

ESG Report

Based on submission dated 6th September 2023

Silver Mines Ltd

and associated mining project(s)

Disclosures in this submission

| Type | Name | ESG framework type |
|-----------|------------------|---------------------------------------|
| Corporate | Silver Mines Ltd | Development stage corporate framework |
| Project | Bowdens | Development stage project framework |



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Introduction

Digbee ESG is the industry standard ESG disclosure framework for the mining sector. It provides mining companies with a right-sized, futurelooking set of frameworks against which they can credibly disclose, track, compare and improve their ESG performance.

Digbee ESG has been developed in consultation with mining companies, ESG specialists and capital providers and is endorsed by leading financial institutions, producing mining companies and other industry stakeholders.

This Digbee ESG Report is the resulting output from your recent ESG submission and comprises an executive summary, your score, score breakdown, positives and negatives as well as a summary of your ESG submission responses.

How are scores calculated?

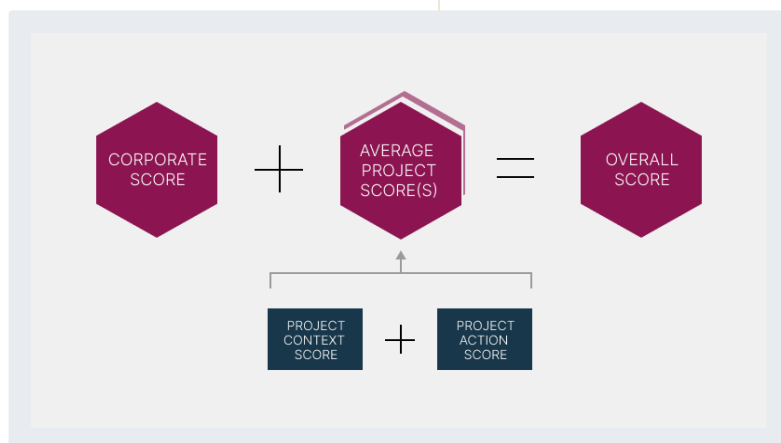
All ESG submissions are manually reviewed and scored against a set of rigorous and standardised scoring criteria.

An ESG submission comprises two types of questionnaire:

1. A single corporate-level questionnaire.
2. One or more project-level questionnaires (one for each disclosable project you own).

The questionnaires are tailored to the stage of the mining company and its projects (i.e., exploration, development and/or producing).

The project questionnaires comprise a number of 'Context' questions (relating to the situation of the project) and 'Action' questions (what is being done by the management both in the boardroom and on the ground to mitigate ESG risks).



▲ Visualisation of how Digbee ESG scores are calculated

There is little one can do to influence context scores, however action scores can vary depending on the action being taken by management. Each question is scored in accordance with our scoring criteria and averaged to provide an overall output score along with a confidence banding. A confidence banding illustrates the potential range with which the awarded score can move should any of the risks be realised or mitigated.

Who scores the submission?

Scoring is undertaken by a team of accredited ESG experts who have deep experience in mining projects similar to those being scored. Each scoring team consists of two scorers and a team lead. This team of three ensures consistent scoring through robust peer review and quality control.

Executive summary



Your next ESG submission is due on 6th September 2024. We will notify you 2 months prior to the expiry of your current Digbee ESG score.

Silver Mines Limited (SML) is an Australian silver exploration company listed on the Australian Stock Exchange (ASX: SVL). The 100% owned Bowdens Silver Project located 30 km east of Mudgee in New South Wales is the largest undeveloped silver deposit in Australia with substantial resources, completed advanced technical work and Environmental Impact Studies (EIS), and Development Consent Approval and Native Title Agreement in place. Development of the project is expected to commence in 2024.

