

**SILVER MINES LIMITED
and its controlled entities**

**HALF YEAR FINANCIAL REPORT
For the six months ended
31 December 2020**

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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

Australian Company Number

107 452 942

Registered Office

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Share Registry

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DIRECTORS' REPORT

The Directors present their report on Silver Mines Limited and its controlled entities for the half-year ended 31 December 2020.

DIRECTORS

The Directors of Silver Mines Limited during the financial period 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*

PRINCIPAL ACTIVITIES

Silver Mines Limited and its controlled entities ("Silver Mines" or "the Company" or "the Group") focus throughout the first half of the financial year ended 30 June 2021 ("2021 Financial Year") involved the continued advancement of the Bowdens Silver Project, including progressing the Environmental Impact Statement and responses to submissions. Exploration works including drilling continued at the Bowdens Silver Project and initial drilling commenced at the Tuena Project. During the half year, the Group also entered agreements for the sale of the Webbs and Conrad Projects.

During the half-year, the Group continued to control the following projects, all of which are located in New South Wales, Australia:

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

COVID-19 RESPONSE

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

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

DIRECTORS' REPORT

BOWDENS SILVER AND BARABOLAR PROJECTS

Introduction

The Bowdens Silver and Barabolar Project are located in central New South Wales, approximately 26 kilometres east of Mudgee. (refer to Figure 1). The project area comprises 2,007 km² (496,000 acres) of titles covering approximately 80 kilometres of strike in the highly mineralised Rylstone Volcanics.

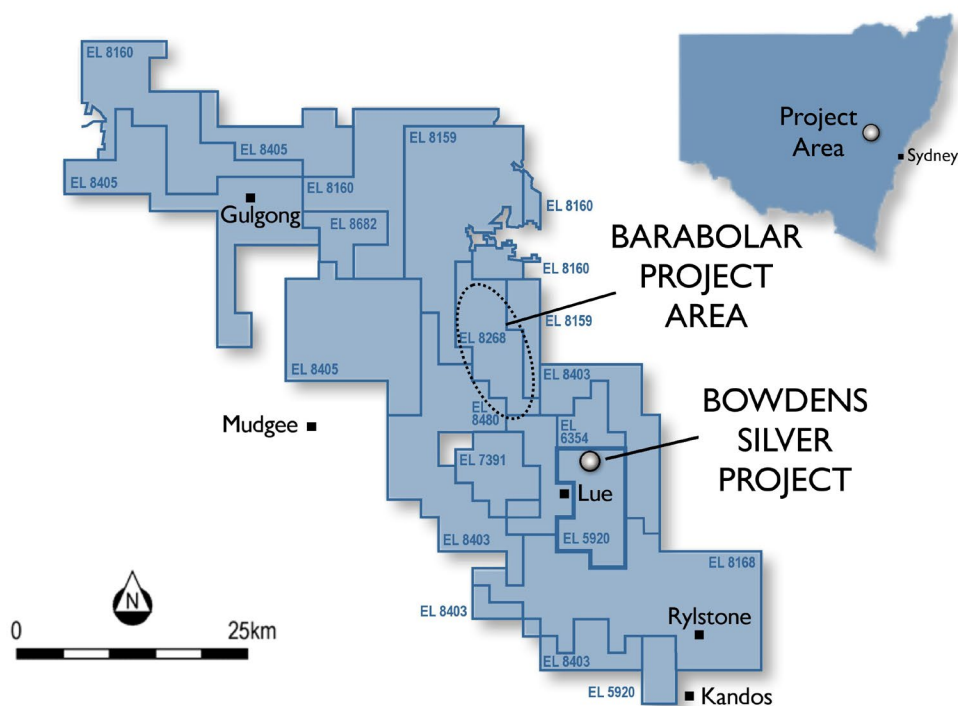


Figure 1. Bowdens Silver tenement holdings in the Mudgee district.

Description

The Bowdens Silver Project (“Project”) is the largest known undeveloped silver deposit in Australia with substantial mineral resources. The Group holds 100% of Exploration Licence EL5920 which contains the Bowdens Silver Deposit. The Group also holds exploration licences EL6354, EL8159, EL8160, EL8168, EL8268, EL8403, EL8405, EL8480 and EL8682. In addition, the Group is earning an 80% interest and manages a Joint Venture over Exploration Licence EL7391 (refer to Figure 1).

The tenement group is situated on the eastern margin of the Lachlan Orocline where it is in contact with the younger, unconformable overlying Permian aged units. These units comprise 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.

DIRECTORS' REPORT

Multiple target styles and mineral occurrences have potential throughout the district including analogues to Bowdens Silver, silver-lead-zinc epithermal and volcanogenic massive sulphide (VMS) systems and copper-gold targets.

Bowdens Silver Project

In May 2020, the Company reported that the Development Application ("DA") and Environmental Impact Statement ("EIS") for the proposed development of the Bowdens Silver Project had been lodged with the New South Wales Department of Planning, Industry and Environment ("DPIE").

Bowdens Silver comprises an open-cut mine feeding a new processing plant comprising 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 project 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.

The EIS was placed for public exhibition on the DPIE 'Major Projects' website with the public exhibition period ending during the first half of the 2021 Financial Year.

From the exhibition process, the Company received no objections to the Project from Government agencies and received resounding public support.

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 make-up water from nearby coalfields via a dedicated water pipeline thereby limiting the requirement to source water locally;
- no physical human health risk issues of concern have been identified;
- a progressive rehabilitation plan has been committed to 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;
- Aboriginal Cultural Heritage assessment has been 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.

DIRECTORS' REPORT

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.

