

SILVER MINES LIMITED and its controlled entities

HALF YEAR FINANCIAL REPORT For the six months ended 31 December 2022

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CORPORATE DIRECTORY

Directors

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

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Sydney NSW 2000
Tel: +61 2 9262 2155
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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 2022.

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*

Jonathan Battershill *Non-Executive Director*

Kristen Podagiel *Non-Executive Director*

PRINCIPAL ACTIVITIES

Silver Mines Limited (“**Silver Mines**” or the “**Company**”) and its controlled entities (Collectively, the “**Group**”) focus throughout the first half of the financial year ended 30 June 2023 (“**2023 Financial Year**”) involved the continued advancement of the Bowdens Silver Project, including progressing its Mining Lease Application and other documentation to the New South Wales Department of Planning, Industry and Environment for the development of the Bowdens Silver Project. In addition, substantial exploration works continue to be undertaken by the Group.

DIRECTORS' REPORT

PROJECTS

Bowdens Silver Project

Introduction

During the first half of the 2023 Financial Year, the Company focussed on the continued pre-development works and mineral exploration at the Bowdens Silver Project located near Mudgee in the Central Tablelands Region of New South Wales, Australia. The Company is in the final stages of the approval processes for the development of the Bowdens Silver Project.

The Project comprises 1,950 km² (480,000 acres) of titles covering approximately 80 kilometres of strike of the highly mineralised Permian Rylstone Volcanics overlying Ordovician and Silurian formations. The area also hosts the Company's Barabolar Project.

The Group holds 100% of Exploration Licence EL5920 which contains the Bowdens Silver Deposit. In addition, the Group holds exploration licences EL6354, EL8159, EL8160, EL8168, EL8268, EL8403, EL8405, EL8480 and EL8682. (Refer to Figure 1).

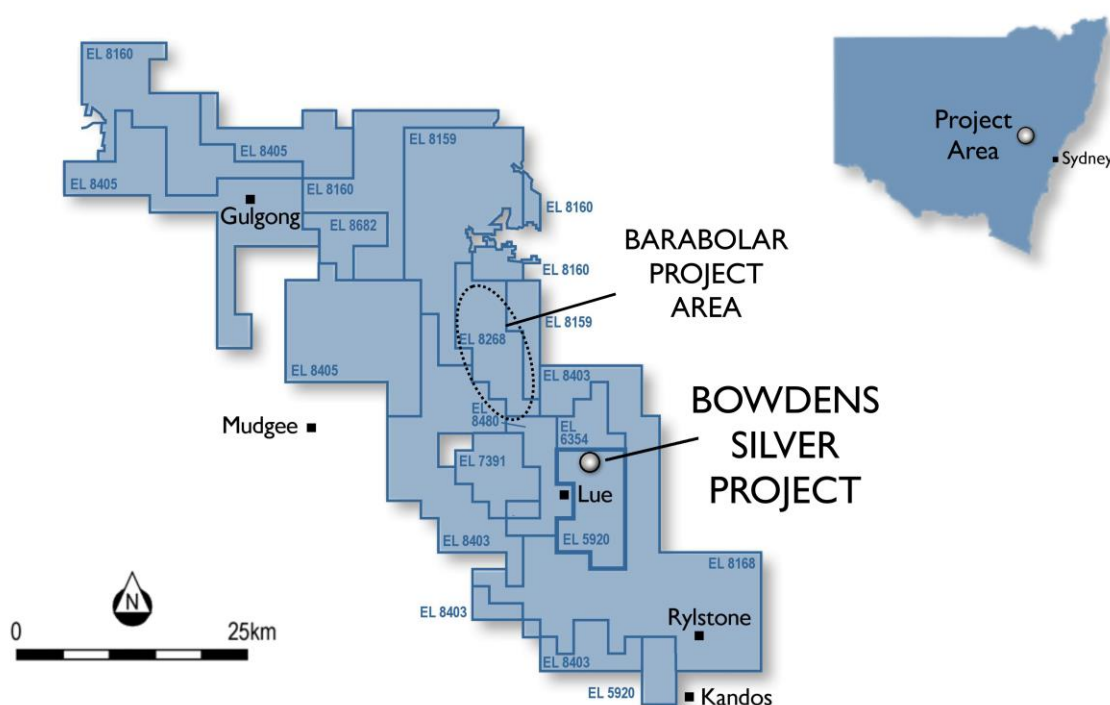


Figure 1: Silver Mines Limited Tenement and Project locations in the Mudgee district

Bowdens Silver Project

Description

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

DIRECTORS' REPORT

The tenement portfolio is situated on the eastern margin of the Lachlan Orocline/Macquarie Arc. The Project comprises the highly mineralised Rylstone Volcanics and the on-lapping later Permian sedimentary units of the Shoalhaven Group within the Sydney Basin. The Rylstone Volcanics unconformably overlie the Ordovician Coomber Formation and Silurian Dungaree Volcanics (*Refer to Figure 2*). Several intrusions cross-cut Ordovician, Silurian and Carboniferous units.