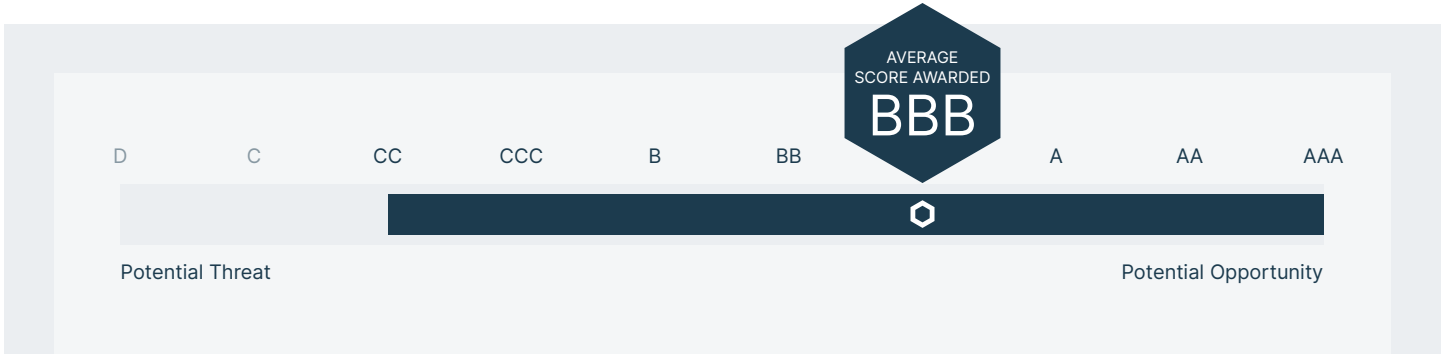
Detailed attention has been paid to ESG with in depth baseline data being collected regarding both Environmental and Social aspects. Clear and easy to understand policies are in place for aspects such as diversity. The workforce is drawn from the local population, thereby providing local employment. A strong board and management team will take the project to the next stage of development. The company has proactively amended their production plans and designs to reduce impacts on the environment. A number of areas for improvement do exist, however they are positioned on very strong sustainability and ESG foundations.

Based on the information provided, SILVER MINES LIMITED has achieved an overarching score of BBB with a range of CC to AAA as of September 2023. A corporate score of BBB with a range of CC to AA was obtained, with the Bowdens Silver Project achieving a score of BBB with a range of CC to AAA.

Your submission team

- Tom Purcell - ADMIN
- Anthony McClure - APPROVER
- Ben Pearson - ADMIN
- Blake Hjorth - ADMIN
- Georgie King - ADMIN

Overall score for this submission



i Silver Mines Ltd is rated as a BBB with a range of CC to AAA. This means that on average it scores BBB but has the potential to reflect a CC or AAA depending on action taken to manage its ESG. The top 5 rating bands (AAA - BB) give credit for present positives / opportunities whereas the bottom 5 rating bands (B - D) reflect present negatives / threats.

The score breakdown

i
Corporate Score:
 This is the score awarded for the responses to the 'Corporate-level' questionnaire.



