

Annual Report

Southern Hemisphere Mining Limited

ACN 140 494 784

30 June 2021

Corporate directory

Board of Directors

| | |
|---------------------|-----------------|
| Mr Mark Stowell | <i>Chairman</i> |
| Mr David Frances | <i>Director</i> |
| Mr Richard Caldwell | <i>Director</i> |

Company Secretary

Mr Luke Abbott

Principal Registered Office

Street: Suite 2, 20 Howard Street
Perth, Western Australia 6000
Postal: PO Box Z5207
St Georges Terrace
Perth, Western Australia 6831
Telephone: +61 8 6144 0590
Email: cosec@shmining.com.au
Website: www.shmining.com.au

Share Registry

Computershare Investor Services Pty Ltd
Street: Level 2, 45 St Georges Terrace
Perth, Western Australia 6000
Postal: GPO Box D182
Perth, Western Australia 6840
Telephone: 1300 850 505
Email: web_queries@computershare.com.au
Website: www.investorcentre.com

Securities Exchange

Australian Securities Exchange
Website: www.asx.com.au
ASX Code: SUH

Auditors

PKF Perth
Level 5
35 Havelock Street
West Perth, Western Australia 6005

Contents

| | |
|---|----|
| ■ Chairman's Letter | 2 |
| ■ Operations review | 3 |
| ■ Directors' report..... | 4 |
| ■ Remuneration report | 11 |
| ■ Auditor's independence declaration | 14 |
| ■ Consolidated statement of profit or loss and other comprehensive income | 15 |
| ■ Consolidated statement of financial position..... | 16 |
| ■ Consolidated statement of changes in equity | 17 |
| ■ Consolidated statement of cash flows..... | 18 |
| ■ Notes to the consolidated financial statements..... | 19 |
| ■ Directors' declaration..... | 42 |
| ■ Independent auditor's report | 43 |
| ■ Additional Information for Listed Public Companies..... | 48 |
| ■ Mineral Resources and Ore Reserves Statement..... | 50 |
| ■ Concession Schedule..... | 51 |

Chairman's Letter

Dear Shareholder

Since the last annual report we have advanced the 100% owned Colina2 Gold Project through to drilling, and results are positive for this emerging gold discovery with highlights from the first holes recently announced. Further results are pending from the 2,600m RC and diamond drilling program. Determining the ultimate scale of this discovery will be a very interesting journey over the year ahead as our team focus exploration. The outlook for the \$A gold price remains very encouraging.

The company's 100% owned large Llahuin Copper/Gold/Moly project has also had considerable focus and is also turning into a project of real interest for which drilling is scheduled after completion of the Colina2 drill program. Our team have worked up numerous targets and plan to drill the best of those.

Finally, the Los Pumas Manganese Project is being rescoped and the data upgraded to current standards as the focus on Manganese renews due to its significantly increased use in new, low-cost battery technology and production, particularly for the Electric Vehicle industry. Strategically, this deposit represents an interesting, high quality alternative to existing Manganese resources in China and Africa. Further, it nicely complements our exposure to Cu. Both Mn and Cu are expected to see increasing demand as the world transitions to more sustainable technologies.

The company's focus for the year ahead is advancing Colina2 and Llahuin which are ~8km from each other and 8km from the large El Espino IOCG Copper Gold mine in development.

With the gold price holding near US\$1,800/oz and copper price recently moving above US\$4 per lb it bodes well for advancing our two key projects into 2022 and beyond.

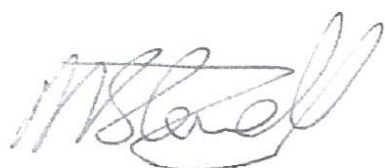
Chile is the number one producer of copper in the world. In 2019, the sector produced 5.79 million tons of copper. Its current world copper market share is 28 percent. The mining sector's contribution to the country's GDP is approximately 10 percent and represents over half of the country's total exports. It is a key sector of Chile's economy. Many of the world's major mining companies including Codelco and Antofagasta are Chilean, and many internationals have large mining operations in Chile including Anglo American, BHP, Freeport, Lundin and others.

Over the past 6 months, the Board has added key personnel to the team in Australia and Chile, which has strengthened oversight and ensures tight management of exploration programs targeting the maximum value add from the minimum spend.

The Board was also strengthened earlier this year with geology and international finance added to the board's skillset.

We have an excellent team on site in Chile and the Board take this opportunity to thank them and all our consultants and lawyers for their work through a challenging turnaround year.

Yours sincerely,



Mark Stowell
Chairman
Southern Hemisphere Mining Limited

Operations review

Llahuin Copper-Gold Project (~250 km north of Santiago, Chile)

The Llahuin copper project hosts a 149Mt @0.41%CuEq resource. Exploration activities at the Llahuin project during the year involved a thorough review of all data (55km of drilling and 26,000 sample points) which identified numerous high impact drilling opportunities across the project.

