)	-
Share based payment reserve movement	1,149,020	-
Balance at the end of the financial year	4,149,020	4,000,000

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: CAPITAL AND RESERVES (CONTINUED)

(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 current financial year, 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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: RELATED PARTY TRANSACTIONS

(a) Directors

The names and positions held of Group key personnel are:

Key Management Person	Position
Keith Perrett	Non-Executive Chairman
Anthony McClure	Managing Director
Peter Langworthy	Non-Executive Director
Jonathan Battershill	Non-Executive Director
Trent Franklin	Company Secretary

Compensation

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

	2020	2019
	\$	\$
Short-term employee benefits	610,219	618,781
Post-employment benefits	29,281	30,094
Share based payment	136,022	-
	<u>775,522</u>	<u>648,875</u>

(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 \$40,000 (2019: \$10,000) in relation to corporate advisory, capital raising and underwriting services; Enrizen Pty Ltd received \$2,250 (2019: \$4,000) in relation to insurance services; Enrizen Money Pty Ltd received \$nil (2019: \$3,500) in relation to finance consultancy services; Enrizen Lawyers Pty Ltd received \$42,407 (2019: \$57,506) in relation to legal services; and the Company invested \$1,500,000 (2019: \$Nil) in Redeemable Preference Shares in Enable Investments Pty Ltd receiving a 6% p.a. rate of return. During the period, the Company earned \$70,132.46 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 \$120,000 (2019: \$120,000).

(c) Consolidated Entities

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

Silver Investment Holdings Australia Pty Limited
 Bowdens Silver Pty Limited
 Conrad Resources Pty Ltd
 Tuena Resources Pty Ltd
 Webbs Resources Pty Ltd
 Bowdens Agriculture Pty Ltd
 Asia Metals Holdings 3 Pty Ltd (Established on 04 July 2016)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: PARENT ENTITY INFORMATION

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Profit (loss) after income tax	(3,148,634)	(1,352,333)
Total comprehensive income/(loss)	(3,148,634)	(1,352,333)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	11,795,326	497,312
Total assets	85,887,166	62,668,600
Total current liabilities	298,894	200,954
Total liabilities	298,894	200,954
Equity		
Issued capital	114,136,554	87,867,293
Retained profits	(28,548,281)	(25,399,647)
Total equity	85,588,273	62,467,646

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

	2020	2019
	\$	\$
Operating (loss)/profit after income tax	(3,748,251)	(1,790,920)
Depreciation	223,805	168,047
Employee provisions	(27,039)	20,458
Fair value for contingent consideration expenses	1,899,900	-
FV gain/loss on initial recognition of livestock	12,284	(81,230)
Borrowing cost amortisation	11,037	1,406
Fixed assets written-off	-	10,522
Share based payment	321,164	-
	(1,307,100)	(1,671,717)
<i>Movements in working capital:</i>		
(Increase)/decrease in receivables and prepayments	(94,565)	(47,504)
(Increase)/decrease in inventory	(45,243)	61,099
Increase/(decrease) in payables and provision	(4,420)	(236,264)
Net cash outflows from operating activities	(1,451,328)	(1,894,386)

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 19: 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 affects 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 investment or 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.

(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 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 re-invested at the best rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: 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		
	\$	\$	\$	\$	\$
2020					
FINANCIAL ASSETS					
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>
FINANCIAL LIABILITIES					
Payables (current)	-	-	-	(962,753)	(962,753)
Borrowings (current)	(1,009,237)	-	-	-	(1,009,237)
	<u>(1,009,237)</u>	<u>-</u>	<u>-</u>	<u>(962,753)</u>	<u>(1,971,990)</u>
NET FINANCIAL ASSETS/(LIABILITIES)	11,115,165	-	-	(367,655)	(10,747,510)

	Floating interest rate	Fixed interest rate maturing		Non-interest bearing	Total
		Within 1 year	Over 1 year		
	\$	\$	\$	\$	\$
2019					
FINANCIAL ASSETS					
Cash assets	633,820	-	-	-	633,820
Performance guarantee bonds	-	-	-	274,000	274,000
Other financial assets	-	-	-	166,427	166,427
	<u>633,820</u>	<u>-</u>	<u>-</u>	<u>440,427</u>	<u>1,074,247</u>
FINANCIAL LIABILITIES					
Payables (current)	-	-	-	(967,173)	(967,173)
Borrowings (current)	(1,010,000)	-	-	-	(1,010,000)
	<u>(1,010,000)</u>	<u>-</u>	<u>-</u>	<u>(967,173)</u>	<u>(1,977,173)</u>
NET FINANCIAL ASSETS/(LIABILITIES)	(376,180)	-	-	(526,746)	(902,926)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****NOTE 20: 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.