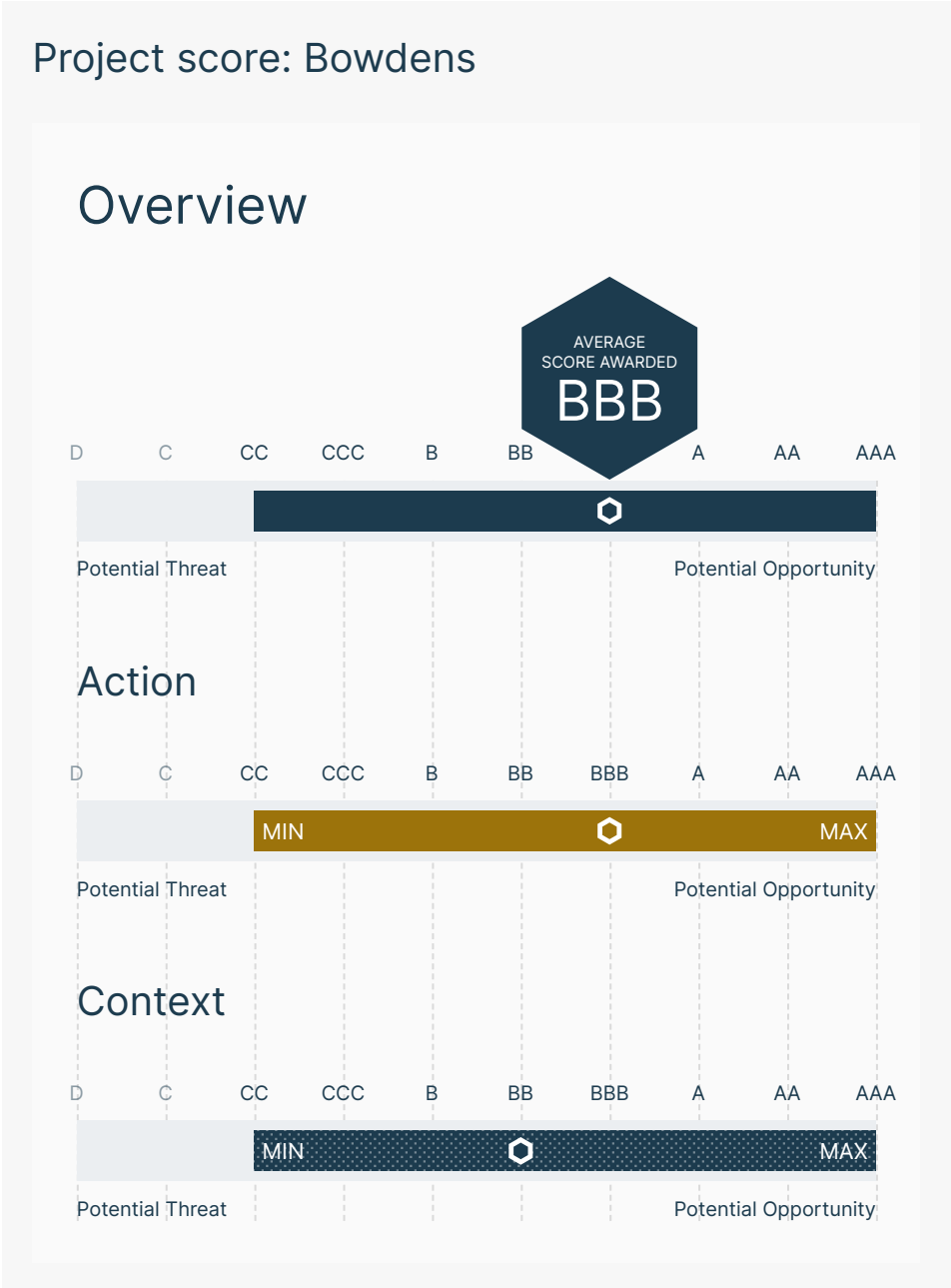
The score breakdown continued...

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Project Score:
 These are the scores awarded to any 'Project-level' questionnaires that have been submitted.

Action:
 Within each project, action questions try to understand what action is being taken by the mining companies to mitigate ESG risks.

Risk Context:
 Within each project, context questions try to understand the inherent risks of where the mining companies are operating.



Overarching positives and negatives

Positives

- The 100% owned Bowdens Silver Project located 30 km east of Mudgee in New South Wales is the largest undeveloped silver deposit in Australia and has completed a robust process of technical design, environmental and social impact studies, assessment and consultation. Development Consent Approval and Native Title Agreement are in place and development of the project is expected to commence in 2024.
- SML has an experienced Board of Directors who have put in place plain language governance policies to ensure compliance with ASX corporate standards and promote a safe, non-discriminatory, diverse and inclusive workplace.
- SML has put in place an effective project team and management optimised to deliver on the next phase of the project.
- SML has demonstrated strong commitment to ESG through the collection of detailed baseline Environmental and Social information, and in amending their mine design and production plans to reduce environmental impacts.