Work during the year included:

Drone magnetics and topo at 25m flight height and line spacing for excellent data;

Installation of all data points into Micromine mining software and detailed analysis thereof in conjunction with geophysics re-interpretation, satellite imagery, and on-ground confirmation.

Geophysics re-processing and interp to better understand the opportunity across the whole of the tenement and surrounding areas;

On ground sampling and validation including a new target that returned 28m @ 0.53gold, 0.3Cu in a road cutting co-incident with the Mag-3 geophysical anomaly. This is a priority drill target in the upcoming drill program;

Resource analysis work to define drilling depth economic limits which were estimated to be approximately 400m on current grades;

EIS study review and engagement with potential key consultants.

Database set-up, continuing acquisition of all company geological data-set 90%, cataloguing on-going.

Drilling is scheduled after completion of the Colina2 drilling in progress now.

Colina2 Gold Project

The Colina2 Gold Project is located 8km to the northwest of Llahuin.

Trenching work last year identified the source of the significant gold in soil anomaly, that is coincident with the NE-SW trending fault on the eastern side of the anomaly, which was identified in a re-interpretation of the geophysics. The host rock at Colina2 is an altered Grano-diorite intrusive with boxwork textures with hematite-limonite possibly replacing sulfides and magnetite. Some quartz veinlets smaller than 1 mm with a central suture and hematite halo were also observed in the trenches.

Samples were collected on a 1m length along the trench with an average weight of 5kg per sample. The company announced a gold discovery with grades in trenching up to 9.46g/t. Further trenches added to this confirmation and the drilling program of RC and diamond drilling is in its final stages as this report goes to print.

Drilling to test the downdip width and tenor of the gold mineralisation discovered in the trenches is the target. This has been successful in early RC drill holes as announced. Ultimate scale and tenor of this discovery is the focus for this project over the year ahead. Being epithermal, it has geological characteristics for scalability.

Los Pumas Manganese Project (~175km east of Arica, Chile)

The Los Pumas Project is a multiple layered tabular style occurrence with a surface expression over 3.6 km in length. It is the subject of a completed preliminary assessment and environmental study and with the battery metals demand increasing this project has become more topical and a significant opportunity to be a part of the EV industry as it moves to more manganese battery production using high purity manganese.

The Los Pumas Manganese project hosts a total Manganese resource of 23.7Mt at 7.81% Mn. Work on the Los Pumas Project included reviewing the resource model and associated data to determine if any extensions to the known mineralization could be targeted in future work programs.

The mineralization is flat lying and the potential extensions of the mineralization would be delineated by drilling downdip to the current zones and to define any potential feeder zones under the flat lying mineralization as most of the drillholes are shallow at average of 30m deep and they would not have intersected these zones.

Additionally, the mineralization extends onto neighboring ground and this could also form a potential addition to the modelled mineralization if the ground can be acquired.

Potential end users being EV and or battery manufacturers are the target partner for this project and is the company's focus in conjunction with its advisers and consultants.

Directors' report

The Directors present their Report together with the consolidated financial statements of the Group comprising of Southern Hemisphere Mining Limited (**the Company**) and its controlled entities (collectively **the Group**) for the financial year ended 30 June 2021 and the auditor's report thereon.

1. Directors

The names of Directors in office at any time during or since the end of the year are:

- Mr Mark Stowell Chairman
- Mr David Frances Director (*appointed 5 February 2021*)
- Mr Richard Caldwell Director (*appointed 5 February 2021*)
- Mr David Lenigas Director (*resigned 5 February 2021*)
- Mr Keith Coughlan Director (*resigned 5 February 2021*)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information, including details of the qualifications of Directors, please refer to paragraph 6 - Information relating to the directors.

2. Company secretary

Ms Jessamyn Lyons resigned as Company Secretary effective 24 March 2021. On that day Mr Luke Abbott was appointed as Company Secretary in Ms Lyons place.

- Mr Luke Abbott
 - Qualifications ■ Bachelor of Commerce
 - Experience ■ Mr Abbott has a Bachelor of Commerce from Curtin University and has worked for several years in accounting, financial services and compliance.

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2021.

4. Significant changes in the state of affairs

No significant changes in the state of affairs of the Group occurred during the financial year:

5. Operating and financial review

5.1. Nature of Operations Principal Activities

During the year, the Group was involved in mineral exploration in Chile, South America and Pilbara, Western Australia.

5.2. Financial Review

■ Operating results

For the 2021 financial year the Group delivered a loss before tax of \$1,251,232 (2020: (\$364,753)).

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. Details of the Company's assessment in this regard can be found in Note 2.