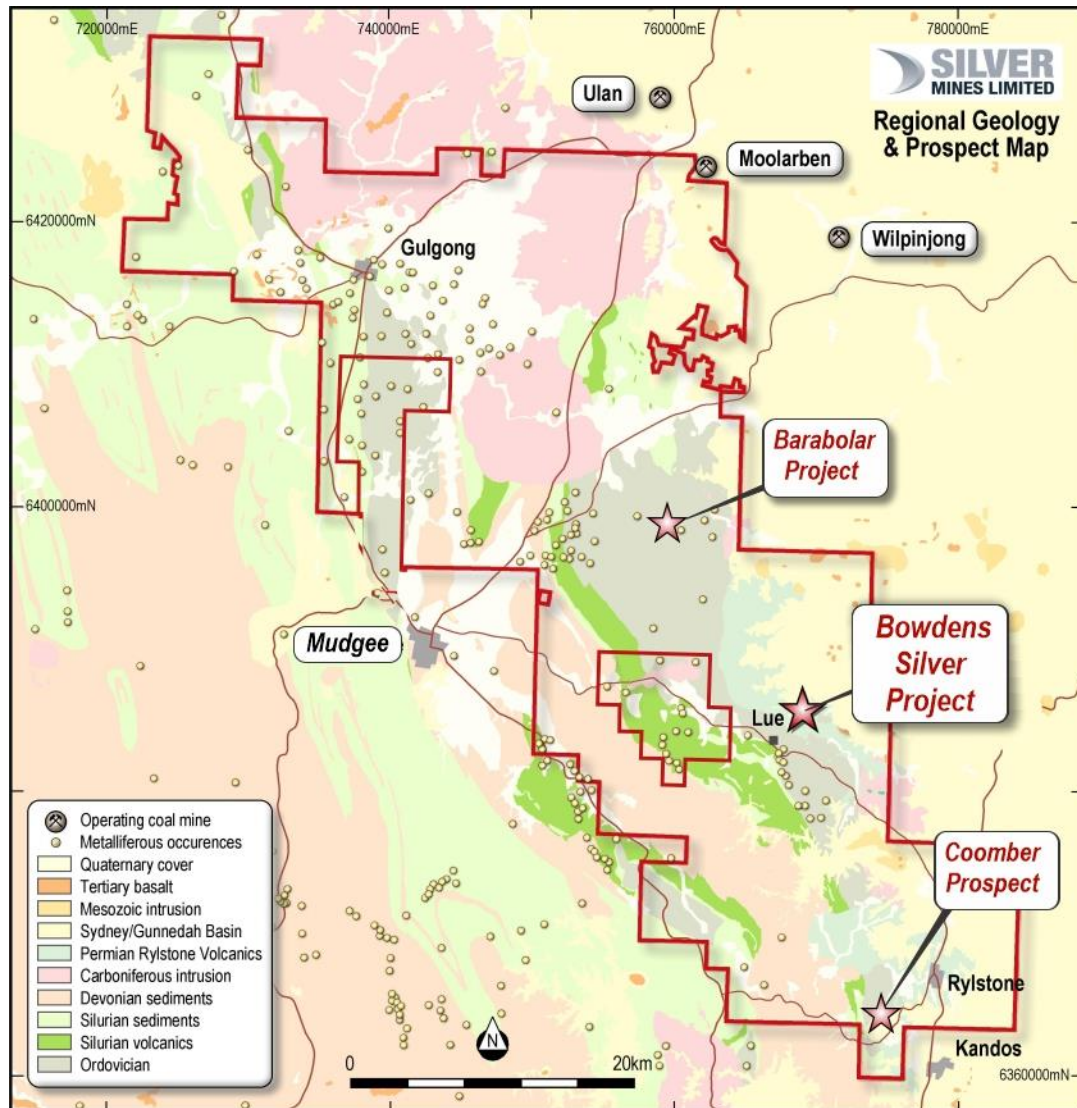


Figure 2: Silver Mines Limited prospect locations in the Mudgee district

In March 2021, the Company submitted its Mining Lease Application and other documentation to the New South Wales Department of Planning and Environment (“DPE”) for the development of the Bowdens Silver Project (“the **Project**”).

At the end of December 2022, the Company was advised that the DPE had assessed the Project as being in the public interest and approvable subject to conditions of consent. The DPE referred the Project to the Independent Planning Commission of New South Wales (“IPC”) for final determination and a public hearing occurred subsequent to the reporting period on 15-17 February 2023.

The proposed development comprises an open-cut mine feeding a new processing plant with a conventional milling circuit and differential flotation to produce two concentrates that will be sold for smelting off site. Plant capacity is designed for 2.0 million tonnes per annum with a mine life of 16.5 years.

DIRECTORS' REPORT

Ore Reserve and Mineral Resource

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

The Ore Reserve Estimate was prepared by mining engineering consultancy firm AMC Consultants Pty Ltd (“**AMC Consultants**”) and is based on the September 2017 Mineral Resource Estimate generated for Silver Mines by H & S Consultants Pty Ltd (“**H & S Consultants**”) (see ASX announcement 19 September 2017).

Measured and Indicated Mineral Resources were converted to Proved and Probable Ore Reserves respectively and are subject to mine designs, modifying factors and economic evaluation. The Ore Reserve Estimate for the Bowdens Silver Project as of May 2018 is outlined in Table 1 below.

Table 1. Bowdens Silver Deposit Ore Reserve

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

Notes:

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

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

Table 2. Bowdens Silver Deposit Open-Cut Mineral Resource

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

Notes:

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

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

DIRECTORS' REPORT

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

During the first half of the 2023 Financial Year, the Company reported a maiden Bowdens Silver Underground Mineral Resource Estimate.

The Bowdens Silver Underground Mineral Resource Estimate of September 2022 was completed by H & S Consultants using recoverable Ordinary Kriging and the reporting is compliant with the 2012 JORC Code and Guidelines (see ASX announcement of 5 September 2022). The Underground Mineral Resource Estimate for the Bowdens Silver Project as of September 2022 is outlined in Table 3 below.

Table 3. Bowdens Silver Deposit Underground Mineral Resource

Category	Tonnes (Mt)	Silver Eq. (g/t)	Silver (g/t)	Zinc (%)	Lead (%)	Gold (g/t)	Million Ounces Silver Eq.
Measured	1.55	212	139	0.82	0.73	0.10	10.6
Indicated	2.01	217	54.7	2.02	1.12	0.31	14.1
Inferred	2.81	202	26.1	2.26	0.99	0.38	18.3
Total	6.37	209	62.5	1.84	0.97	0.29	42.9

Notes:

1. Refer to ASX announcement of 5 September 2022 for full details.
2. Bowdens' silver equivalent: Ag Eq (g/t) = Ag (g/t) + 33.48*Pb (%) + 49.61*Zn (%) + 80*Au (g/t) calculated from prices of US\$20/oz silver, US\$1.50/lb zinc, US\$1.00/lb lead, US\$1600/oz gold and metallurgical recoveries of 85% silver, 82% zinc and 83% lead, 85% gold estimated from test work commissioned by Silver Mines Limited.
3. Bowdens Silver Mineral Resource Estimate is reported to a 150g/t Ag Eq cut off material outside existing pits.
4. In the Company's opinion, the silver, zinc, lead and gold included in the metal equivalent calculations have a reasonable potential to be recovered and sold.
5. Variability of summation may occur due to rounding.

The model is a linear ordinary kriged model with a minimum mining width of 3m. This is for silver equivalent grade (Ag Eq), silver (Ag), zinc (Zn), lead (Pb), gold (Au) and other elements.

Development and Mining Lease Applications and Environmental Impact Statement

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

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

Summary points of the EIS include:

- Considerable local economic benefits with substantial local job creation;
- Minimal impacts on surface water and groundwater during and after operations;
- No physical human health risk issues of concern identified;
- A progressive rehabilitation plan committed to with rehabilitation occurring throughout the life of the mine;
- No significant impacts upon migratory or threatened species and a significant area of land to be conserved in perpetuity as part of the Project's biodiversity offset program;
- Relocation of a local road around the mine site resulting in the majority of traffic avoiding the local township of Lue;
- Aboriginal Cultural Heritage assessment concluded in conjunction with the local Aboriginal communities, with agreement for ongoing management; and
- The potential for amenity-related impacts managed over the life of the mine through a range of management commitments, monitoring and reporting.

DIRECTORS' REPORT

From the exhibition process, the Company received no objections to the Project from any of the Government agencies and received resounding public support with 79% of all public organisation and general public submissions in favour of the Project.

The project is currently in the final stages of development approvals.

At the end of December 2022, the Company was advised that the DPE had assessed the Project as being in the public interest and approvable subject to conditions of consent. The DPE referred the Project to the IPC for final determination.

The IPC will review the DPE's Assessment Report and consider submissions from stakeholders before making a final determination. This will be the final step in the NSW planning approvals process.

The DPE states "Overall, the Department considers that the project achieves a balance between maximising resource recovery and minimising impacts, and the benefits of the project outweigh its residual costs. The Department also considers that the project is in the public interest and is approvable, subject to the strict conditions of consent."

Bowdens Silver has reviewed and has accepted the recommended conditions of consent as provided with DPE's Assessment Report.

The DPE also noted the NSW Government's vision and commitment in its Critical Minerals and High-Tech Metals Strategy to build on the State's potential to become a major global supplier and processor of critical minerals and high-tech metals. This strategy identifies silver and zinc as critical minerals for developing technologies and renewable energy.

Subsequent to the reporting period, The IPC held a public hearing on 15-17 February 2023 with a final determination expected to be made on or prior to 6 April 2023.