Negatives

- SML has not developed an ESG strategy nor made formal commitments to sustainability objectives and targets beyond that required by jurisdictional requirements. Similarly, SML has not established incentives for the Board and Executives to achieve positive ESG outcomes.
- The development of the Bowden's project will remove 381.7 ha of native vegetation impacting habitat for a range of native flora and fauna, including several threatened species such as the Koala (*Phascolarctos cinereus*).
- The perception of the mine operator's ability to manage environmental impacts may be influenced by ongoing reporting of non-compliance and impact on local communities surrounding the nearby, unrelated Cadia Mine.

Corporate positives and negatives

Corporate positives

1. The 100% owned Bowdens Silver Project is the largest undeveloped silver deposit in Australia with substantial resources, and is well advanced with completed advanced technical work, and key approvals in place such as Development Consent Approval, and Native Title Agreement. The project is located in a low sovereign risk jurisdiction for mining development with ready access to existing infrastructure. Development targeted to commence in 2024.
2. The Bowdens Silver Projects is located in central New South Wales, approximately 26 kilometres east of Mudgee within 2,115 km² (512,000 acres) of tenements. The Company also holds a significant land position in the Orange/Blayney district covering 747 square kilometres (185,000 acres).
3. The submission provided by SML for this assessment was clear, concise, and informative.
4. Similarly, SML is governed by a set of clear plain language policies that ensure

the Company operates within the ASX corporate governance standards and promotes a safe, non-discriminatory, diverse and inclusive workplace.

5. SML has an experienced Board of Directors who, with the Executive management team, have positioned the Company to commence the development of Australia's largest silver deposit within the next 12 months.
6. SML is seeking to increase diversity through female participation at Board and Senior Management level.
7. SML has an established grievance, concerns, and complaints process with multiple means of contact and dedicated resources in Lue, the location of the Bowdens Silver Project. However, it was not clear from the submission whether assessment of post-resolution stakeholder satisfaction is part of the process.
8. Additional geological work increased the Mineral Resource by 56% in total tonnes and 44% total silver equivalent ounces (compared to 2017 Mineral Resource).
9. Considerable exploration potential exists at the Bowdens Silver Project with significant high-grade extensions to mineralisation close to mine.. Further exploration drilling is continuing.
10. SML has demonstrated a commitment to reducing ESG impacts by revising the design of the Bowdens Silver Project to reduce the impact of project infrastructure on biodiversity, by reducing projected production rates, inputs and operating hours, developing impact mitigation measures and biodiversity offsets, and investment in social programs that support the achievement of the UN SDGs (Sustainable Development Goals). Budgets are provided to ensure that ESG commitments and aspirations can be achieved.
11. Simple, clear policies are in place regarding diversity and support of vulnerable and/or underrepresented stakeholder groups.
12. The Bowdens Silver website is very informative. Full marks would have been achieved had live monitoring of a variety of key ESG aspects been provided.

Corporate negatives

1. SML has not as yet developed an ESG strategy from the information provided, or from what is available in the public domain. Ideally the ESG / Sustainability strategy should be fully integrated into the company strategy, and freely available to relevant stakeholders.
2. SML has not made formal commitments to sustainability objectives and targets beyond that required by jurisdictional requirements.
3. SML has not as yet established incentives for the Board and Executives to achieve positive ESG outcomes. If ESG performance is not incentivised at the

top level there is a risk that it will not be prioritised within the Project team and opportunities to realise positive ESG outcomes may not be considered.