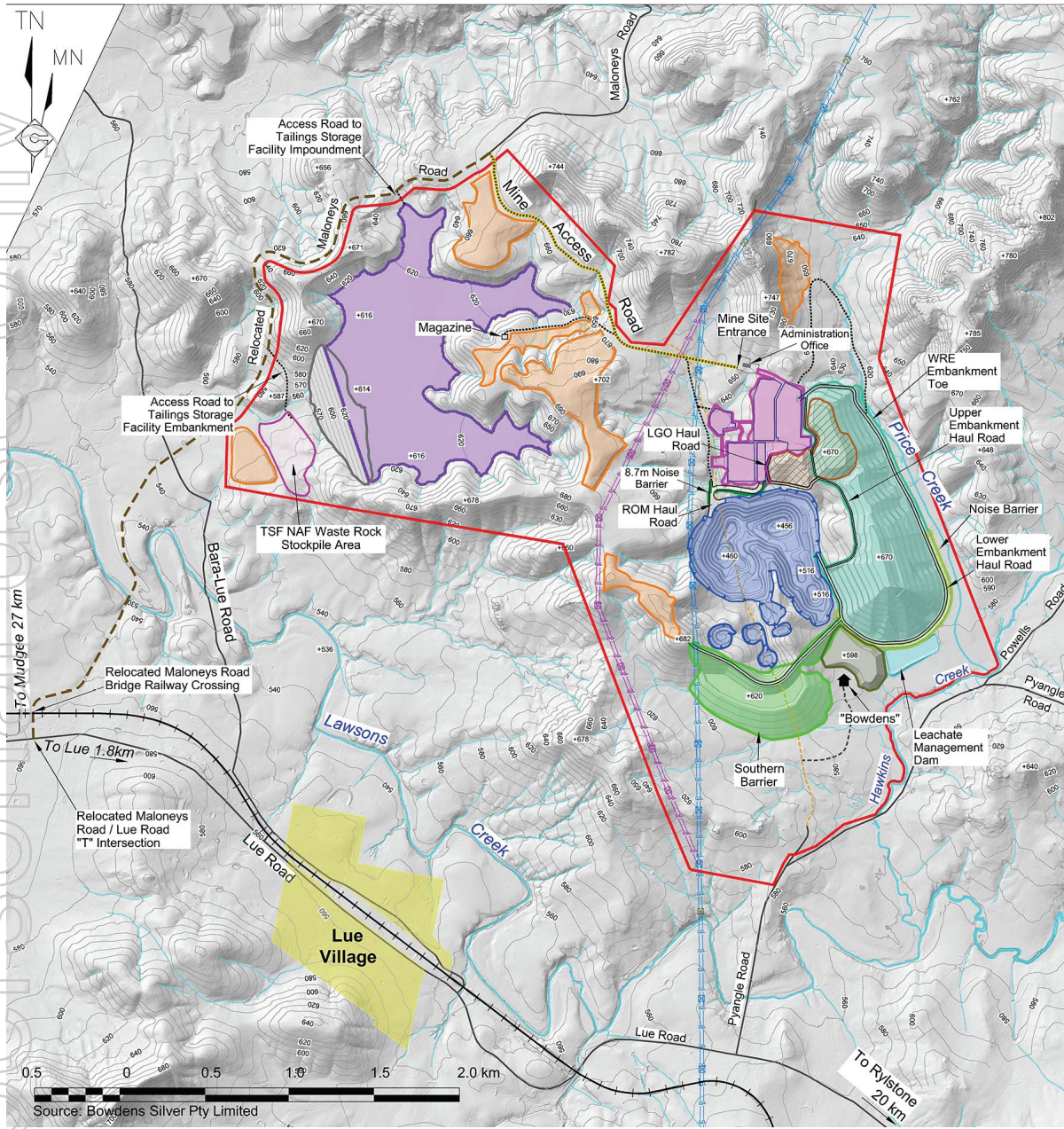
- Noise, Vibration and Blasting
- Air Quality
- Health
- Social Impact
- Surface Water
- Groundwater
- Traffic and Transport
- Visibility
- Terrestrial Ecology
- Aquatic Ecology
- Soils and Land Capability
- Aboriginal and Cultural Heritage
- Economic Impact
- Agricultural Impact

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.

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DIRECTORS' REPORT



- | | |
|---|---|
| <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 |
|---|---|

Figure 2: Bowdens Silver Mine Site Layout.

DIRECTORS' REPORT

Key Components of the Environmental Impact Statement

Water Management

Surface water and groundwater assessments have been undertaken in accordance with the DPIE's assessment requirements and the NSW Aquifer Interference Policy. The assessments have determined that there will be minimal impacts from the Project on surface water and groundwater during operations and into the future.

Annual water usage is planned to be approximately 1,857 megalitres principally for processing and dust suppression. The Project would access water from a range of sources, with a focus on the reuse of water captured on-site or recycled from the tailings storage facility, the use of groundwater inflows to the open cut pit and water sourced externally via a dedicated water supply pipeline.

The approximately 58.5km pipeline would be constructed and commissioned during the construction phase of the Project. This option is supported locally as it reduces reliance on local water sources. The pipeline is envisaged to provide options for off-take of water for fire-fighting purposes and also represents reuse of surplus water from other mining operations.

Economic and Social Impacts

The economic benefits of the Project would be generated as a result of the revenue from sales of the silver, zinc and lead produced at the mine and through the provision of employment opportunities over the operating life of the Project. The peak workforce is planned to be 320 personnel during construction and 228 personnel during operations. The Company is committed to local employment, procurement and education pathways to ensure that benefits are maximised locally and regionally.

The Project is projected to have a material benefit to local communities and in particular a positive impact on high levels of unemployment in various communities and towns across the region as well as through utilisation of local businesses and suppliers.

The assessment of potential social impacts of the Project has been supported by a comprehensive program of social engagement and research, which sought the views and concerns expressed by the community so that these might be included in ongoing planning.

A range of feedback has been received indicating both support for and objection to the Project. Overall, local communities strongly support the Project primarily due to its economic benefits including local job creation and increased trade for existing local businesses.

It is acknowledged that the outcomes of the Project would be experienced differently in the community, with ongoing meaningful engagement throughout the Project life proposed to ensure that mitigation programs are refined over time and the benefits of the Project are distributed as equitably as possible.

The Company is committed to ensuring the sustainability of the local Lue village and other nearby townships which would benefit from the Project. In addition to the Company's current social investment programs, a range of programs, some of which were identified in the community, would be initiated or funded through the development of a Community Investment Program.

DIRECTORS' REPORT

Amenity Impacts - Air Quality, Noise, Blasting, Visual and Health Impacts

The Project is significantly aided by a topographical ridge line which forms a natural barrier between the mine site at the Project ("Mine Site") (refer to Figure 2), the Lue township and other residences. During the life of the mine, no part of the open pit operations, the processing facilities, the Tailings Dam Facility ("TSF") or any other infrastructure will be visible from the Lue township.