The Bowdens Silver Project Assessment Report and other information can be found at: <https://www.ipcn.nsw.gov.au>.

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.

DIRECTORS' REPORT

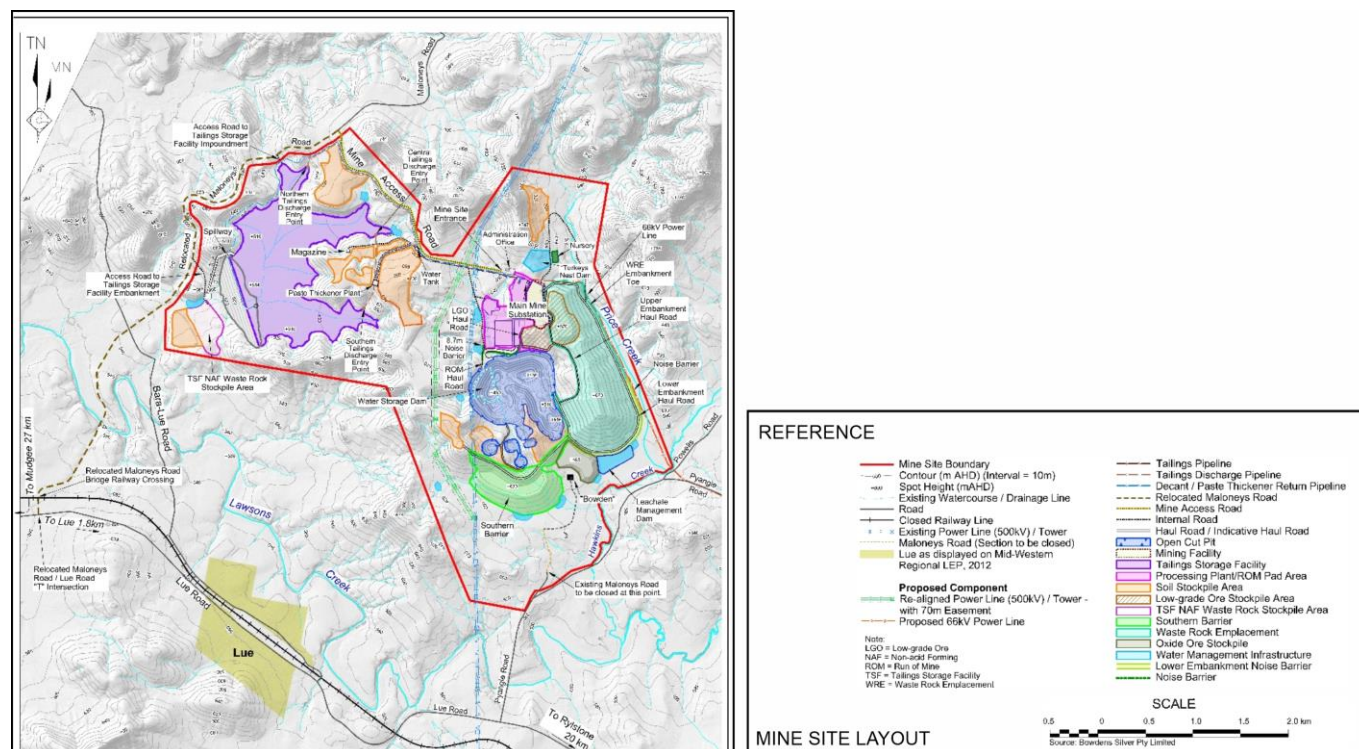


Figure 3: Bowdens Silver Mine Site Layout

Bowdens Silver Exploration

Exploration at the Bowdens Silver Project during the first half of the 2023 Financial Year concentrated on a substantial drilling program to expand mineralised zones for potential underground mining scenarios at the Bowdens Silver Deposit. This program resulted in the release of a maiden underground Mineral Resource estimate. From the beginning of the 2023 Financial Year, exploration shifted to testing extensions of mineralisation outside of the current planned open cut-pit design and testing for higher grades within the open-cut pit design. Multiple areas have been targeted for extensions including in the north at Main, Aegean and Northwest Zones and in and to the south of the planned open-cut pit where anomalous gold has been identified.

The maiden underground Mineral Resource estimate at Bowdens Silver, for the first time at the project, included gold. Gold has been predominantly identified (previously) within the Bundarra Zone which is directly underneath the planned open-cut pit. Gold was also recognised in 2021 at shallow depths in the south and adjoining the Bowdens Silver Deposit, along with high grades of silver mineralisation. This area has become an additional target for gold and silver exploration drilling during 2022 and is named the Southern Gold Zone.

During the half year, the Company announced ongoing success in its exploration activities that yielded exceptional high-grade silver intercepts (see ASX announcements 14 July 2022 and 12 September 2022).