4. While fit for purpose currently, additional diversity of thought may be advantageous in the future.
5. The submission did not confirm that the Company is using a Compliance management tool. The development of the Bowdens Silver Project will increase the volume and complexity of compliance requirements and the effort required to manage the numerous approvals, licences and permits.
6. Whilst a risk management policy is in place, it was not clear from the submission whether the framework necessary for the implementation of the policy is in place.
7. It was not clear from the submission how the Company assesses the effectiveness of its governance processes or identifies opportunities for improvement.
8. It is typical of companies at similar levels of development to show explicit design requirements and/or improvements to the asset design to optimise for sustainability, such as optimised management of waste. These are not evident in the current design for the project, representing a missed opportunity for the company.

Project positives and negatives

Project positives - Bowdens

1. The Bowden Silver project is 100% owned by Silver Mines Limited (SML) and comprises mineral tenements covering 2,115 square kilometres (512,000 acres).
2. Silver is a widely used, in-demand commodity including for energy transition purposes.
3. The proposed development project has been subject to a robust assessment and consultation process in accordance with Commonwealth and State regulatory frameworks. The Development Consent was awarded in April 2023, and a Native Title Agreement was ratified in September 2023.
4. A Feasibility Study has been completed, and an optimisation program will be complete in early 2024. The Environmental Impact Study (EIS) was completed in 2020 supported by very comprehensive baseline studies. State Government mine development approvals were received in April 2023.
5. The company voluntarily undertook peer reviews of environmental impacts in addition to the mandated groundwater and health; these were for noise, air quality, surface water, economic impacts and acid mine drainage.
6. The project is in a low-density rural setting 2 km east of the village of Lue and 30 km east of the town of Mudgee in New South Wales. Australia is a low-risk jurisdiction and a tier 1 jurisdiction for mineral development projects.
7. Through its voluntary social investment program, and local employment and procurement strategies that contain specific measurable actions, the project will provide permanent employment opportunities for the skilled local workforce, inject between \$44M and \$146M into the state economy, and progress the region's Sustainable Development Goals.
8. The proposed project has been designed in consideration of extensive baseline environmental and social studies. The Company has taken steps to reduce ESG related impacts of the project through the use of a biodiversity traffic light model and realignment of the proposed mine infrastructure, reduction in the production rate and mining operations and concentrate dispatch limited to 6 days per week and day-time hours, construction of a southern barrier to mitigate noise and visual impacts, and construction of a new 5.2 km public road to reduce project related traffic impacts in Lue. Additional plans are being developed to minimise dust, vibrations, and emissions.
9. The project is supported by excellent access to infrastructure and services, including grid supplied electricity, water allocations, sealed road and rail networks.
10. The project team is stable with no anticipated change required in the near future as the project progresses into further stages of development.

11. All members of the project team reside in the local area.
12. A specialist recruitment contractor is in place to support the identification and recruitment of team members.
13. A robust system is in place to ensure good levels of security.
14. Resettlement is not required as the Company owns the houses within the mine site boundary. The Company has also acquired a number of properties surrounding the mine site that may be impacted by the project activities. Where possible, the Company utilises or leases its residential properties thereby not exacerbating the housing crisis currently being experienced in Australia.
15. Biodiversity offset sites will be established under the Biodiversity Stewardship Agreements that will conserve the sites in perpetuity. A total of 795 ha, representing 43% of the ecosystem offset credits are required, and will be located within and surrounding the mine site. Locations for prospective offset sites in the surrounding area have been identified and discussions with a short-list of interested landholders have been initiated.
16. The company has undertaken extensive Koala habitat surveys to better define mitigation plans, and also established a reporting and protection programme for the endangered Swainson Recta purple pea.
17. Items of Aboriginal cultural heritage and historical heritage have been identified and will either be salvaged and restored in the rehabilitated landscape or protected from inadvertent impact.
18. The Company has excellent social outreach mechanisms in place with dedicated staff on site, frequent project updates via several social media platforms, and a dedicated interactive project web site. The company has also established a robust community investment program (schools, sports clubs, community events).

