



# **HALF YEAR FINANCIAL REPORT**

*For the period ended 31 December 2018*

**CONTENTS**

CORPORATE DIRECTORY .....	3
DIRECTORS REPORT .....	4
AUDITORS INDEPENDENCE DECLARATION .....	13
INDEPENDENT AUDITORS' REVIEW REPORT.....	14
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	16
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	17
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	18
CONSOLIDATED STATEMENT OF CASH FLOWS.....	19
NOTES TO THE FINANCIAL STATEMENTS .....	20
DIRECTORS' DECLARATION.....	26

## **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**

Silver Mines Limited  
Level 11  
52 Phillip Street  
Sydney NSW 2000  
Australia

Tel: +61 2 8316 3997

Fax: +61 2 8316 3999

E-mail: [info@silvermines.com.au](mailto:info@silvermines.com.au)

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

### **Share Registry**

Boardroom Pty Limited  
Level 11

225 George Street  
Sydney NSW 2000

Tel : +61 2 9290 9600

Fax : +61 2 9279 0664

Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

### **Auditors**

Crowe Horwath Sydney  
Level 15

1 O'Connell Street  
Sydney NSW 2000

Tel: +61 2 9262 2155

Fax: +61 2 9262 2190

## **DIRECTORS' REPORT**

The Directors present their report on Silver Mines Limited and its controlled entities for the half-year ended 31 December 2018.

### **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's ('Silver Mines' or 'the Company') focus throughout the first half of the 2019 Financial Year has involved continuing to advance the Bowdens Silver Project, including progressing the Environmental Impact Statement. Exploration works were commenced at the Barabolar Project. The Company and its wholly owned subsidiaries (together, 'the Group') also continued to maintain the Webbs, Conrad and Tuena Projects.

### **HIGHLIGHTS FOR THE HALF YEAR**

- Continued advancement of the Bowdens Silver Environmental Impact Statement.
- Continued exploration in the Company's exploration and drilling programs.
- Entitlement issue completed raising approximately A\$3.85 million.

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

## 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. (See Figure 1). The project area comprises 2,007 km<sup>2</sup> (496,000 acres) of titles covering approximately 80 kilometres of strike in the highly mineralised Rylstone Volcanics.