DIRECTORS' REPORT

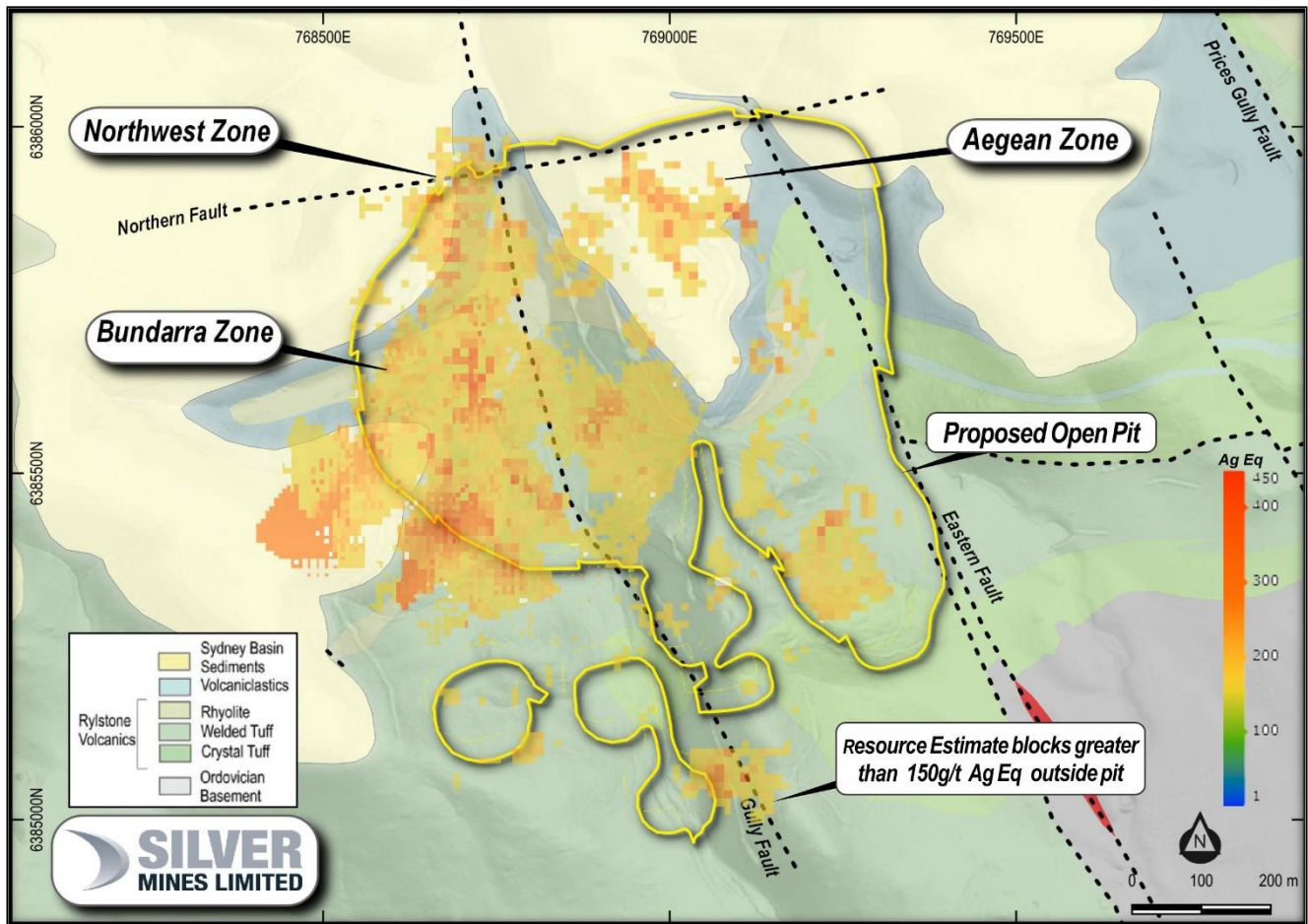


Figure 4: Drilling into high-grade silver targets at the Bowdens Silver Project

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

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

Underground Scoping Study

The Underground Mineral Resource Estimate as released during the September 2022 quarter is being used as part of a Scoping Study for potential underground mining scenarios.

The Scoping Study is being undertaken by:

- GR Engineering Services Limited - Project Lead and Engineering
- Entech Pty Ltd - Mine Design
- KYSPYmet - Metallurgy

The Scoping Study will consider potential underground mining scenarios beneath the planned open-pit development, currently in the final stages of the approval process. Although yet to be determined, a concept may be for a planned underground development to commence operations in around years 3-4 of the open-pit development to supplement plant feed with high-grade material at a rate of up to 500,000 tonnes per year. An alternative would be for an underground development at the end of the open-pit mine life.

DIRECTORS' REPORT

The Scoping Study will not have any impact on the ongoing approval process for the Bowdens Silver open-pit development.

Barabolar Project

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

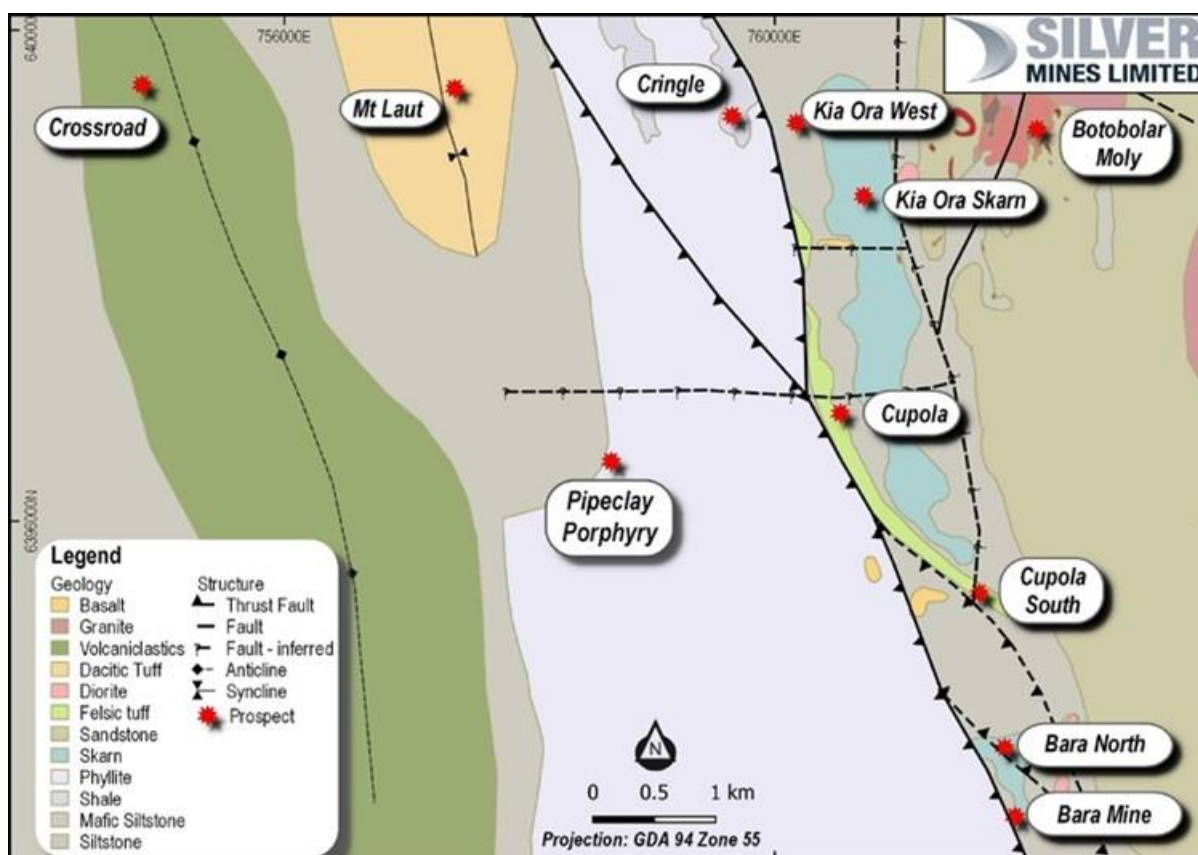


Figure 5: Prospect locations within the Barabolar Project area

During the first half of the 2023 Financial Year, the Company resumed drilling activities at the Barabolar Project which is located approximately 26 kilometres east of Mudgee and 10 kilometres northwest of the Company's Bowdens Silver Project in Central New South Wales.

The Company has new high priority drill targets from multiple exploration datasets around the Mt Laut pyrophyllite quarry and Crossroad prospect areas (refer to Figure 5). Immediately within this area are silica-sericite flooded volcaniclastics and volcanics of andesitic to dacitic composition with pyrite and gossanous quartz veins. Major west dipping faults (interpreted from digital elevation models and surface measurements) are likely the fluid pathways to exposed zones such as the pyrophyllite quarry and other prospects further to the east.

DIRECTORS' REPORT

The Crossroad target represents a potential intrusive source to alteration and mineralisation as the gravity data has identified numerous "low" responses with the standout target being coincident with a magnetic high and potassium anomaly (radiometric data). The magnetic high is potentially a result of high temperature potassic alteration (biotite-orthoclase-magnetite) within an intrusion. This represents a priority target for deep drilling.

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

Tuena Project

The Tuena Gold Project is located 80 kilometres south of the city of Orange in New South Wales (refer to Figure 6).

The Tuena area was the scene of a historic gold rush, with gold extracted from several narrow high-grade gold reefs over a regional trend with greater than five kilometres of strike length. The Company has completed reconnaissance mapping, rock sampling and soil geochemistry as well as flown a detailed magnetic survey.