Project negatives - Bowdens

1. The development of the Bowden's project will remove 381.7 ha of native vegetation, impacting habitat for a range of native flora and fauna, including several threatened species such as the Koala (*Phascolarctos cinereus*).
2. Whilst central west NSW hosts several coal and metalliferous mines, there are no mines in the immediate area of the project site, though a proportion of the local community are concerned about this project's impact on, particularly, noise, air quality, and human health. Whilst the potential risks have been assessed and determined to be of an acceptable level, local perception of SML's ability to manage these impacts is influenced by the ongoing issues relating to air quality and associated human health impacts from the unrelated Cadia Mine.
3. Despite SML undertaking extensive stakeholder engagement, the response

from the engagement with the local Landcare and First Nations stakeholders was not positive and may indicate that the current stakeholder engagement strategy may not be as effective as it could be.

4. A number of negative news articles have been released recently in the media suggesting some concerns regarding the project. In addition, a group located in the local community (Mudgee Region Action Group) have raised objections to potential environmental effects, though the company has completed all relevant health and environmental impact studies which have been approved by the relevant government departments.
5. Transportation routes are currently very good, but the transportation of material in heavy loads may impact on other route users, as and when construction, followed by production, commences.
6. 26.6 million tonnes of potentially acid forming (PAF) waste rock will be generated throughout the mine life and will be encapsulated in a surface waste rock emplacement (WRE) using industry accepted techniques. The effectiveness of this containment and the long-term prevention of pollution is dependent upon the created landform being sustainable and resilient for perpetuity.
7. The mined commodities are silver, zinc and lead. While these are very much required in a wide variety of uses, lead needs to be managed carefully, in particular the potential for dust inhalation for both humans and animals.
8. Opportunities to reduce the project's environmental and carbon footprint and adopt new technologies have not as yet been embraced in the project design, e.g. electric mining fleet, renewable energy supply, dry-stack tailings. This is unusual for an asset that is being designed currently.
9. While health and safety initiatives are in place, a number of Lost Time Injuries have been recorded over the past 5 years. The submission would have benefitted from enhanced narrative and examples regarding what is being done to ensure all are kept safe.



Corporate Score Distributions: Silver Mines Ltd

Development Framework: Scores valid for 12 months as of 6th Sep 2023.

The following visual is an overview of the corporate-level questionnaire scores.

| Question IDs & theme | Potential Threat | | | | | Potential Opportunity | | | | |
|--|------------------|---|----|-----|---|-----------------------|-----|---|----|-----|
| | D | C | CC | CCC | B | BB | BBB | A | AA | AAA |
| C-01.01 ESG Risk Strategy | | C | | | | | | | | |
| C-01.02 Organisational Commitment | | | | | B | | | | | |
| C-01.03 ESG Budgetary Provision | | | | | | | | A | | |
| C-01.04 Updated ESG KPIs | | | CC | | | | | | | |
| C-01.05 Presence & Influence of Significant Partners | | | | | | | | | AA | |
| C-01.06 Management of Operating Partner | | | | | | NOT APPLICABLE | | | | |
| C-02.01 Board and Leadership Structure | | | | | | | BBB | | | |
| C-02.02 Independent Directors | | | | | | | | | AA | |
| C-02.03 Director Rotation | | | | | | BB | | | | |
| C-02.04 Executive Pay Aligned to Sustainability | D | | | | | | | | | |
| C-02.05 Board Capability | | | | | | | BBB | | | |
| C-02.06 Board Diversity | | | | | | | BBB | | | |
| C-02.07 Succession Planning | | | | | B | | | | | |
| C-02.08 Labour Management | | | | | | | | | AA | |

| | | | | | |
|---------|----------------------------------|--|--|-----|----|
| C-03.01 | Government Engagement Processes | | | | A |
| C-03.02 | Accessibility of ESG Information | | | | AA |
| C-03.03 | Government Engagement Monitoring | | | BB | |
| C-03.04 | Shareholder Oversight | | | | A |
| C-03.05 | Management of Shareholders | | | BB | |
| C-03.06 | Participation in Industry Bodies | | | BBB | |
| C-04.01 | Verification of Financing | | | | A |
| C-04.02 | Permitting Compliance Processes | | | | AA |
| C-05.01 | Feedback Management | | | | A |
| C-05.02 | Tax Transparency | | | BB | |
| C-05.03 | Corruption | | | BBB | |
| C-06.01 | Promotion of Risk Management | | | BBB | |
| C-06.02 | Emergency Preparedness | | | | A |
| C-06.03 | Governance Structures | | | | A |
| C-06.04 | Prioritisation of ESG | | | CCC | |