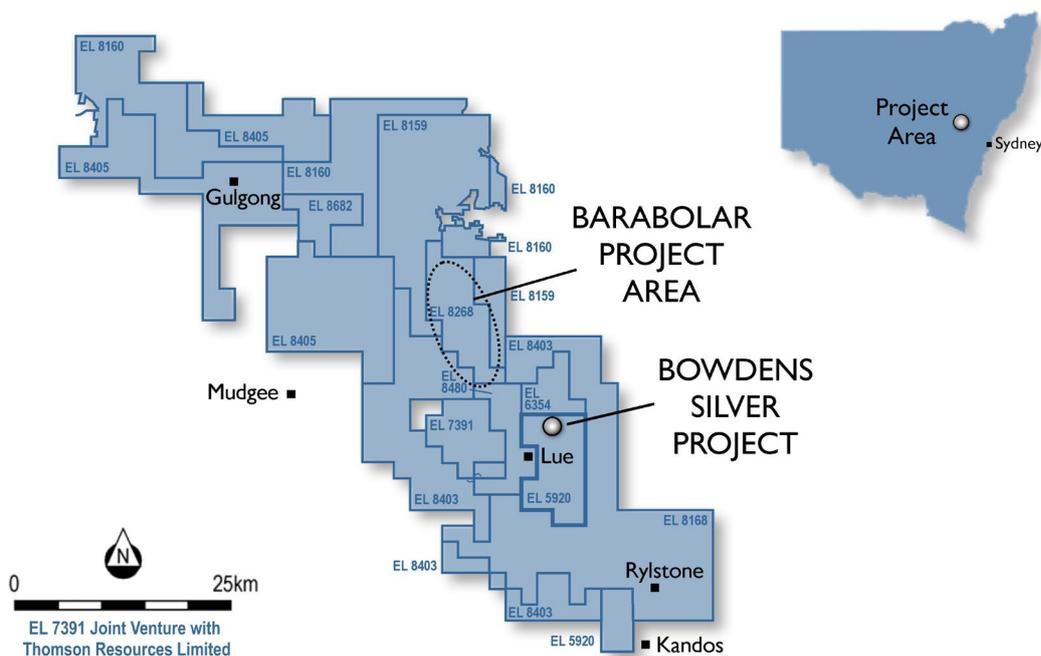


Figure 1. Bowdens Silver tenement holdings in the Mudgee district.

#### Description

The Bowdens Silver Project 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 with Thomson Resources Limited. (See 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. 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. (See Figure 2).