During the 2021 Financial Year, the Company completed a 20 hole 4,000 metre drill program designed to test beneath several of the historic hard-rock gold workings and associated geochemistry anomalies along an extensive 5.4 kilometre by 1.5-kilometre shear complex within EL8526. In addition, two targets were identified with both gold and base-metal pathfinder signatures. Both prospects adjoin historic workings at Lucky Hit and Markham's Hill respectively and are clearly defined by soil chemistry with anomalism of silver, bismuth, lead, tellurium and gold. These targets are being tested for bulk-tonnage gold mineral systems and have a comparable signature and scale to the McPhillamy's Gold Project located north of the Tuena Gold Project.

Drilling encountered multiple mineralised structures beneath historic workings comprising quartz and carbonate veining with or without pyrite (iron sulphide). The Company is planning follow-up drilling.

Regionally, the Company has an expanded tenement footprint surrounding Tuena and has undertaken targeting along the Godolphin-Copperhania-Lake George fault corridor and intends to conduct further on-ground regional reconnaissance.

The Company is planning further work in follow up to the Tuena Gold Project drilling program and is also planning an expanded regional exploration program extending from immediately south of the McPhillamy's Project and across EL8973, EL8974, EL8526 and EL8975.

DIRECTORS' REPORT

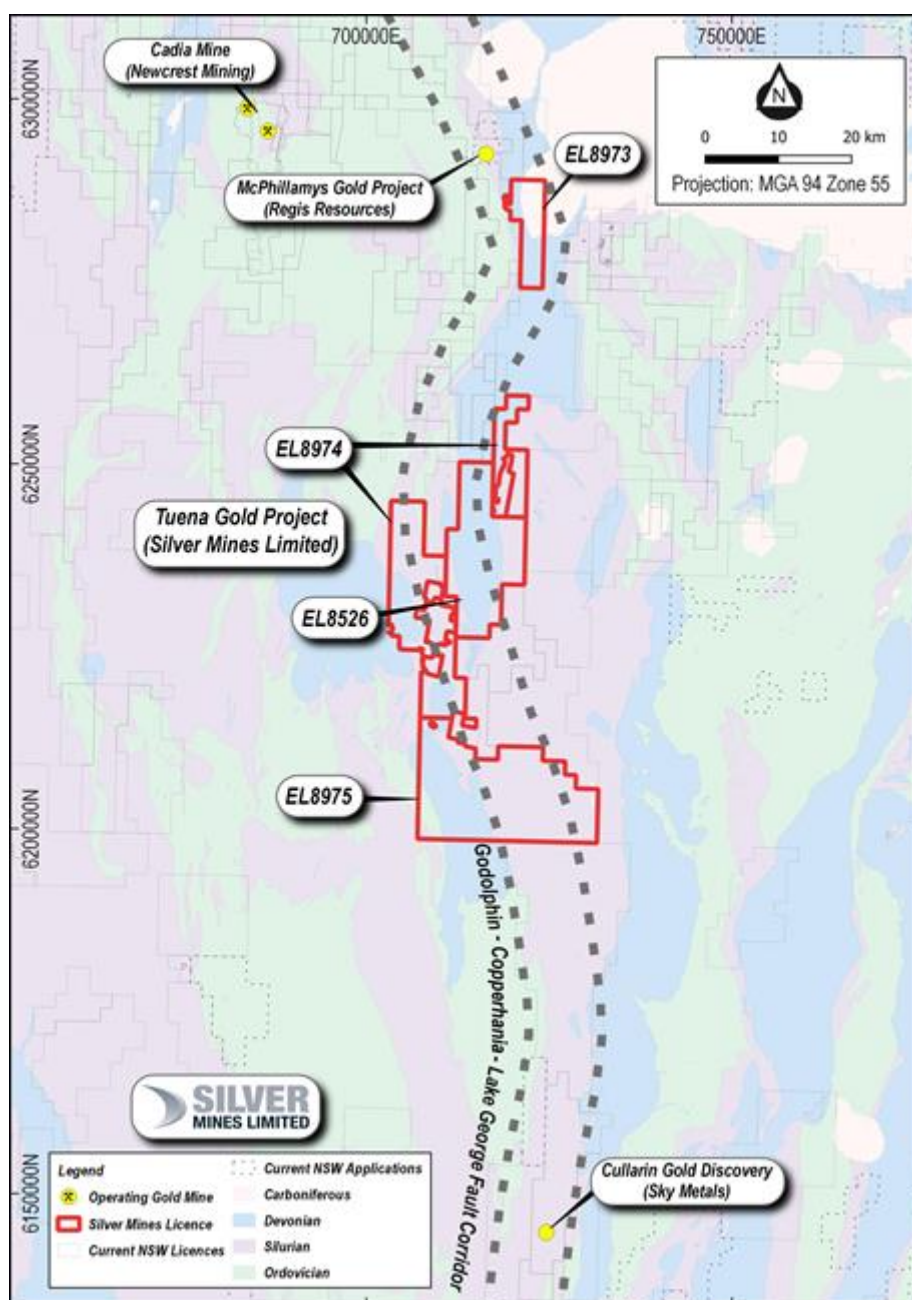


Figure 6: Map showing the Tuena Gold Project

DIRECTORS' REPORT

COMPETENT PERSONS STATEMENT

Bowdens Silver Project

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

The information in this report that relates to Ore Reserves within the Bowdens Silver Project is based on information compiled or reviewed by Mr Adrian Jones of AMC Consultants who is a consultant to the Company. Mr Jones is a member of AIMM 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 JORC code. Mr Jones consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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

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

Exploration and Drill Results

The information in this report that relates to mineral exploration from Bowdens Silver and extensions, the Barabolar Project and the Tuena Gold Project is based on information compiled or reviewed by Dr Darren Holden who is an advisor to the company. Dr Holden is a Fellow of AIMM 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 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.

DIRECTORS' REPORT**TENEMENT INFORMATION AS AT 31 DECEMBER 2022**

Tenement	Project Name	Location	Silver Mines Ownership
EL 5920	Bowdens Silver	NSW	100%
EL 6354	Bowdens Silver	NSW	100%
EL 8159	Bowdens Silver	NSW	100%
EL 8160	Bowdens Silver	NSW	100%
EL 8168	Bowdens Silver	NSW	100%
EL 8268	Bowdens Silver	NSW	100%
EL 8403	Bowdens Silver	NSW	100%
EL 8405	Bowdens Silver	NSW	100%
EL 8480	Bowdens Silver	NSW	100%
EL 8682	Bowdens Silver	NSW	100%
EL 8526	Tuena	NSW	100%
EL 8973	Tuena	NSW	100%
EL 8974	Tuena	NSW	100%
EL 8975	Tuena	NSW	100%

DIRECTORS' REPORT

CORPORATE

Waiver

On 9 November 2022, shareholders approved at the Annual General Meeting of the Company ("**Approval**") a waiver granted by ASX Listing Compliance on 23 September 2022 ("**Waiver**"). The Waiver relates to the issue of 10,000,000 fully paid ordinary shares ("**Deferred Consideration Shares**") in the Company to be issued to a Director of the Company in accordance with the provisions of the share sale and purchase deed dated 3rd May 2016 ("**Deed**"), which effectuated the purchase of the Bowdens Silver Project. In accordance with the Deed the Deferred Consideration Shares are to be issued upon:

- achievement of the mining lease granted by the NSW Department of Planning, Industry and Environment pursuant to the Mining Act 1992 (NSW) in connection with the Bowdens Silver Project ("**Mining Lease Milestone**"); or
- an occurrence of a change of control such as a takeover bid pursuant to section 9 of the Corporations Act 2001 (Cth), ("**Takeover Condition**").