Air quality modelling predicts that there would be no exceedance of annual average criteria (TSP, PM₁₀ and PM_{2.5}, maximum 24-hour average PM₁₀ and PM_{2.5}) or dust deposition criteria at any privately-owned residences or receivers, either from the Project alone or cumulatively.

Furthermore, no exceedances of the impact assessment criteria are predicted at any Project-related or private residences for metal dust concentrations, respirable crystalline silica or hydrogen cyanide.

The human health risk assessment has considered risks associated with local changes to air quality, noise, surface water and groundwater. No physical health risk issues of concern have been identified that would be associated with the Project.

Assessment of potential blasting impacts has indicated that in the majority of situations, blast design would ensure that blasting impacts are acceptable. Almost all noise levels during the day, evening and night are below the accepted thresholds for any adverse health effects. Some exceedances during worst-case meteorological conditions would occur at some of the closest properties. Mitigation arrangements would be implemented for those households under agreement.

Rehabilitation and Ecology Offsets

Consistent with many modern mining projects, rehabilitation of all areas disturbed by mining-related activities would be an integral part of the Project. Emphasis would be placed upon progressively creating final landforms and re-establishing soil profiles and vegetation as they become available. Revegetation would either be temporary or permanent. Final landforms would be created to achieve the preferred final land use(s) which predominantly include a return to productive agriculture with some areas to be dedicated to biodiversity conservation.

Comprehensive field surveys have concluded that the Project as proposed would result in the removal of approximately 381.7ha of native vegetation of variable condition. This vegetation has the potential to be habitat for a range of native fauna, however, the Project is not expected to result in significant impacts upon migratory or threatened species.

Biodiversity impacts that cannot be avoided would be offset in accordance with the NSW Biodiversity Offsetting Scheme, with 795ha within and surrounding the Mine Site currently intended to be conserved in perpetuity. Additional 'off-site' biodiversity offset areas would also be established.

Aboriginal Cultural Heritage

In collaboration with the Aboriginal community, the Company will provide a "Keeping Place" for salvaged artefacts within the Mine Site so these can be returned to the final landform post-mining in recognition of the importance of appropriate management of items of cultural heritage significance. Other sites identified that are not disturbed will be protected for the life of the Mine. An Aboriginal Cultural Heritage Management Plan will also be developed to guide these activities.

DIRECTORS' REPORT

Public Exhibition

As described in this report, the EIS was placed for public exhibition on the DPIE 'Major Projects' website with the public exhibition period ending during the first half of the 2021 Financial Year.

Results from the public exhibition may be viewed at the New South Wales Department of Planning, Industry and Environment Major Projects website (<https://www.planningportal.nsw.gov.au/major-projects>).

From the exhibition process, the Company received no objections to the Project from any of the Government agencies and received resounding public support.

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

Bowdens Project Exploration

During and subsequent to the first half of the 2021 Financial Year, the Company provided several updates on exploration activities at the Bowdens Silver Project.

The Company reported that drilling activities at Bowdens Silver will be expanded with up to 10,000 metres of drilling targeting high-grade infill and extension silver mineralisation.

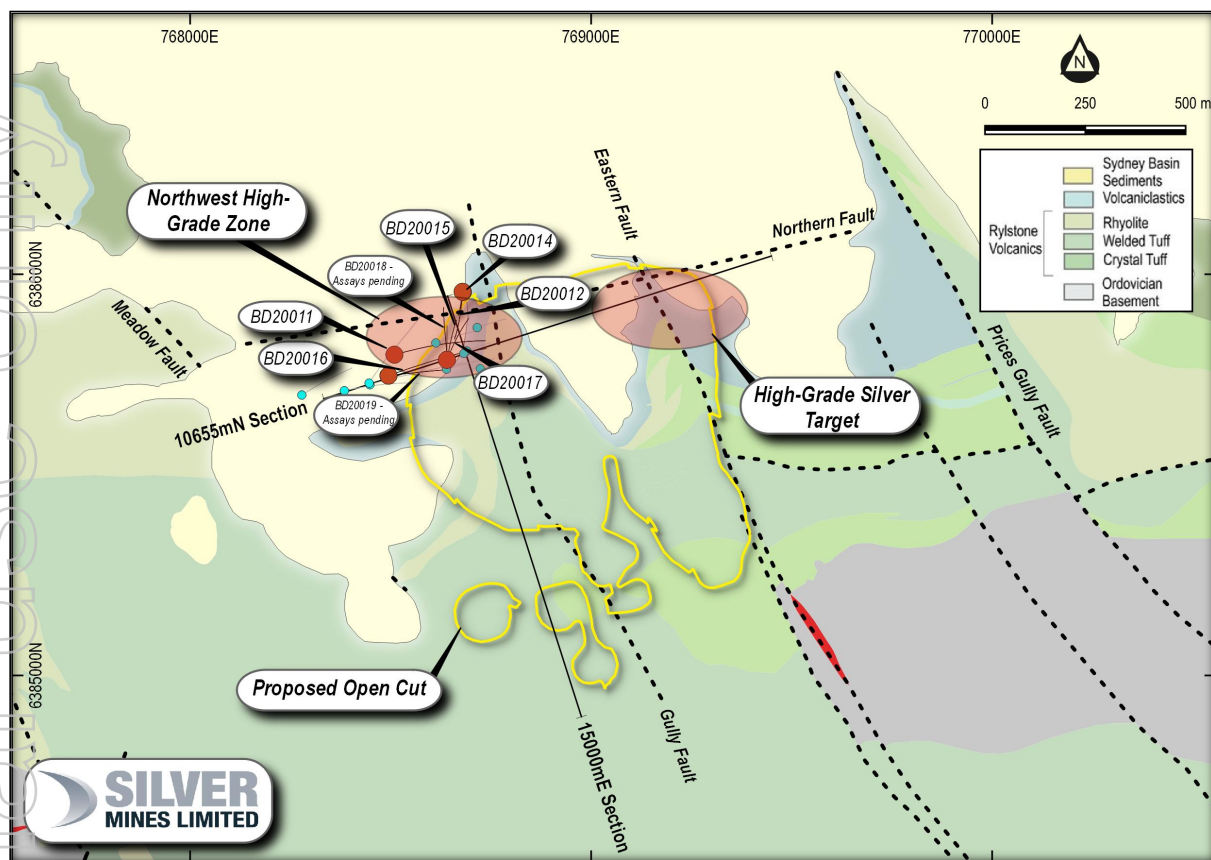
DIRECTORS' REPORT

Figure 3. High-Grade silver targets at the Bowdens Silver Project.