**DIRECTORS' REPORT**

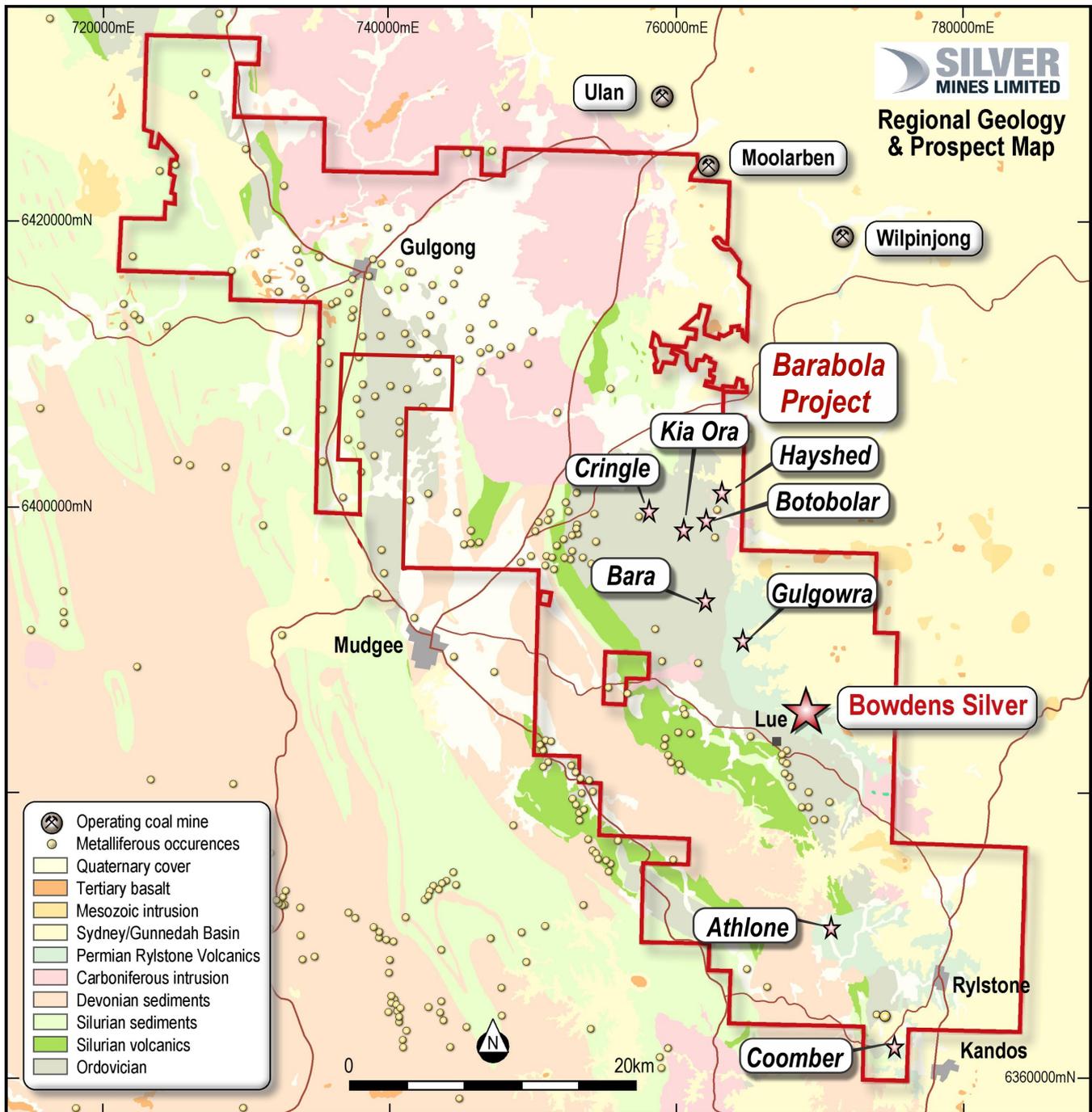


Figure 2. Bowdens Silver prospect locations in the Mudgee district.

## DIRECTORS' REPORT

### Bowdens Silver Environmental Impact Statement

Following the completion of the Bowdens Silver Feasibility Study in June 2018, the Company continued to advance its Environmental Impact Statement with its specialist consultants. The Bowdens Silver Project Environmental Impact Statement is targeted for completion mid-calendar 2019.

### Barabolar Project

During the first half of the 2019 Financial Year, the Company continued to progress exploration activities at the Barabolar Project located in central New South Wales.

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 (*refer release 19 July 2018*). 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 copper-gold porphyry targets.