Project Score Distributions: Bowdens

Development Framework: Scores valid for 12 months as of 6th Sep 2023.

i This is an overview of the project-level questionnaire scores. In some instances a question may elicit multiple responses (e.g., context and action). In these cases, we provide multiple scores for that question ID. The individual scores noted on each bar are the scores that have been awarded for that question. If an individual bar comprises 2 scores, it's because the scores covered a range across multiple bandings and are represented as a range.

| Question IDs & theme | Potential Threat | | | | | | Potential Opportunity | | | | | |
|--|------------------|---|-----|-----|---|----|-----------------------|---|----|-----|--|--|
| | D | C | CC | CCC | B | BB | BBB | A | AA | AAA | | |
| P-01.01 Project Location | | | | | | | | | AA | | | |
| P-01.02 Natural Hazard Risk | | | CCC | | | | | | | | | |
| P-01.03 Impact of Upstream Activities | | | | | | BB | | | | | | |
| P-01.04 Impact on Downstream Activities | | | CC | | | | BBB | | | | | |
| P-01.05 Instability | | | | | B | | BBB | | | | | |
| P-02.01 Planned Activities | D | | | | | | | | | | | |
| P-02.02 Planned Mine Products | | | CC | CCC | | | | | | | | |
| P-03.01 Project Team Size | | | | | | BB | | | | | | |
| P-03.01 Project Team Size | | | | | | BB | | | | | | |
| P-03.02 Management Changes | | | | | | | | | AA | | | |
| P-03.03 State Shareholding & Rep. on Board | | | | | | | BBB | | | | | |
| P-03.04 Local Representation in Team | | | | | | | | | | AAA | | |
| P-03.04 Local Representation in Team | | | | | | | | | AA | | | |

| | | | | | | |
|---------|------------------------------------|--|-----|---|-----|----------------|
| P-03.05 | Employee and Contractor Employment | | | | | AAA |
| P-03.06 | Local Employment Requirements | | | | | AAA |
| P-03.07 | Local Representation Requirements | | | B | | |
| P-03.08 | Health and Safety Record | | CCC | | | |
| P-03.09 | Health and Safety Activities | | | | BBB | |
| P-03.10 | Security and Firearms | | | | | AAA |
| P-03.11 | Team and Equipment Security | | | | | AA |
| P-03.12 | Contractor Due Diligence | | | | | AA |
| P-04.01 | Acquisition History | | | | BBB | |
| P-04.02 | Existing Land Use | | | B | | |
| P-04.03 | Adjacent Land Use | | CCC | | BB | |
| P-04.04 | Competing Land Use | | | | | A |
| P-04.05 | Changes to Adjacent Land Use | | | | | A |
| P-04.06 | Presence of Local Communities | | CCC | | BB | |
| P-04.07 | Resettlement and Compensation | | | | BBB | |
| P-04.08 | Presence of Informal Mining | | | | | AAA |
| P-04.09 | Regulation of Informal Mining | | | | | NOT APPLICABLE |
| P-04.10 | Biodiversity Management | | CC | | BB | |
| P-05.01 | Ownership | | | | | AAA |
| P-05.02 | Property Access | | | | BBB | |