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

RESULTS AND DIVIDENDS

For the half-year reporting period to 31 December 2022, the Group recorded a loss of \$1,504,977 (31 December 2021: loss \$6,974,379).

The Group incurred exploration and development expenditure of \$7,378,797 during the current half-year to 31 December 2022 (31 December 2021: \$5,968,030). The total net assets of the Group stand at \$111,528,684 (June 2022: \$112,681,000) of which investment in exploration expenditure accounts for \$76,187,884 (June 2022: \$68,809,087).

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

Employment of General Manager and Issue of Options under Employee Incentive Plan

On 27 January 2023, the Company appointed Mr Joel Ray as the General Manager of its wholly owned Bowdens Silver Project. Pursuant to his appointment on 1 March 2023, the Company issued 5,000,000 Options to Joel Ray under the Company's Employee Incentive Plan as follows:

Item	First Vesting Options	Second Vesting Options
Amount of options	2,500,000	2,500,000
Vesting Conditions	To vest on commencement of mine construction.	To vest on mine commissioning.
Exercise price	\$0.30 per Option	\$0.50 per Option
Expiry date	1 March 2026	1 March 2028

Placement

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

- (a) 112,187,500 shares were issued using the Company's capacity under ASX Listing Rule 7.1; and
- (b) 312,500 shares will be issued to directors of the Company or their nominees subject to shareholder approval at the Company's next general meeting of shareholders at a date yet to be determined.

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

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

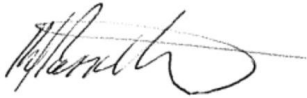
No other matter or circumstance has arisen since the reporting date that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

DIRECTORS' REPORT

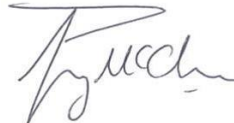
AUDITORS INDEPENDENCE DECLARATION

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 2023

Auditor's Independence Declaration Under Section 307C of the *Corporations Act 2001* to Directors of Silver Mines Limited

As lead auditor for the review of the interim financial report of Silver Mines Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, that there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Yours sincerely,
Crowe Sydney



Suwarti Asmono
Partner

16 March 2023

Liability limited by a scheme approved under Professional Standards Legislation.

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

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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 controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2022 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 Company 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.

Responsibility of the Directors for the 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.

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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 2022 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

Dated at Sydney this 16th day of March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	31-Dec-22 \$	31-Dec-21 \$
Revenue		143,538	155,026
Cost of sales		(150,677)	(66,100)
Gross Profit from continuing operations		(7,139)	88,926
Other income		51,380	47,160
Share registry and exchange fees		(120,749)	(133,277)
Auditors remuneration		(13,356)	(26,779)
Marketing expenses		(54,685)	(57,134)
Office expenses		(32,838)	(15,330)
IT and communication expenses		(12,933)	(7,054)
Depreciation expenses		(136,900)	(138,340)
Accounting services fees		(60,000)	(65,800)
Professional and technical advisors expenses		(263,697)	(278,648)
Employee benefits expenses		(388,595)	(351,670)
Travel and accommodation expenses		(27,164)	(1,297)
Share based payment		(352,661)	(24,772)
Farm operations		(131,762)	(58,586)
FV gain/loss on initial recognition of livestock		56,100	153,803
Fair value movement of financial assets at fair value through profit and loss		(14,560)	(6,009,803)
Gain on sales of non-current assets		-	897
Foreign exchange losses		-	(265)
Other expenses		(50,829)	(115,880)
Loss from continuing operations before interest and income tax		(1,560,388)	(6,993,849)
Interest income		102,380	71,912
Finance costs		(46,969)	(52,442)
Loss from continuing operations before income tax		(1,504,977)	(6,974,379)
Income tax		-	-
Loss from continuing operations after income tax		(1,504,977)	(6,974,379)
Other comprehensive income		-	-
Total comprehensive income (loss) (attributable to owners of the company)		(1,504,977)	(6,974,379)
Earnings per share (cents per share)			
Basic & diluted earnings per share	15	(0.12)	(0.55)

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 2022

	Notes	31-Dec-22 \$	30-Jun-22 \$
Current assets			
Cash and cash equivalents	3	4,036,026	16,890,242
Trade and other receivables	4	405,375	535,708
Inventory - livestock	5	685,205	563,360
Financial assets	6	6,198,108	5,831,879
Other assets		3,247	4,815
Total current assets		11,327,961	23,826,004
Non-current assets			
Prepayments		-	369,691
Financial assets	6	371,867	363,867
Deferred exploration and development expenditures	7	76,187,884	68,809,087
Intangible assets	8	1,404,402	1,183,947
Land and buildings	9	23,647,007	19,460,574
Property, plant and equipment	10	3,507,290	3,520,225
Total non-current assets		105,118,450	93,707,391
Total assets		116,446,411	117,533,395
Current liabilities			
Trade and other payables	11	990,799	976,582
Employee benefits provisions	12	397,164	389,851
Total current liabilities		1,387,963	1,366,433
Non-Current liabilities			
Lease Liability	13	3,529,764	3,485,962
Total non-current liabilities		3,529,764	3,485,962
Total liabilities		4,917,727	4,852,395
Net assets		111,528,684	112,681,000
Equity			
Contributed equity		148,747,656	148,747,656
Reserve	14	2,739,778	2,387,117
Accumulated losses		(39,958,750)	(38,453,773)
Total Equity		111,528,684	112,681,000

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 2022**

Notes	Ordinary Shares \$	Share capital reserve \$	Share based payment reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2021	142,477,202	2,000,000	418,070	(25,153,819)	119,741,453
Transactions with owners, in their capacity as owners					
Equity funds received, issue of shares	5,852,384	-	-	-	5,852,384
Fair value of options exercised	418,070	-	(418,070)	-	-
Options issued in the period	-	-	24,772	-	24,772
Total transactions with owners, in their capacity as owners	6,270,454	-	(393,298)	-	5,877,156
Comprehensive income for period					
Loss attributable to owners of the company	-	-	-	(6,974,379)	(6,974,379)
Total comprehensive income for the period	-	-	-	(6,974,379)	(6,974,379)
Balance at 31 December 2021	148,747,656	2,000,000	24,772	(32,128,198)	118,644,230
Balance at 1 July 2022	148,747,656	2,000,000	387,117	(38,453,773)	112,681,000
Transactions with owners, in their capacity as owners					
Share-based payments	-	-	352,661	-	352,661
Total transactions with owners, in their capacity as owners	-	-	352,661	-	352,661
Comprehensive income for period					
Loss attributable to owners of the company	-	-	-	(1,504,977)	(1,504,977)
Total comprehensive income for the period	-	-	-	(1,507,977)	(1,504,977)
Balance at 31 December 2022	148,747,656	2,000,000	739,778	(39,958,750)	111,528,684

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 2022

	Notes	31-Dec-22 \$	31-Dec-21 \$
Cash flows from operating activities			
Receipts from customers		194,917	203,945
Payments to suppliers & employees		(1,313,358)	(1,284,557)
Interest received		21,591	71,912
Finance costs		-	(11)
Net cash outflows from operating activities		(1,096,850)	(1,008,711)
Cash flows from investing activities			
Payments for deferred exploration		(7,296,205)	(6,286,698)
Grant received		-	692,295
Payment to acquire intangible		(220,455)	(160,000)
Payment for property, plant and equipment		(3,940,706)	(1,658,283)
Payment to acquire financial assets		(1,300,000)	-
Redemption of financial assets		1,000,000	-
Proceeds from sale of property, plant and equipment		-	14,545
Net cash outflows from investing activities		(11,757,366)	(7,398,141)
Cash flows from financing activities			
Option conversion		-	5,444,837
Net cash inflows from financing activities		-	5,444,837
Net (decrease)/increase in cash and cash equivalent		(12,854,216)	(2,962,015)
Cash and cash equivalent at the beginning of the financial year		16,890,242	31,420,960
Cash and cash equivalent at the end of the financial year	3	4,036,026	28,458,945

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 2022

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 be read in conjunction with annual financial statements of the group for the year ended 30 June 2022, together with any public announcements made during the following half-year.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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. 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.

c. 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 2022 annual report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 2: OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into 2 operating segments, being mining and exploration operations and agricultural operations. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (“**CODM**”)) in assessing performance and in determining the allocation of resources.