Diamond drilling continues to test extensions of potential source/feeder structures within and around the Northwest High-Grade Zone. The Northwest Zone has previously returned spectacular high-grade silver results. The zone starts approximately 30 metres below the base of the proposed Bowdens Silver open pit and is a mineralised zone being targeted for potential high-grade silver underground mining scenarios.

Drilling in this zone has shown the mineralisation consists of breccia and veined sulphides dominated by silver sulphides, galena (lead sulphide) and sphalerite (zinc sulphide) within the welded tuff of the Rylstone Volcanics.

Drilling is on-going with a priority to target and define the location and orientation of the feeder structures to the Bowdens Silver Deposit. This includes testing the Northwest Zone and the potential for high-grade zones linking the Northwest Zone to the Main Zone. With the latest results, the Northwest High-Grade Zone is now defined as 1 metre to 20 metres thick, 200 metres width (east to west) and continues down plunge/dip to the northwest for at least 300 metres. This zone is not yet closed off and drilling presents further potential for expansion.

For further information refer to releases of 28th July 2020 and 8th October 2020, as well as releases related to work conducted during the period with results released subsequent to the reporting period including releases of 29th January 2021 and 19th February 2021.

DIRECTORS' REPORT

Barabolar Project

During the first half of the 2021 Financial Year, the Company continued desktop activities on the Barabolar Project, which is located approximately 26 kilometres east of Mudgee in central New South Wales and 10 kilometres northwest of the Company's Bowdens Silver Project (refer to Figure 4).

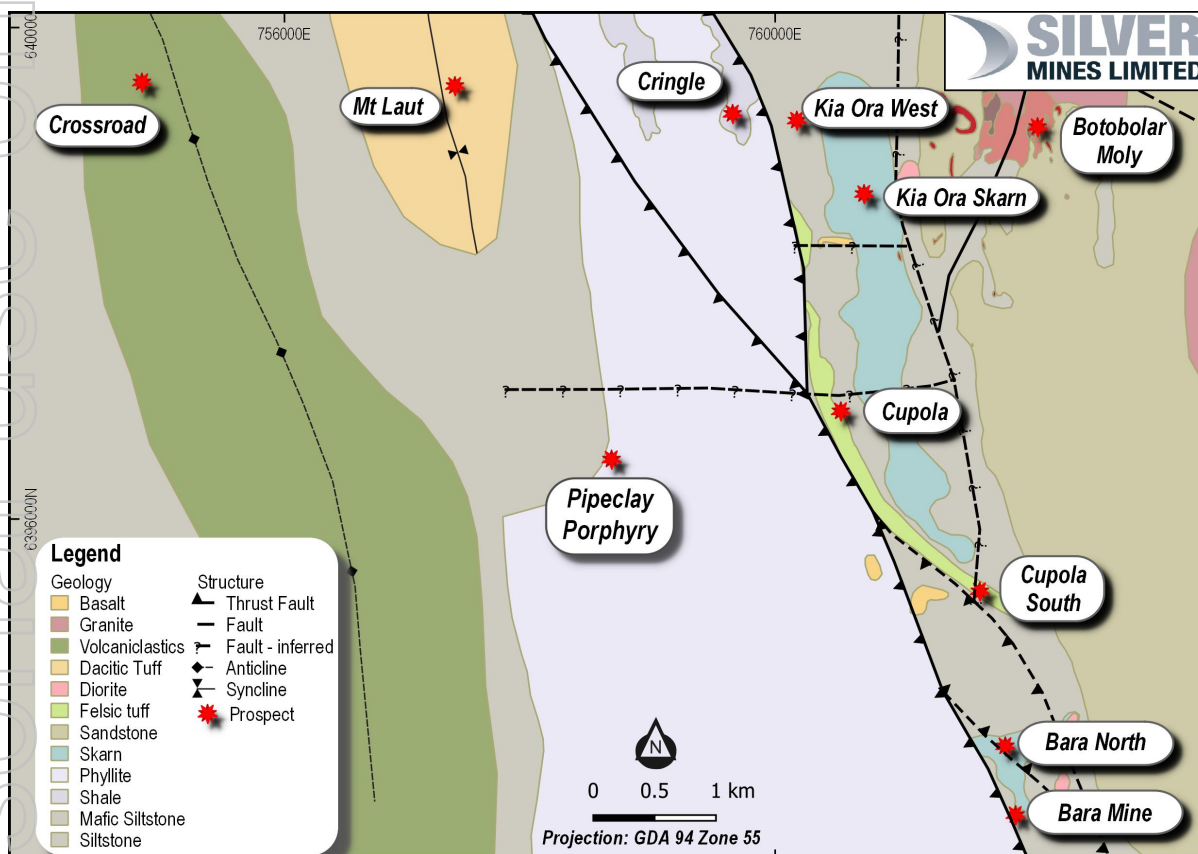


Figure 4. Barabolar Project geology with prospects.

Due to the COVID-19 pandemic, planned drilling at Barabolar has been put on-hold, however, the Barabolar Project remains a compelling target area with a considerable hydrothermal footprint. The Company is continuing with desktop studies and application of R&D technologies in this area.

Tuena Gold Project

The Tuena Gold Project is located 80 kilometres south of the city of Orange in New South Wales.

The Tuena area was the scene of a historic gold rush, with gold extracted from narrow high-grade gold reefs over a cluster of workings greater than 5 kilometres of strike length. The Company has completed reconnaissance mapping, rock sampling and soil geochemistry; as well as flown a detailed magnetic survey. The Company has defined >15 individual zones with anomalous gold in soil sampling associated with historic workings. Rock samples have also returned highly anomalous gold results at Peeks Reef (up to 76.4 g/t Au in rock sampling), Cooper & McKenzie and the Eastern Prospects (Refer to the release dated 23rd October 2019).