| | | | | | | | | | |
|---------|---------------------------------------|--|--|---|-----|--|--|---|-----|
| P-05.02 | Property Access | | | | | | | | AA |
| P-05.03 | Product Distribution | | | | CCC | | | | BBB |
| P-05.04 | Integration to State Development Plan | | | | CCC | | | | BBB |
| P-05.05 | Energy Sources | | | C | | | | | |
| P-05.05 | Energy Sources | | | C | | | | | BB |
| P-05.06 | Energy Sharing | | | | CC | | | | |
| P-05.07 | Water Stress | | | | | | | B | A |
| P-05.08 | Water Use | | | | | | | | BB |
| P-05.08 | Water Use | | | | CC | | | | A |
| P-05.09 | Water Impact Minimisation | | | | CCC | | | | AAA |
| P-05.10 | Water Discharge | | | | | | | B | |
| P-05.10 | Water Discharge | | | | | | | B | A |
| P-05.11 | Waste Management | | | | | | | B | |
| P-05.11 | Waste Management | | | | | | | B | A |
| P-05.12 | Toxic Waste | | | | CC | | | | |
| P-05.13 | Tailings Facility Requirement | | | C | | | | | |
| P-05.14 | Incorp. of New Info on Future Plans | | | | CCC | | | | BB |
| P-05.15 | Noise Reduction | | | | | | | B | BBB |
| P-05.16 | Emission Reduction | | | | CC | | | | BBB |
| P-05.17 | Vibration Reduction | | | | CC | | | | BBB |

| | | | | | | |
|---------|------------------------------------|--|--|----|--|----------------|
| P-05.18 | Major Facility Rehabilitation | | | | | BB |
| P-05.19 | Approved Rehabilitation Plan | | | | | BB |
| P-05.20 | Financing Rehabilitation | | | B | | |
| P-05.21 | Property Transfer Post-Closure | | | B | | A |
| P-05.22 | Current Remediation Activity | | | | | NOT APPLICABLE |
| P-06.01 | Social Media Plan | | | CC | | AA |
| P-06.02 | Stakeholder Engagement Appointee | | | | | AA |
| P-06.03 | Local Language Engagement | | | | | AAA |
| P-06.04 | Cultural Preservation | | | B | | A |
| P-06.05 | Past and Current Mining | | | | | BB AA |
| P-06.06 | Local Mining Support | | | B | | BB |
| P-06.07 | External Feedback on Activities | | | | | BB |
| P-06.08 | Government Inspections | | | | | A |
| P-07.01 | Community-Government Relationship | | | | | AA |
| P-07.02 | Local Procurement Requirements | | | | | AA |
| P-07.03 | Local Procurement Practices | | | | | A |
| P-07.04 | Definition of Regulatory Framework | | | | | AAA |
| P-07.05 | Regional Governmental Bodies | | | | | AAA |
| P-07.06 | State Development Plan | | | | | AA |

| | | | | | | | | | |
|---------|--|--|--|--|--|--|---|----|-----|
| P-07.07 | Alignment w/ State Developmental Plan | | | | | | | | AA |
| P-07.08 | Community Development Requirements | | | | | | | | BBB |
| P-07.09 | Project-Specific Commitments | | | | | | | | AA |
| P-08.01 | Project Management in Place | | | | | | | | AAA |
| P-08.02 | Risk Management Approach | | | | | | | | A |
| P-08.03 | Commencement of Baseline Monitoring | | | | | | | | AAA |
| P-08.04 | Environmental Impact Assessment/ Socio-Economic Impact Assessment (EIA/SEIA) Approval | | | | | | | | BBB |
| P-08.05 | Required Permitting | | | | | | | | A |
| P-08.06 | Stakeholder Inclusion in Decision Making | | | | | | B | BB | |
| P-08.07 | Construction/Operating Team Handover | | | | | | | | A |
| P-08.08 | Temp. Contractor Accom. Management | | | | | | | | A |
| P-08.09 | Project Plan Delays | | | | | | | | BBB |
| P-08.10 | Social Opportunity | | | | | | | | A |