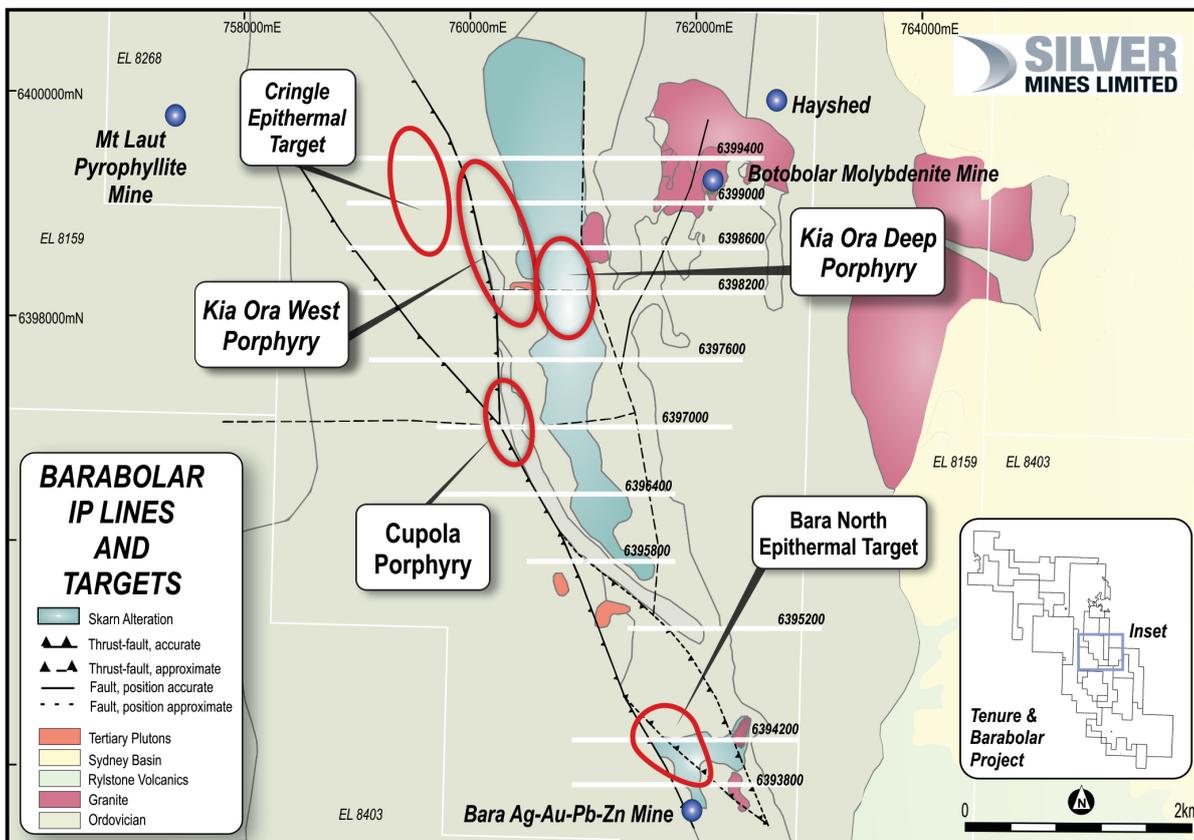


Figure 3. Barabolar prospect and geology map

## **DIRECTORS' REPORT**

During the half year, with interpretation of Induced Polarisation (IP) geophysical data from the Barabolar Project and integration with geological mapping and soil geochemistry data, five high-priority targets were determined for drilling.

During the half year, drilling commenced at the prospective southern targets (*see Figure 3*) being the Bara Mine, Bara North and Cupola South prospects with approvals having been received for this work. For the northern drilling including the drilling at the Cringle Prospect where recent surface sampling returned high-grade gold and silver (*refer to release dated 17 September 2018*), drilling is subject to final environmental approvals. Subsequent to the end of the half year environmental approvals had been received for drilling at the Cringle Prospect. Other potential areas for drilling are conditional on landholder access.

Elsewhere, work is on-going at the Barabolar Project area with the expansion of mapping and surface sampling across the western section of the prospective corridor. It is likely that further drill targets will be defined.

### **Planned Upcoming Exploration Activities**

Exploration activities currently being undertaken or being planned at the Barabolar Project include:

- Drill testing of high-grade gold and silver Cringle Prospect;
- Drill testing of copper/gold Kia Ora West Prospect;
- Continued surface geochemical sampling on prospective target areas in the north and northwest of the Project area;
- Geophysical surveys including infill and extensional IP surveys; and
- Potential ground-based electromagnetic and gravity surveys over prospective areas.

### **Government and Community Engagement**

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 also the wider area where the Company is commencing or undertaking exploration programs.

### **Other Projects**

During the half year, reconnaissance geological and geochemical work has been completed at the Webbs and Conrads Projects in northern New South Wales. The program's aim was to identify potential extensions to known mineralisation alongside landholder discussions at both project areas. The Company also continues environmental work at the two project areas. The Company continues to assess exploration options and other options for these prospective projects.

## **DIRECTORS' REPORT**

Initial exploration at the Tuena Project which is located to the south of Orange, New South Wales was commenced during the half year with several precious metals targets being initially located and assessed.

### **COMPETENT PERSONS STATEMENT**

The information in this report that relates to mineral exploration from the Barabolar Project is based on information compiled by the Bowdens Silver team and reviewed by Mr Darren Holden who is an advisor to the Company. Mr 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). Mr Holden consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

**DIRECTORS' REPORT****TENEMENT INFORMATION AS AT 31<sup>st</sup> DECEMBER 2018**

<b>Tenement</b>	<b>Project Name</b>	<b>Location</b>	<b>Silver Mines Ownership</b>
EL 5920	Bowdens Silver	NSW	100%
EL 6354	Bowdens Silver	NSW	100%
EL 8159	Bowdens Silver	NSW	100%
EL 8160	Bowdens Silver	NSW	100%
EL 8168	Bowdens Silver	NSW	100%
EL 8268	Bowdens Silver	NSW	100%
EL 7391 <sup>1</sup>	Bowdens Silver	NSW	0%
EL 8403	Bowdens Silver	NSW	100%
EL 8405	Bowdens Silver	NSW	100%
EL 8480	Bowdens Silver	NSW	100%
EL 8682	Bowdens Silver	NSW	100%
EL 8526	Tuena	NSW	100%
EL 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**

During the half-year, the Company announced the completion of an agreement with Thomson Resources Limited (ASX:TMX), in which the Company renewed a previously announced farm-in agreement relating to EL 7391, a tenement located approximately 25 kilometres east of Mudgee. The agreement allows the Company to earn up to an 80% interest in the tenement, by sole funding \$380,000 over the course of three years. At present, approximately \$80,000 has been expended.