DIRECTORS' REPORT

During the first half of the 2021 Financial Year, the Company commenced a 20-hole 4,000 metre reverse circulation drill program designed to test beneath several of the historic hard-rock gold workings and associated geochemistry anomalies along an extensive 5.4 kilometre by 1.5-kilometre shear complex within EL8526. In addition, two targets, at Lucky Hit South and Markham's Prospects, have been identified with both gold and base-metal pathfinder signatures. Both prospects adjoin historic workings at Lucky Hit and Markham's Hill respectively and are clearly defined by soil chemistry with anomalism of silver, bismuth, lead, tellurium and gold (refer to the release dated 19th May 2020). These targets are being tested for bulk-tonnage gold mineral systems and have a comparable signature and scale to the McPhillamy's Gold Project (Regis Resources) located north of the Tuena Gold Project. The Tuena drilling has been completed, and the Company is currently awaiting the finalisation of the assay results and their compilation.

This program represents the first modern drilling to be completed in the Tuena project area. However, in recent years there have been substantial gold discoveries made along the strike of the Copperhannia Fault including the McPhillamy's deposit to the north of Tuena (Regis Resources) and the Cullarin discovery to the south (Sky Metals).

For further information refer to the releases dated 28th July 2020, 12th October 2020 and the December 2020 quarterly Report.

Other Projects

During the first half of the 2021 Financial Year, the Company announced that it had entered into a binding term sheet with Thomson Resources Limited (ASX:TMZ) ("Thomson Resources") for the sale of its 100% interests in the Webbs Silver/Polymetallic Project ("Webbs") and the Conrad Silver/Polymetallic Project ("Conrad"), both located in the New England region of New South Wales ("Term Sheet"). The Term Sheet was superseded by definitive agreements as reported on 27th January 2021 and 24th February 2021.

Government and Community Engagement

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

DIRECTORS' REPORT

Research and Development and NSW New Frontiers Cooperative Drilling Grants

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 of the Company's exploration licenses. The R&D programs are on-going and have, over the past three years, involved collaboration between Silver Mines' researchers and researchers from the University of Technology Sydney, the University of New South Wales and Macquarie University. Several industry consultants and data collection contractors have also assisted in analysing and providing base datasets for the R&D program.

The R&D project involves developing innovative new technology and processes, which have been applied to geological studies on the Bowdens Silver Deposit and particularly the basement rocks and the search for a porphyry source or feeder structure. In addition, research has been applied to the Barabolar Project area and elsewhere in the Company's portfolio including Tuena. The Company 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 including the Cringle prospect area. Much of the Company's exploration drilling is considered as a test of hypotheses and targets developed under these R&D programs.

During the first half of the 2021 Financial Year, the development and testing of the machine learning predictive geochemistry technology and integration with recently acquired gravity data continued. This work produced an integrated geology, geochemical and geophysical model of the Bowdens Project. This model is being used for detailed targeting of potential feeder zones and/or magmatic sources to the Bowdens Silver epithermal mineralisation. The current drill programs at Bowdens are on targets generated from this work and based on the integration of technologies and data. The Company is now establishing programs to test its machine learning technologies on targeting outside of the Bowdens-Barabolar district to establish if such technologies have transferable applications to other geological domains. In particular, the Tuena Gold Project, with a multi-element association of gold mineralisation along with complex structure, is being used as a further test site with drill targets associated with multi-element anomalism being generated, in part, by these technologies.

DIRECTORS' REPORT

COMPETENT PERSONS STATEMENT

The information in this report that relates to mineral exploration from the Bowdens Silver, Barabolar and Tuena projects is based on information compiled by the Bowdens Silver team and 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.

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DIRECTORS' REPORT**TENEMENT INFORMATION AS AT 31st DECEMBER 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%.

DIRECTORS' REPORT

CORPORATE

Sale of Webbs and Conrad Silver/Polymetallic Projects, New South Wales

During the first half of the 2021 Financial Year, the Company announced that it had entered into a binding Term Sheet with Thomson Resources Limited (ASX:TMZ) ("Thomson Resources") for the sale of its 100% interests in the Webbs Silver/Polymetallic Project ("Webbs") and the Conrad Silver/Polymetallic Project ("Conrad"), both located in the New England region of New South Wales. The Term Sheet was superseded by definitive agreements as reported on 27th January 2021 and 24th February 2021.

The transaction comprises the following:

- (a) initial non-refundable payment of A\$50,000 to be paid to Silver Mines upon signing of the Term Sheet (paid);
- (b) a further non-refundable payment of A\$750,000 to be paid to Silver Mines upon signing of the amended definitive agreements (paid);
- (c) a payment equivalent to the cash rehabilitation bonds in place at completion and the replacement of any non-cash rehabilitation bonds (currently, the aggregate of both types of rehabilitation bonds is approximately \$269,000);
- (d) share consideration of 70,000,000 fully paid ordinary shares and 50 million options in Thomson Resources of which:
 - (i) 35 million shares ("Tranche 1") will be issued to Silver Mines upon satisfaction or waiver of conditions precedent to completion (escrowed until Thomson Resources shareholder approval is obtained for Tranche 2);
 - (ii) 35 million shares will be issued to Silver Mines subject to Thomson Resources shareholder approval (6-month escrow from date of issue) ("Tranche 2");
 - (iii) 50 million options will be issued to Silver Mines with a vesting date 6 months from the date of issue, an exercise price of \$0.124 per option and an expiry date of 3 years from the date of issue ("TMZ Options"). The TMZ Options will be issued subject to Thomson Resources shareholder approval; and
- (e) if shareholder approval is not obtained the Agreements provide for the acquisition to be unwound.

Securities

On 8 December 2020, the Company in accordance with shareholder approval achieved at the AGM issued the following:

- (a) 10,000,000 fully paid ordinary shares to a Director of the Company in accordance with the provisions of the Deed, which provided that such shares must be issued upon lodgment of the Environmental Impact Statement and Development Application (announced on 25 May 2020); and
- (b) 500,000 fully paid ordinary shares ("Placement Shares") to related parties of the Company in conjunction with the placement announced on 27 May 2020, with the Placement Shares issued at \$0.10 per share.