(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.

No 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: EARNINGS PER SHARE

	2020 Cents	2019 Cents
Basic earnings per share	(0.44)	(0.28)
Diluted earnings per share	(0.44)	(0.28)

Weighted average number of shares used as the denominator

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic and diluted earnings per share and alternative diluted earnings per share

Number	Number
856,100,176	628,847,629

Reconciliation of earnings used in calculating basic and diluted earnings per share

Earnings used in calculating basic and diluted earnings per share

2020 \$	2019 \$
(3,748,251)	(1,790,920)

NOTE 22: REMUNERATION OF AUDITORS

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

	2020 \$	2019 \$
<i>Audit services - Crowe Sydney</i>		
Audit or review of the financial statements	53,529	53,260

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: COMMITMENTS

	2020 \$	2019 \$
<i>Capital commitments- option</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Intangible assets	6,927,500	4,690,000
Tenement minimum spend for a year	3,204,376	3,164,500

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 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	1,827,500	50,000	5,050,000	0	6,927,500	6,927,500

Operating lease commitments include contracted amounts for motor vehicle operating leases expiring within one year.

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

NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

Capital raising

On 28 July 2020, the Company announced an exploration update in relation to its substantial drilling program at the Bowdens Silver Project and the Tuena Gold Project.

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:

- 787,000 shares issued on 17 July 2020
- 10,461,263 shares issued on 21 August 2020
- 2,042,550 shares issued on 9 September 2020

On 10 September 2020, 3,850,000 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 2020**

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 25: 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

Tel: +61 2 8316 3997


Fax: +61 2 8316 3999

DIRECTORS' DECLARATION

The directors declare that:

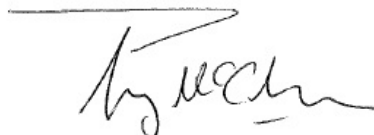
- 1 The financial statements and notes, as set out on pages 30 to 58 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*;
 - (b) give a true and fair view of the financial position as at 30th June 2020 and of the performance 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 Group 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

30th September 2020



Anthony McClure
Managing Director

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Silver Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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.

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 the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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

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Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
Recognition of Deferred Exploration and Development Expenditure – Note 8	
<p>The carrying amount of deferred exploration and development expenditure was a significant component of the Group's total assets at \$58,688,208 at 30 June 2020.</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"> • The assessment of areas of interest; • Relating the expenditure to an area of interest; and • Determining the extent to which expenditure is expected to be recouped through successful development of the area. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessed the Group's accounting policy in conjunction with the requirements of AASB 6 – Exploration for and Evaluation of Mineral Resources. • Evaluated the Group's processes and controls in regards the recognition and deferral of exploration and development expenditure. • Selected a sample of deferred exploration and development expenditure and tested the allocation of the expenditure to the project referenced and evaluated that the capitalisation (deferral) of expenditure was in accordance with the Group's accounting policy. • Checked the Group's ownership interest of each of the tenements to which the deferred exploration and development expenditure relates.
Consideration of Impairment for Deferred Exploration and Development Expenditure - Note 8	
<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"> • The Group's title to the tenement lapses; • The Group ceasing to explore, or is unable to fund the minimum capital commitments to maintain the tenement title; and • Reports indicating the asset will not be viable because of the impact of changes in the industry, geography of project, committed expenditure and tenement expiry date. 	<p>We challenged the director's assumptions that supported the evaluation of impairment indicators and:</p> <ul style="list-style-type: none"> • Obtained the Group's budgets and drilling programs and assessed whether they covered the committed expenditure before the expiry date. • Checked that substantive deferred exploration and development expenditure was planned and budgeted for each tenement. • Assessed the Group's capacity to fund future committed exploration expenditure. • Checked the Group's ownership interest for each of the tenements to which the deferred exploration expenditure relates.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2020 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 22 to 25 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Silver Mines Limited., for the year ended 30 June 2020, 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



Suwanti Asmono
Partner

30 September 2020
Sydney

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ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 29 SEPTEMBER 2020

At 29 September 2020 the issued capital in the Company was comprised of:

- 1,026,478,834 fully paid ordinary shares held by 9,376 holders;
- 116,777,296 listed options, held by 771 holders, with an exercise price of \$0.06 and an expiry date of 6th September 2021;
- 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 31st October 2017.
- 4,650,000 unlisted options, held by 7 holders, with an exercise price of \$0.10 and an expiry date of 1 August 2021;