Additionally, in September 2018, the Company announced the successful completion of a partially underwritten, renounceable entitlements issue to Shareholders. The capital raising was conducted on the basis of one new share for every four shares held as at the record date, at a price of \$0.03 per share. For every two new shares subscribed for, eligible shareholders were also entitled to one free attaching option, with an exercise price of \$0.06 and an expiry date of 6 September 2021.

The entitlements issue was partially underwritten to the value of \$2.5 million by Patersons Securities Limited. The entitlements issue and subsequent shortfall placement raised \$3,846,000 (before costs). Under the entitlements issue, directors of the Company subscribed for 12,885,417 new shares and 6,442,709 options. These securities were issued following shareholder approval at the Company's Annual General Meeting on 28 November 2018.

### **RESULTS AND DIVIDENDS**

For the half-year reporting period to 31 December 2018, the Group recorded a loss of \$929,203 (31 December 2017: loss \$1,133,967).

The Group incurred exploration and development expenditure of \$1,360,203 during the current half-year to 31 December 2018 (31 December 2017: \$3,700,379). The total net assets of the Group stands at \$59,376,715 (June 2018: \$56,790,853) of which investment in exploration expenditure accounts for \$48,734,105 (June 2018: \$47,373,902).

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS DURING THE HALF-YEAR AND 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. Since 31<sup>st</sup> December 2018, the Group has not had any significant events that have affected, or may significantly affect, the Group operations, the results of the Group or the Group's state of affairs in future financial years.

### **EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to the end of the December 2018 quarter, the Company's subsidiary Bowdens Agriculture Pty Ltd entered an initial financing facility for \$1,010,000 with Westpac Banking Corporation. The facility is provided for the purchase of agricultural freehold land in proximity to the Bowdens Silver Project and is associated to land requirements as part of future mining activities.

## **DIRECTORS' REPORT**

This initial facility is provided by way of reimbursement of recent acquisitions and is available for general working capital purposes.

With further agricultural acquisitions targeted in the future, additional expansion to the current facility is envisaged. Servicing of the current and future facility will be provided from cashflow from farming activities.

No 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.

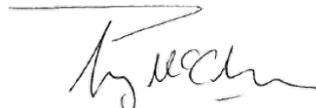
### **AUDITORS INDEPENDENCE DECLARATION**

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  
15th March 2019



**Anthony McClure**  
Managing Director

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 consolidated financial statements of Silver Mines Limited for the period ended 31 December 2018, 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 HORWATH SYDNEY**



**LEAH RUSSELL**  
Senior Partner

Dated this 15<sup>th</sup> day of March 2019.

## Silver Mines Limited and its Controlled Entities

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

#### Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Silver Mines Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

#### Directors' Responsibility for the Half-year Financial Report

The directors of the Company 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 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*. As the auditor of Silver Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 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.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Silver Mines Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Silver Mines Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

### **Emphasis of Matter Regarding Going Concern**

We draw attention to Note 1 in the half-year financial report, which indicates that the Group will require further funding in the next twelve months from the date of this report to fund its planned exploration and development projects and operating costs. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