DIRECTORS' REPORT

In total 14,596,301 SVLOB options (\$0.06 exercise price expiring 6 September 2021) were exercised during the half-year period. A total of 3,850,000 unquoted SVLUOP2 options (\$0.10 exercise price expiring 1 August 2021) issued under the Company's Employee Incentive Plan were exercised during the half-year period.

Waiver

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

- (a) achievement of the mining lease granted by the NSW Department of Planning, Industry and Environment pursuant to the Mining Act 1992 (NSW) in connection with Bowden Silver Project; or
- (b) a change of control milestone such as a takeover bid pursuant to section 9 of the Corporations Act 2001 (Cth), (collectively, "Milestones")

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

RESULTS AND DIVIDENDS

For the half-year reporting period to 31 December 2020, the Group recorded a loss of \$954,028 (31 December 2019: loss \$882,942).

The Group incurred exploration and development expenditure of \$3,344,310 during the current half-year to 31 December 2020 (31 December 2019: \$2,651,205). The total net assets of the Group stand at \$83,946,235 (June 2020: \$83,623,476) of which investment in exploration expenditure accounts for \$59,932,618 (June 2020: \$56,788,308).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AFTER THE END OF THE REPORTING PERIOD

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

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

Placement

In the period subsequent to the half-year, the Company conducted a placement to institutional, professional and sophisticated investors ("Placement") with Paterson Securities Limited acting as Lead Manager.

The Placement conducted in February 2021 (announced 15 February 2021) was fully subscribed and conducted at an issue price of \$0.22 per share. The Placement resulted in the issue of 136,363,637 fully paid ordinary shares raising \$30 million (before costs).

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

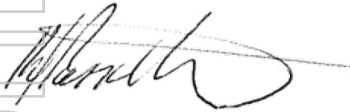
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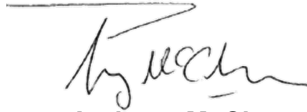
AUDITORS INDEPENDENCE DECLARATION

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 half-year report.

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



**Keith Perrett
Chairman**



**Anthony McClure
Managing Director**

16 March 2021

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16 March 2021

The Board of Directors
Silver Mines Limited
Level 11
52 Phillips 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 review of the financial report of Silver Mines Limited for the half-year period ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**Crowe Sydney****Suwanti 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.

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

Conclusion

We have reviewed the half-year financial report of Silver Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

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Responsibility of the Directors for the Financial Report

The directors of the Silver Mines Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Crowe Sydney

Crowe Sydney



Suwarti Asmono
Partner

16 March 2021

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	31-Dec-20 \$	31-Dec-19 \$
Revenue		92,035	64,097
Cost of sales		(27,839)	(36,055)
Gross Profit from continuing operations		64,196	28,042
Grant		100,840	-
Other income		86,028	84,324
Share registry and exchange fees		(110,187)	(104,266)
Auditors		(19,269)	(17,953)
Marketing		(44,598)	(70,734)
Office expenses		(23,380)	(15,484)
IT and communication		(506)	(9,737)
Depreciation		(142,061)	(79,643)
Accountancy		(60,000)	(42,500)
Professional and technical advisors		(231,493)	(266,334)
Employee benefits expenses		(465,740)	(282,336)
Travel and accommodation		(487)	(23,490)
Share based payment		-	(73,818)
Farm operations		(61,159)	(32,904)
FV gain/loss on initial recognition of livestock		40,224	69,723
Gain on sales of non-current assets		11,877	-
Foreign exchange losses		(71)	-
Other expenses		(91,305)	(50,951)
Loss from continuing operations before interest and income tax		(947,091)	(888,061)
Interest income		64,495	32,112
Distribution income		-	-
Finance costs		(71,432)	(26,993)
Loss from continuing operations before income tax		(954,028)	(882,942)
Income tax		-	-
Loss from continuing operations after income tax		(954,028)	(882,942)
Other comprehensive income			
Total comprehensive income (loss) (attributable to owners of the company)		(954,028)	(882,942)
Earnings per share (cents per share)			
Basic & diluted earnings per share	10	(0.09)	(0.11)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **AS AT 31 DECEMBER 2020**

	Notes	31-Dec-20 \$	30-Jun-20 \$
Current assets			
Cash and cash equivalent	2	7,146,949	12,124,402
Receivables		277,211	291,731
Inventory - livestock		242,225	229,683
Other assets		9,469	11,037
Total current assets		7,675,854	12,656,853
Non-current assets			
Financial assets		303,367	303,367
Deferred exploration and development expenditure	3	59,932,618	56,788,308
Intangible assets	4	743,947	56,603
Land and buildings	5	17,601,509	15,846,413
Property, plant and equipment	6	4,016,877	4,050,774
Total non-current assets		82,598,318	77,045,465
Total assets		90,274,172	89,702,318
Current liabilities			
Payables	7	1,194,447	962,753
Employee provisions		248,225	204,467
Loans and borrowings		1,009,237	1,009,237
Lease Liability (current)		24,501	53,796
Total current liabilities		2,476,410	2,230,253
Non-Current liabilities			
Lease Liability (non-current)		3,851,527	3,848,589
Total non-current liabilities		3,851,527	3,848,589
Total liabilities		6,327,937	6,078,842
Net assets		83,946,235	83,623,476
Equity			
Contributed equity	8	112,424,709	109,987,534
Reserve	9	2,988,632	4,149,020
Accumulated losses		(31,467,106)	(30,513,078)
Total Equity		83,946,235	83,623,476

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 HALF-YEAR ENDED 31 DECEMBER 2020