Operating segments have been aggregated where the segments have similar economic characteristics in respect of the nature of the products and services, the product processes, the type or class of customers, the distribution methods and, if applicable, the nature of the regulatory environment.

a) Segment performance continuing operations

For the year ended 31 December 2022	Mining and Exploration Operations	Agricultures Operations	Total
	\$	\$	\$
Revenue	-	143,538	143,538
Other income	-	51,380	51,380
Total segment revenue	-	194,918	194,918
Inter-segment elimination			-
Total group revenue			194,918
EBITDA	(1,390,717)	(32,771)	(1,423,488)
<i>Unallocated expense</i>			
Depreciation			(136,900)
Interest income			102,380
Finance costs			(46,969)
Profit (Loss) before income tax			(1,504,977)
Income tax expense			-
Profit (Loss) after income tax expense			(1,504,977)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 2: OPERATING SEGMENTS (continued)

For the year ended 31 Dec 2021	Mining and Exploration Operations	Agricultures Operations	Total
	\$	\$	\$
Revenue	-	155,026	155,026
Other income	-	47,160	47,160
Total segment revenue	-	202,186	202,186
Inter-segment elimination			-
Total group revenue			202,186
EBITDA	(7,086,812)	231,303	(6,855,509)
<i>Unallocated expense</i>			
Depreciation			(138,340)
Interest income			71,912
Finance costs			(52,442)
Profit (Loss) before income tax			(6,974,379)
Income tax expense			-
Profit (Loss) after income tax expense			(6,974,379)

Material items include:

Fair value movement of financial assets at fair value through profit and loss	(6,009,803)	-	(6,009,803)
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b) Segment assets

For the year ended 31 December 2022	Mining and Exploration Operations	Agricultures Operations	Total
	\$	\$	\$
Segment assets	84,787,023	1,668,731	86,455,754
Inter-segment eliminations			(3,783,195)
			82,672,559
<i>Unallocated assets</i>			
Cash and cash equivalents			4,036,026
Receivables			405,375
Other assets			3,247
Financial assets			371,867
Right of use assets			2,950,096
Intangible assets			1,404,402
Investment in Listed Shares			954,800
Investment in Unlisted Options			1,032
Land and buildings			23,647,007
Total assets			116,446,411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 2: OPERATING SEGMENTS (continued)

For the year ended 31 December 2021	Mining and Exploration Operations	Agricultures Operations	Total
	\$	\$	\$
Segment assets	66,292,856	1,380,767	67,673,623
Inter-segment eliminations			(3,068,832)
			64,604,791
<i>Unallocated assets</i>			
Cash and cash equivalents			28,458,945
Receivables			228,638
Other assets			6,359
Financial assets			363,867
Right of use assets			3,650,358
Intangible assets			1,013,947
Investment in Listed Shares			4,402,000
Investment in Unlisted Options			1,524,790
Prepayment			391,047
Land and buildings			18,967,415
Total assets			123,612,157

(c) Segment liabilities

For the year ended 31 December 2022	Mining and Exploration Operations	Agricultures Operations	Total
	\$	\$	\$
Segment liabilities	1,916,177	2,857,817	4,773,994
Inter-segment eliminations			(3,783,195)
			990,799
<i>Unallocated liabilities</i>			
Employee provisions			397,164
Lease liability			3,529,764
Total liabilities			4,917,727

For the year ended 31 December 2021	Mining and Exploration Operations	Agricultures Operations	Total
	\$	\$	\$
Segment liabilities	1,646,134	2,244,348	3,890,482
Inter-segment eliminations			(3,068,832)
			821,650
<i>Unallocated liabilities</i>			
Employee provisions			326,983
Lease liability			3,819,294
Total liabilities			4,967,927

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 3: CASH AND CASH EQUIVALENTS

	31-Dec-22	30-Jun-22
Current	\$	\$
Cash and cash equivalents	4,036,026	16,890,242
	<u>4,036,026</u>	<u>16,890,242</u>

NOTE 4: TRADE AND OTHER RECEIVABLES

	31-Dec-22	30-Jun-22
Current	\$	\$
GST	233,958	289,458
Prepayment	96,780	145,418
Other receivables	74,637	100,832
	<u>405,375</u>	<u>535,708</u>

NOTE 5: INVENTORY - LIVESTOCK

	31-Dec-22	30-Jun-22
Current	\$	\$
Livestock	685,205	563,360
	<u>685,205</u>	<u>563,360</u>

NOTE 6: FINANCIAL ASSETS

	31-Dec-22	30-Jun-22
Current	\$	\$
Financial assets at fair value through profit and loss		
Investment in Listed Shares	954,800	954,800
Investment in Unlisted Options	1,032	15,592
Financial assets measured at amortised cost		
Redeemable preference shares (Note 16(b))	5,242,276	4,861,487
	<u>6,198,108</u>	<u>5,831,879</u>

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss and makes assumptions to determine expected credit losses provision. These assumptions include the Group's historical redemptions and consider the investment assets of the underlying credit product provider, including the type of the credit products, underlying security collaterals, and the provider's estimated net asset buffer. The allowance for expected credit losses is calculated at nil based on the information available at the reporting date. The actual credit losses in future years may be higher or lower.

The total interest revenue for financial assets measured at amortised cost was \$80,789 (2021: \$49,609)

Non- Current	\$	\$
Performance guarantee bonds	371,867	363,867
	<u>371,867</u>	<u>363,867</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 6: FINANCIAL ASSETS (continued)

(a) Fair value hierarchy

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated – December 2022				
Assets				
Financial assets at fair value through profit or loss				
- Investment in listed shares	954,800	-	-	954,800
- Investment in unlisted options	-	1,032	-	1,032
Total assets	954,800	1,032	-	955,832

Consolidated – June 2022

Assets

Financial assets at fair value through profit or loss

- Investment in listed shares	954,800	-	-	954,800
- Investment in unlisted options	-	15,592	-	15,592
Total assets	954,800	15,592	-	970,392

NOTE 7: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE

	31-Dec-22 \$	30-Jun-22 \$
Non-current		
Exploration expenditures		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase		
Opening balance	68,809,087	58,363,389
Expenditure in the period	7,378,797	12,471,520
Written off of tenements	-	(202,839)
Government grant	-	(1,822,983)
Closing balance	76,187,884	68,809,087

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of an area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profits in the year in which the decision to abandon the area is made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 7: DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE (continued)

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.