*Crowe Horwath Sydney*

**CROWE HORWATH SYDNEY**

*L Russell*

**LEAH RUSSELL**

Senior Partner

Date this 15<sup>th</sup> day of March 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	31-Dec-18 \$	31-Dec-17 \$
Revenue	126,136	64,380
Cost of sales	(39,476)	(20,739)
<b>Gross Profit from continuing operations</b>	<b>86,660</b>	<b>43,641</b>
Other income	33,050	667
Share registry and exchange fees	(129,572)	(59,360)
Auditors	(18,004)	(12,111)
Marketing	(58,941)	(47,256)
Office expenses	(74,933)	(48,465)
IT and communication	(2,729)	(8,635)
Depreciation	(88,576)	(115,987)
Accountancy	(52,000)	(51,000)
Professional and technical advisors	(187,605)	(294,945)
Employee benefits expenses	(311,767)	(380,260)
Travel and accommodation	(69,116)	(124,295)
Foreign exchange gains/(losses)	(226)	(83)
Other expenses	(61,399)	(49,276)
<b>Loss from continuing operations before interest and income tax</b>	<b>(935,158)</b>	<b>(1,147,365)</b>
Interest income	9,227	17,239
Finance costs	(3,272)	(3,841)
<b>Loss from continuing operations before income tax</b>	<b>(929,203)</b>	<b>(1,133,967)</b>
Income tax	-	-
<b>Loss from continuing operations after income tax</b>	<b>(929,203)</b>	<b>(1,133,967)</b>
Comprehensive income	-	-
<b>Total comprehensive income (loss) (attributable to owners of the company)</b>	<b>(929,203)</b>	<b>(1,133,967)</b>
<b>Earnings per share (cents per share)</b>		
Basic & diluted earnings per share	(0.16)	(0.27)

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

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** **AS AT 31 DECEMBER 2018**

	Notes	31-Dec-18 \$	30-Jun-18 \$
<b>Current assets</b>			
Cash and cash equivalent	2	549,564	730,679
Receivables		60,855	75,037
Inventory - livestock		186,611	164,310
<b>Total current assets</b>		<b>797,030</b>	<b>970,026</b>
<b>Non-current assets</b>			
Financial assets		190,000	91,000
Deferred exploration and development	3	48,734,105	47,373,902
Intangible assets	4	1,630,000	1,770,000
Land and buildings	5	8,726,886	7,625,013
Property, plant and equipment	6	316,506	360,415
<b>Total non-current assets</b>		<b>59,597,497</b>	<b>57,220,330</b>
<b>Total assets</b>		<b>60,394,527</b>	<b>58,190,356</b>
<b>Current liabilities</b>			
Payables	7	857,534	1,212,474
Employee provisions		160,278	187,029
<b>Total current liabilities</b>		<b>1,017,812</b>	<b>1,399,503</b>
<b>Total liabilities</b>		<b>1,017,812</b>	<b>1,399,503</b>
<b>Net assets</b>		<b>59,376,715</b>	<b>56,790,853</b>
<b>Equity</b>			
Contributed equity	8	81,279,825	77,764,760
Reserve		4,000,000	4,000,000
Accumulated losses		(25,903,110)	(24,973,907)
<b>Total Equity</b>		<b>59,376,715</b>	<b>56,790,853</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Notes	Ordinary Shares \$	Share capital reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2017</b>		<b>71,097,814</b>	<b>4,000,000</b>	<b>(22,907,474)</b>	<b>52,190,340</b>
<b>Transactions with owners, in their capacity as owners</b>					
Equity funds received, issue of shares		4,300,600	-	-	4,300,600
Shares buy-back		-	-	-	-
Cost of funds raised		(264,675)	-	-	(264,675)
Total transactions with owners, in their capacity as owners		4,035,925	-	-	4,035,925
<b>Comprehensive income for period</b>					
Loss attributable to owners of the company		-	-	(1,133,967)	(1,133,967)
Total comprehensive income for the period		-	-	(1,133,967)	(1,133,967)
<b>Balance at 31 December 2017</b>		<b>75,133,739</b>	<b>4,000,000</b>	<b>(24,041,441)</b>	<b>55,092,298</b>
<b>Balance at 1 July 2018</b>		<b>77,764,760</b>	<b>4,000,000</b>	<b>(24,973,907)</b>	<b>56,790,853</b>
<b>Transactions with owners, in their capacity as owners</b>					
Equity funds received, issue of shares		3,846,006	-	-	3,846,006
Shares buy-back		-	-	-	-
Costs of funds raised		(330,941)	-	-	(330,941)
Total transactions with owners, in their capacity as owners		3,515,065	-	-	3,515,065
<b>Comprehensive income for period</b>					
Loss attributable to owners of the company		-	-	(929,203)	(929,203)
Total comprehensive income for the period		-	-	(929,203)	(929,203)
<b>Balance at 31 December 2018</b>	8	<b>81,279,825</b>	<b>4,000,000</b>	<b>(25,903,110)</b>	<b>59,376,715</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Notes	31-Dec-18 \$	31-Dec-17 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		135,904	65,047
Payments to suppliers & employees		(2,029,737)	(2,104,886)
Interest received		9,227	17,239
Finance costs		(3,272)	(3,841)
		<hr/>	<hr/>
Net cash outflows from operating activities		(1,887,878)	(2,026,441)
<b>Cash flows from investing activities</b>			
Payments for deferred exploration		(1,473,644)	(3,541,554)
R&D Tax Benefit		651,031	266,071
Payment to acquire intangible		(1,008,589)	(835,000)
Payment for property, plant and equipment		(35,000)	-
Proceeds from sale of property, plant and equipment		57,900	-
		<hr/>	<hr/>
Net cash outflows from investing activities		(1,808,302)	(4,110,483)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		3,846,006	4,300,000
Option conversion		-	600
Payments for capital raising costs		(330,941)	(264,675)
		<hr/>	<hr/>
Net cash inflows from financing activities		3,515,065	4,035,925
		<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalent</b>		<b>(181,115)</b>	<b>(2,100,999)</b>
Cash and cash equivalent at the beginning of the financial year		730,679	3,641,237
		<hr/>	<hr/>
<b>Cash and cash equivalent at the end of the financial year</b>	<b>2</b>	<b>549,564</b>	<b>1,540,238</b>
		<hr/>	<hr/>