Notes	Ordinary Shares \$	Share capital reserve \$	Share based payment reserve \$	Accumulated losses \$	Total \$
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	13,591,404	-	-	-	13,591,404
Options issued in the period	-	-	147,698	-	147,698
Costs of funds raised	(883,900)	-	-	-	(883,900)
Total transactions with owners, in their capacity as owners	12,707,504	-	147,698	-	12,855,202
Comprehensive income for period					
Loss attributable to owners of the company	-	-	-	(882,942)	(882,942)
Total comprehensive income for the period	-	-	-	(882,942)	(882,942)
Balance at 31 December 2019	96,574,797	4,000,000	147,698	(27,647,769)	73,074,726
Balance at 1 July 2020	109,987,534	3,000,000	1,149,020	(30,513,078)	83,623,476
Transactions with owners, in their capacity as owners					
Equity funds received, issue of shares	2,289,661	(1,000,000)	-	-	1,289,661
Fair value of options exercised	160,388	-	(160,388)	-	-
Options issued in the period	-	-	-	-	-
Costs of funds raised	(12,874)	-	-	-	(12,874)
Total transactions with owners, in their capacity as owners	2,437,175	(1,000,000)	(160,388)	-	1,276,787
Comprehensive income for period					
Loss attributable to owners of the company	-	-	-	(954,028)	(954,028)
Total comprehensive income for the period	-	-	-	(954,028)	(954,028)
Balance at 31 December 2020	112,424,709	2,000,000	988,632	(31,467,106)	83,946,235

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 HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	31-Dec-20 \$	31-Dec-19 \$
Cash flows from operating activities			
Receipts from customers		155,482	148,056
Payments to suppliers & employees		(1,041,674)	(1,027,543)
Interest received		64,495	32,112
Grant received		75,840	-
Finance costs		(21,221)	(25,424)
Net cash outflows from operating activities		<u>(767,078)</u>	<u>(872,799)</u>
Cash flows from investing activities			
Payments for deferred exploration		(3,148,387)	(3,363,205)
Grant received		200,000	-
R&D tax benefit		-	663,423
Payment to acquire intangible		(687,344)	(740,000)
Payment for property, plant and equipment		(1,897,016)	(1,769,437)
Non-refundable payment received for potential sale of entities		50,000	-
Proceeds from sale of property, plant and equipment		45,632	-
Net cash outflows from investing activities		<u>(5,437,115)</u>	<u>(5,209,219)</u>
Cash flows from financing activities			
Proceeds from issues of shares		-	12,901,500
Option conversion		1,239,614	689,904
Payments for capital raising costs		(12,874)	(810,020)
Net cash inflows from financing activities		<u>1,226,740</u>	<u>12,781,384</u>
Net (decrease)/increase in cash and cash equivalent		(4,977,453)	6,699,366
Cash and cash equivalent at the beginning of the financial year		<u>12,124,402</u>	<u>633,820</u>
Cash and cash equivalent at the end of the financial year	2	<u>7,146,949</u>	<u>7,333,186</u>

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 HALF-YEAR ENDED 31 DECEMBER 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 134: Interim Financial Reporting and the requirements of Corporations Act 2001 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.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Silver Mines Limited and its controlled entities. It is therefore recommended that this financial report to be read in conjunction with annual financial statements of the group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

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 minimal ongoing revenue streams, as the directors believe that the Group will raise sufficient cash and liquid assets.

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 reduction in interest income, costs based on the progression of the Bowdens Silver Project and the further development of the Group's purchase of tenements along with exploration.

In addition, the Group had successfully completed a placement to raise capital of \$30 million in February 2021 (refer to Note 13).

c. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silver Mines Limited as at 31 December 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

d. New, revised or amending 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.

e. Identification of reportable operating segments

During the period, the consolidated entity was organised into one operating segment, being exploration operations. This operating segment is based on the internal reports that are reviewed and used by the directors (who are identified as the Chief Operating Decision Makers ("CODM")) in assessing performance and in determining the allocation of resources.

The CODM review operating expenses in relation to the exploration activities and the Group's cash position. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis. Information is presented on a consolidated cash flow basis. Cash flow funding is treated as one pool of liquid assets noting relevant terms of any maturity or exercise of any investments for the purpose of funding exploration. Types of products and services – the principal products and services of this operating segment are in exploration operations and mine development in Australia.

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

The critical estimates and judgments are consistent with those applied and disclosed in the June 2020 annual report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 2: CASH AND CASH EQUIVALENTS

	31-Dec-20	30-Jun-20
Current	\$	\$
Cash and cash equivalent	5,528,604	12,124,402
Investment in redeemable preference shares	1,618,345	1,570,132
	<u>7,146,949</u>	<u>12,124,402</u>

Cash and cash equivalents include investment in redeemable preference shares of \$1,618,345 (June 2020: 1,570,132). This investment matures on 31 March 2021 and can be redeemed earlier in line with withdrawal schedule.

NOTE 3: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE

	31-Dec-20	30-Jun-20
Non-current	\$	\$
Exploration expenditures		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase		
Opening balance	56,788,308	51,331,641
Expenditure in the period	3,344,310	5,456,667
Government grant	(200,000)	-
Closing balance	<u>59,932,618</u>	<u>56,788,308</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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 4: INTANGIBLE ASSETS

	31-Dec-20	30-Jun-20
	\$	\$
Non-current		
Opening balance	56,603	1,740,000
Additions	687,344	796,603
Exercised	-	(2,480,000)
Closing balance	<u>743,947</u>	<u>56,603</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 \$687,344 (June 2020: \$796,603) during the period.

NOTE 5: LAND AND BUILDINGS

	31-Dec-20	30-Jun-20
	\$	\$
Non-current		
Properties at cost	18,341,436	16,549,501
Accumulated Depreciation	(739,927)	(703,088)
	<u>17,601,509</u>	<u>15,846,413</u>

	Land	Buildings	Buildings improvements	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2019	8,330,121	217,586	133,338	8,681,045
Additions	6,851,194	409,100	-	7,260,294
Depreciation expense	-	(13,373)	(81,553)	(94,926)
Balance at 30 June 2020 and 1 July 2020	15,181,315	613,313	51,785	15,846,413
Additions	1,791,935	-	-	1,791,935
Depreciation expense	-	(8,559)	(28,280)	(36,839)
Balance at 31 December 2020	<u>16,973,250</u>	<u>604,754</u>	<u>23,505</u>	<u>17,601,509</u>