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 29 September 2020, the Company has 1700 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 29 September 2020

Silver Mines Limited has the following substantial shareholders:

Holder	Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,701,156	6.99%

20 Largest Holders of Ordinary Shares and their holdings at 29 September 2020

Position	Holder Name	Holding	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,701,156	6.99%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	37,333,612	3.64%
3	CITICORP NOMINEES PTY LIMITED	34,690,724	3.38%
4	L11 CAPITAL PTY LTD <GASCOYNE FAMILY A/C>	28,000,000	2.73%
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	24,109,769	2.35%
6	MR ANTHONY MCCLURE	13,859,375	1.35%
7	NATIONAL NOMINEES LIMITED	12,756,169	1.24%
8	COOLHAND NOMINEES PTY LIMITED <COOLHAND INVESTMENT A/C>	11,066,667	1.08%
9	ALDON FINANCE PTY LTD <GREG RANSOM SUPER FUND A/C>	7,900,000	0.77%
10	MS GEORGINA SUSAN KING	7,140,625	0.70%
11	MR JINHUA GUAN	7,000,000	0.68%
11	GASCOYNE HOLDINGS PTY LTD <BRAY SUPER FUND PENSION A/C>	7,000,000	0.68%
12	MR JOCK MCWHAE LAURIE	6,736,281	0.66%
13	MCCLURE FAMILY SUPER PTY LTD <MCCLURE FAMILY SUPER FUND AC>	6,666,667	0.65%
14	SQUIRRELLY PTY LTD <THE NUTS S/F A/C>	6,000,000	0.58%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,794,453	0.56%
16	MR PHILLIP RICHARD PERRY	5,742,001	0.56%
17	MRS VIENNA FELICIA ADINATA	5,400,000	0.53%
18	MR GREGORY DONALD RANSOM <GREGORY RANSOM A/C>	5,000,000	0.49%
18	MS BO XU	5,000,000	0.49%
18	ALIFIX PTY LTD <COX FAM SF A/C>	5,000,000	0.49%

19	LGL TRUSTEES LIMITED <MK PENSION PLAN-473278 A/C>	4,666,667	0.45%
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,317,246	0.42%
	Total	322,881,412	31.46%

Distribution of holders and holdings at 29 September 2020

Fully paid ordinary shares:

Holdings Ranges	Holders	Total Units	%
1-1,000	247	52,149	0.01%
1,001-5,000	1,723	6,020,559	0.59%
5,001-10,000	1,470	11,879,696	1.16%
10,001-100,000	4,296	166,731,118	16.24%
100,001-9,999,999,999	1,367	841,795,312	82.01%
Totals	9,103	1,026,478,834	100.00%

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 30th September 2020.

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.

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:**
 - (1) the measuring objectives set for that period to achieve gender diversity;**
 - (2) the entity's progress towards achieving those objectives; and**
 - (3) either:**
 - (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or**
 - (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act.**

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

The Board does not intend to 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:

	Proportion of women
On the Board	0 out of 4 (0%)
In senior executive positions	1 out of 2 (50%)
Across the whole organisation	5 out of 17 (29.41%)

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.

During the 2020 Financial Year an evaluation of the Managing Director was conducted. The Group's process for performance evaluation is disclosed on the Group's website.

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 evaluation 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 2020 Financial Year, the Group, conducted an evaluation of senior executives within the Group who were employed throughout the period. The Group's Process for Performance Evaluation is disclosed on the Group's website.

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

Recommendation 2.1 - The board of a listed entity should:

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

(b) and disclose:

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

(c) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board has not established a separate nomination committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate nomination committee. Accordingly, the Board performs the role of the nomination committee.

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

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

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

The Board's skills matrix which it is looking to achieve in its membership includes technical experience, public company experience and financial experience. The Board considers that this composition is appropriate for the effective execution of the Board's responsibilities and the size and operations of the Group.

Recommendation 2.3 - A listed entity should disclose:

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

The Board considers that Peter Langworthy, 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 th June 2016	4 years 3 months	Executive
Keith Perrett	20 th June 2016	4 years 3 months	Independent Non-Executive
Peter Langworthy	20 th June 2016	4 years 3 months	Independent Non-Executive
Jonathan Battershill	16 th June 2017	3 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 2020, three quarters of the Board is 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 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.

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 21 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 30th June 2020, 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 Company Secretary and Managing Director. 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.

As of 1 December 2019, all resolutions put to a meeting of security holders in the Group are to be 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.**

Not applicable. The Group does not have an equity-based remuneration scheme.