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 2018**

### **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 2018, 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, net current liabilities, 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 the unlikely event that a capital raise is not completed, or for a sufficient quantum and 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 31 December 2018 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 2018**

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

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

The consolidated entity has adopted all of the new revised or amended Accounting Standards and Interpretations issued by the Australia 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. Due to the nature of the entity the application of AASB 15: Revenue from Contracts with Customers and AASB 9: Financial Instruments has not had a significant effect on the financial statements.

**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 2018 annual report.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

### **NOTE 2: CASH AND CASH EQUIVALENTS**

	<b>31-Dec-18</b>	<b>30-Jun-18</b>
<b>Current</b>	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	549,564	730,679

### **NOTE 3: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE**

	<b>31-Dec-18</b>	<b>30-Jun-18</b>
<b>Non-current</b>	<b>\$</b>	<b>\$</b>
Exploration expenditures		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase		
Opening balance	47,373,902	41,128,752
Expenditure in the period	1,360,203	6,245,150
<b>Closing balance</b>	<b>48,734,105</b>	<b>47,373,902</b>

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 2018

### NOTE 4: INTANGIBLE ASSETS

	31-Dec-18	30-Jun-18
	\$	\$
<b>Non-current</b>		
Opening balance	1,770,000	875,000
Additions	1,008,589	895,000
Exercised	(1,148,589)	-
Closing balance	<u>1,630,000</u>	<u>1,770,000</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 \$1,008,589 (June 2018: \$895,000) during the period. On 18 December 2018, following the exercise of one of these option agreements, the Group converted an option to acquisition for \$1,148,589. 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 5: LAND AND BUILDINGS

	31-Dec-18	30-Jun-18
	\$	\$
<b>Non-current</b>		
Land and buildings	9,289,208	8,140,619
Accumulated Depreciation	(562,322)	(515,606)
	<u>8,726,886</u>	<u>7,625,013</u>