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	31-Dec-20	30-Jun-20
	\$	\$
Plant and equipment - at cost	993,653	960,114
Less: accumulated depreciation	(783,578)	(794,364)
Right of use assets (adoption of AASB 16 Leases)	3,911,098	3,911,098
Less: accumulated depreciation	(104,296)	(26,074)
	<u>4,016,877</u>	<u>4,050,774</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 7: PAYABLES

Current	31-Dec-20 \$	30-Jun-20 \$
Trade creditors and accruals	1,194,447	962,753

NOTE 8: CAPITAL

	Half-year			Full year		
	Dec-20 Shares No.	Dec-20 Issue price \$	Dec-20 \$	June-20 Shares No.	June-20 Issue price \$	June-20 \$
Opening balance	1,010,125,021		109,987,534	698,004,195		83,867,293
Issues of ordinary shares during the half-year less costs	10,500,000	0.10	1,037,126	58,000,000	0.05	2,720,651
Issues of ordinary shares during the half-year less costs	-	-	-	241,500,000	0.10	22,635,633
Issues of ordinary shares during the half-year less costs	-	-	-	304,878	0.08	25,000
Exercise of options @ 0.10 during the half-year	3,850,000	0.10	385,000	-	-	-
Exercise of options @ 0.06 during the half-year	14,244,353	0.06	854,661	12,315,948	0.06	738,957
Realisation from Reclassification from share based payment reserve	-	-	160,388	-	-	-
Closing balance	1,038,719,374		112,424,709	1,010,125,021		109,987,534

NOTE 9: RESERVE

	31-Dec-20 \$	30-Jun-20 \$
Share capital reserve	2,000,000	3,000,000
Share based payment reserve	988,632	1,149,020
	<u>2,988,632</u>	<u>4,149,020</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 9: RESERVE (CONTINUED)

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

NOTE 10: EARNINGS PER SHARE

	31-Dec-20	31-Dec-19
	\$	\$
a. Reconciliation of earnings to profit or loss		
Loss used in the calculation of basic and dilutive earnings per share	(954,028)	(882,942)
	No. of shares	No. of shares
b. Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	1,022,672,233	819,414,883
Basic and Diluted Earnings Per Share (cents)	(0.09)	(0.11)

NOTE 11: 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

(b) Trading transactions

During the half-year, the Company entered into the following trading transactions with related parties of Trent Franklin, the Company Secretary, as follows: Enrizen Pty Ltd received \$3,269 (Dec 2019: \$76,404) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$40,565 (Dec 2019: \$30,927) in relation to legal services; Enrizen Capital Pty Ltd received \$Nil (Dec 2019: \$40,000) in relation to capital raising services; Enrizen Accounting Pty Ltd received \$60,000 (Dec 2019: \$51,000) in relation to company secretarial and accounting services; and the company invested \$1,500,000 in Redeemable Preference Shares in Enable Investment Pty Ltd receiving a 6% p.a. rate of return. During the period, the company earned \$48,213 (Dec 2019: \$23,857) which was reinvested.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 12: COMMITMENTS

	31-Dec-20	30-Jun-20
	\$	\$
<i>Capital commitments- option</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Intangible assets	<u>12,570,000</u>	<u>6,927,500</u>
Tenement minimum spend for a year	<u>3,204,376</u>	<u>3,204,376</u>

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.

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

NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE

Placement

In the period subsequent to the half-year, the Company conducted a placement to institutional, professional and sophisticated investors ("Placement") with Paterson Securities Limited acting as Lead Manager.

The Placement conducted in February 2021 (announced 15 February 2021) was fully subscribed and conducted at an issue price of \$0.22 per share. The Placement resulted in the issue of 136,363,637 fully paid ordinary shares raising \$30 million (before costs).

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

Variation to sale agreements for Webbs and Conrad Silver/Polymetallic Projects, New South Wales

On 24 February 2021, Silver Mines announced that it had by mutual agreement with Thomson Resources Limited ACN 138 358 728 agreed to vary the definitive agreements entered into by the parties (announced on 12 November 2020 and on 27 January 2021) ("Varied Agreements") for the sale of its 100% interest in the Webbs Silver/Polymetallic Project and the Conrad Silver/Polymetallic Project, (collectively, "the Projects") both located in the New England region of New South Wales ("Transaction"). In accordance with the Varied Agreements, the consideration for the Projects was amended as follows:

- (a) a further non-refundable payment to Silver Mines of A\$750,000 (paid); and
- (b) share consideration of 70,000,000 fully paid ordinary shares and 50,000,000 options in Thomson of which:
 - (i) 35,000,000 fully paid ordinary shares ("Tranche 1") will be issued to Silver Mines upon satisfaction of conditions precedent to completion (escrowed until Thomson Resources shareholder approval is obtained for Tranche 2);
 - (ii) 35,000,000 fully paid ordinary shares ("Tranche 2") will be issued to Silver Mines subject to Thomson Resources shareholder approval (6-month escrow from the date of issue); and
 - (iii) 50,000,000 options will be issued with a vesting date that is 6 months from the date of issue, an exercise price of \$0.124 per option and an expiry date of 3 years from the date of issue ("TMZ Options"). The TMZ Options will be issued subject to Thomson Resources shareholder approval.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

In accordance with the Varied Agreements, if Thomson Resources shareholder approval is not obtained for Tranche 1, Tranche 2 and the TMZ Options, the transaction can be unwound (excluding the non-refundable payments made by Thomson Resources to Silver Mines).

Exercise of options

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:

- 2,425,211 shares issued on 15 Jan 2021
- 1,256,664 shares issued on 29 Jan 2021
- 6,093,420 shares issued on 16 Feb 2021

COVID-19 Response

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

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

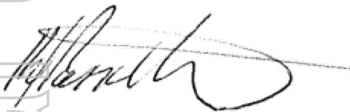
No other matter or circumstance has arisen since the reporting date that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

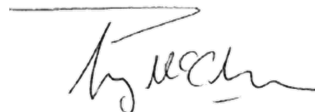
- 1 the financial statements and notes, as set out on pages 25 to 36 are in accordance with the Corporations Act 2001, the Corporations Regulations 2001 and other mandatory professional reporting requirements:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the financial position as at 31 December 2020 and of the performance for the half-year ended on that date of the Group;
- 2 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

16 March 2021



Anthony McClure
Managing Director