NOTE 8: INTANGIBLE ASSETS

	31-Dec-22	30-Jun-22
	\$	\$
Non-current		
Opening balance	1,183,947	853,947
Additions	220,455	330,000
Closing balance	<u>1,404,402</u>	<u>1,183,947</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 \$220,455 (June 2022: \$330,000) during the period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 9: LAND AND BUILDINGS

	31-Dec-22	30-Jun-22
	\$	\$
Non-current		
Properties at cost	24,450,363	20,245,420
Accumulated Depreciation	(803,356)	(784,846)
	<u>23,647,007</u>	<u>19,460,574</u>

	Land	Buildings	Buildings improvements	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2021	16,973,250	596,336	12,606	17,582,192
Additions	1,398,064	486,982	18,937	1,903,983
Depreciation expense	-	(18,011)	(7,590)	(25,601)
Balance at 30 June 2022 and 1 July 2022	18,371,314	1,065,307	23,953	19,460,574
Additions	4,183,997	-	20,946	4,204,943
Depreciation expense	-	(14,696)	(3,814)	(18,510)
Balance at 31 December 2022	<u>22,555,311</u>	<u>1,050,611</u>	<u>41,085</u>	<u>23,647,007</u>

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	31-Dec-22	30-Jun-22
	\$	\$
Plant and equipment - at cost	4,450,165	4,410,758
Less: accumulated depreciation	(942,875)	(890,533)
	<u>3,507,290</u>	<u>3,520,225</u>

Reconciliations

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (continued)

Consolidated	Plant & Mining Equipment \$	Office & Camp Equipment \$	Motor Vehicles \$	Other Assets - Farming \$	Right of use Assets \$	Computer Equipment \$	Total \$
Balance at 1 July 2021	147,101	242	160,489	36,005	3,728,580	3,859	4,076,276
Additions	-	-	226,097	36,509	-	3,665	266,271
Lease reassessment	-	-	-	-	(580,343)	-	(580,343)
Disposals	-	-	(13,649)	-	-	-	(13,649)
Depreciation expense	(33,156)	(242)	(47,952)	(10,958)	(132,094)	(3,928)	(228,330)
Balance at 30 June 2022	113,945	-	324,985	61,556	3,016,143	3,596	3,520,225
Additions	-	24,115	63,157	18,182	-	-	105,454
Depreciation expense	(13,653)	(1,827)	(30,613)	(5,343)	(66,047)	(906)	(118,389)
Balance at 31 December 2022	100,292	22,288	357,529	74,395	2,950,096	2,690	3,507,290

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

NOTE 11: TRADE AND OTHER PAYABLES

	31-Dec-22	30-Jun-22
Current	\$	\$
Trade creditors and accruals	990,799	976,582

NOTE 12: EMPLOYEE BENEFITS PROVISIONS

	31-Dec-22	30-Jun-22
Current	\$	\$
Employee benefits provisions	397,164	389,851

Short-term employee benefits

Liabilities for wages and salaries, including annual leave to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 13 LEASE LIABILITY

	31-Dec-22 \$	30-Jun-22 \$
Non-current		
Lease liabilities	3,529,764	3,485,962
Total	<u>3,529,764</u>	<u>3,485,962</u>

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Group has leasehold arrangement that commenced on 1 May 2020 for 25 years. As at 31 December 2022, the Group reassessed that the commencement of work will start during the second half of the calendar year 2024 which by then the rent-free period will end.

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

	31-Dec-22 \$	30-Jun-22 \$
Interest expenses	43,802	96,954
Depreciation expenses	66,047	132,094
	<u>109,849</u>	<u>229,048</u>

The tables below analyse the Group's lease liabilities into relevant maturity groupings based on their contractual maturities.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
Lease liabilities	-	14,069	532,262	4,196,533	4,742,864	3,529,764

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 14: CAPITAL AND RESERVES

(a) Reserves

	31-Dec-22 \$	30-Jun-22 \$
Movements in reserves		
Balance at the beginning of the financial year	2,387,117	2,418,070
Share based payment reserve movement	352,661	(30,953)
Balance at the end of the financial year	2,739,778	2,387,117

NOTE 15: EARNINGS PER SHARE

	31-Dec-22 \$	31-Dec-21 \$
a. Reconciliation of earnings to profit or loss		
Loss used in the calculation of basic and dilutive earnings per share	(1,504,977)	(6,974,379)
	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		
	1,291,832,143	1,264,232,261
Basic and Diluted Earnings Per Share (cents)	(0.12)	(0.55)

NOTE 16: 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
Jonathan Battershill	Non-Executive Director
Kristen Podagiel	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 \$Nil (Dec 2021: \$64,463) in relation to insurance services; Enrizen Lawyers Pty Ltd received \$25,755 (Dec 2021: \$62,215) in relation to legal services; Enrizen Accounting Pty Ltd received \$62,070 (Dec 2021: \$65,800) in relation to company secretarial and accounting services; and the Company had a total investment of \$5,242,276 (June 2022: \$4,861,487) in Redeemable Preference Shares in Enable Investment Pty Ltd receiving 3-4% p.a. rate of return. During the period, the company earned distribution income of \$80,789 (Dec 2021: \$49,609) which was reinvested.

Further to these transactions the Company also employed a family member of a key management personnel with a total remuneration package of \$72,830 during the reporting period (Dec 2021: \$68,750).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 17: COMMITMENTS

	31-Dec-22 \$	30-Jun-22 \$
<i>Capital commitments- option</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Option Purchase:	12,000,000	12,120,000
Land Purchase	-	2,250,000
	<u>2,227,035</u>	<u>3,204,376</u>
Tenement minimum spend for a year		

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 capitalised as intangible assets in Note 8 will be written off through the Profit and Loss statement.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Capital Commitment	10,650,000	1,350,000	-	-	12,000,000	12,000,000

Proposed expenditure on tenements for a year represented the average yearly expenditures expected to be spent on the exploration, environmental management and rehabilitation and community consultation activities during the tenement period.

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

Issue of Options under Employee Incentive Plan

On 27 January 2023, the Company appointed Mr Joel Ray as the General Manager of its wholly owned Bowdens Silver Project. Pursuant to his appointment on 1 March 2023, the Company issued 5,000,000 Options to Joel Ray under the Company's Employee Incentive Plan as follows:

Item	First Vesting Options	Second Vesting Options
Amount of options	2,500,000	2,500,000
Vesting Conditions	To vest on commencement of mine construction.	To vest on mine commissioning.
Exercise price	\$0.30 per Option	\$0.50 per Option
Expiry date	1 March 2026	1 March 2028

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE (continued)

Placement

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

- (a) 112,187,500 shares were issued using the Company's capacity under ASX Listing Rule 7.1; and
- (b) 312,500 shares will be issued to directors of the Company or their nominees subject to shareholder approval at the Company's next general meeting of shareholders at a date yet to be determined.

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

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

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

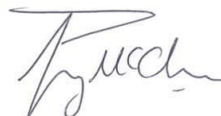
In the directors' opinion:

- 1 the financial statements and notes, as set out on pages 23 to 39 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 2022 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 Company will be able to pay its debts as and when they become due and payable.

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



Keith Perrett
Chairman



Anthony McClure
Managing Director

16 March 2023