	Land	Buildings	Buildings improvements	Total
	\$	\$	\$	\$
<b>Consolidated</b>				
Balance at 1 July 2017	7,181,532	231,086	305,413	7,718,031
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	-	(6,750)	(86,268)	(93,018)
	<u>7,181,532</u>	<u>224,336</u>	<u>219,145</u>	<u>7,625,013</u>
Balance at 30 June 2018 and 1 July 2018	7,181,532	224,336	219,145	7,625,013
Additions	1,148,589	-	-	1,148,589
Disposals	-	-	-	-
Depreciation expense	-	(3,403)	(43,313)	(46,716)
	<u>8,330,121</u>	<u>220,933</u>	<u>175,832</u>	<u>8,726,886</u>
Balance at 31 December 2018	<u>8,330,121</u>	<u>220,933</u>	<u>175,832</u>	<u>8,726,886</u>

### NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	31-Dec-18	30-Jun-18
	\$	\$
Plant and equipment - at cost	985,464	1,173,263
Less: accumulated depreciation	(668,958)	(812,848)
	<u>316,506</u>	<u>360,415</u>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

### **NOTE 7: PAYABLES**

	31-Dec-18	30-Jun-18
	\$	\$
<b>Current</b>		
Trade creditors and accruals	857,534	1,212,474

### **NOTE 8: CAPITAL AND RESERVES**

	Half-year			Half-year		
	Dec-18 Shares No.	Dec-18 Issue price \$	Dec-18 \$	Dec-17 Shares No.	Dec-17 Issue price \$	Dec-17 \$
<b>Opening balance</b>	<b>512,800,856</b>		<b>77,764,760</b>	<b>390,298,856</b>		<b>71,097,814</b>
Issues of ordinary shares during the half-year less costs	128,200,214	0.03	3,515,065	53,750,000	0.08	4,035,025
Excise of options during the half-year	-		-	2,000	0.30	600
<b>Closing balance</b>	<b>641,001,070</b>		<b>81,279,825</b>	<b>444,050,856</b>		<b>75,133,439</b>

### **NOTE 9: RELATED PARTY TRANSACTIONS**

#### **(a) Directors**

The names and positions held of Group key personnel are:

<b>Key Management Person</b>	<b>Position</b>
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 \$2,000 (Dec 2017: \$950) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$47,112 (Dec 2017: \$9,358) in relation to legal services; and Enrizen Accounting Pty Ltd received \$52,000 (Dec 2017: \$51,000) in relation to company secretarial and accounting services

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

### **NOTE 10: COMMITMENTS**

	<b>31-Dec-18</b>	<b>30-Jun-18</b>
	<b>\$</b>	<b>\$</b>
<i>Capital commitments- option</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Intangible assets	<u>5,030,000</u>	<u>5,690,000</u>
Tenement minimum spend for a year	<u>4,102,450</u>	<u>4,145,000</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 11: EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to the end of the December 2018 quarter, the Company's subsidiary Bowdens Agriculture Pty Ltd entered an initial financing facility for \$1,010,000 with Westpac Banking Corporation. The facility is provided for the purchase of agricultural freehold land in proximity to the Bowdens Silver Project and is associated to land requirements as part of future mining activities.

This initial facility is provided by way of reimbursement of recent acquisitions and is available for general working capital purposes.

With further agricultural acquisitions targeted in the future, additional expansion to the current facility is envisaged. Servicing of the current and future facility will be provided from cashflow from farming activities.

No 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**

The directors declare that:

- 1 The financial statements and notes, as set out on pages 15 to 24 are in accordance with the Corporations Act 2001, the Corporations Regulations 2001 and other mandatory professional reporting requirement including:
  - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) giving a true and fair view of the financial position as at 31 December 2018 and of the performance for the half-year ended on that date.
- 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

**15th March 2019**



**Anthony McClure**  
Managing Director