■ Financial position

The net assets of the Group have increased from 30 June 2020 by \$1,370,609 to net assets of \$1,359,517 at 30 June 2021 (2020: Net Liabilities \$11,092).

As at 30 June 2021, the Group's cash and cash equivalents decreased from 30 June 2020 by \$1,493,927 to \$1,526,749 (2020: \$32,822) and had a surplus of working capital of \$1,331,459 (2020: \$28,039 deficit in working capital).

Directors' report

5.3. Events Subsequent to Reporting Date

See note 22 for details of announcements subsequent to reporting date.

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 30 June 2021. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. There were no other matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2021.

5.4. Future Developments, Prospects and Business Strategies

The main focus of the Company for the year ahead is gold and copper exploration.

5.5. Environmental Regulations

The Consolidated Entity's exploration and mining operations are subject to environment regulation under the law of Chile. The Consolidated Entity, via its subsidiaries holds exploration/mining concessions and permits in Chile thus is subject to the Mining Acts of that country each with specific conditions relating to environmental management.

During the year ended 30 June 2021 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached, and no claim has been made for increase of bond.

The Directors have considered the enacted *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

6. Information relating to the directors

| | |
|---|--|
| <p>■ Mr Mark Stowell</p> <p>Qualifications</p> <p>Experience</p> | <ul style="list-style-type: none"> ■ Non-Executive Chairman (appointed 1 November 2019) ■ Chartered Accountant. ■ Chartered Accountant with over 20 years of corporate finance and resource business management experience. He served as manager in the corporate division of Arthur Andersen and subsequently in the establishment and management of a number of successful ventures as principal, including resource companies operating in Australia and internationally. <p>He was a founder of Anvil Mining Ltd (Democratic Republic of Congo), a copper explorer and developer, and on its board for seven years until 2000. He was a founder and Non-Executive Director of Incremental Petroleum Limited, an oil and gas producer with operations in Turkey and the USA, until its takeover by a USA operator. He was Chairman and founder of Mawson West Ltd, a copper producer and explorer which completed an IPO on the Toronto Stock Exchange in one of the largest base metal IPO's of 2011.</p> <p>He is also the Chairman of ASX listed Kula Gold Limited, a gold explorer in Western Australia.</p> |
| <p>Special responsibilities</p> | <ul style="list-style-type: none"> ■ Nil |
| <p>Interest in Shares and Options</p> | <ul style="list-style-type: none"> ■ 9,856,886 Ordinary Shares; 4,000,000 unlisted options |
| <p>Directorships held in other listed entities</p> | <ul style="list-style-type: none"> ■ Kula Gold Limited (ASX listed – KGD) |

Directors' report

■ Mr David Frances

Qualifications

Experience

■ Non-executive Director (appointed 5 February 2021)

■ BSC Geol (Hons).

■ Mr Frances is an International mining executive with a track record of developing and or transacting on assets in multiple countries. Most recently he was Executive Chairman at Tiger Resources (Democratic Republic of Congo) where he completed the restructure of both the Corporate and Operational teams.

Mr Frances also led Mawson West (TSX: MWE) from 2006 – 2012. He developed MWE from a Western Australian gold hopeful into a significant international copper producer, developer and explorer in the DRC. After delisting the Company from the ASX when it had a market capitalisation of ~\$3 million then successfully completing a transaction with Anvil Mining and subsequently recommissioning and restarting the Dikulushi copper-silver mine as an unlisted public company. Mawson then listed on the TSX in one of the largest base metals IPOs in the world for 2011 with a market capitalisation of approximately \$250 million.

Mr Frances also managed the South Australian office for Dominion Mining during the development of the structurally complex, high-grade Challenger gold mine.

Special responsibilities

Interest in Shares and Options

Directorships held in other listed entities

■ Nil

■ 1,000,000 unlisted options

■ Mr Frances has not been a director of in any other listed company within the last three years.

■ Mr Richard Caldwell

Qualifications

Experience

■ Non-executive Director (appointed 5 February 2021)

■ Bachelor of Laws, Bachelor of Economics and Post Graduate Diploma in Finance

■ Mr Caldwell has a strong background in advising many successful natural resource and high-tech Australian companies and assisting with public listing, equity capital markets and project development financing.

Mr Caldwell was formerly Head of Corporate Finance and Equity Capital Markets at StoneBridge, Head of Equity Capital Markets at Burdett Buckenridge and Young, and held a number of senior management positions at Citibank in Sydney and JP Morgan in London.

Mr Caldwell holds a Bachelor of Laws and a Bachelor of Economics from Sydney University. Until recently he was a Fellow of Macquarie University where he conceived and taught the Masters subject of Equity Capital Markets. He also has a Post Graduate Diploma in Finance from Finsia. In 2012, he was appointed as Chairman of the Ascham School Foundation, an unlisted public company. He retired from that role in 2019.

Mr Caldwell has also chaired and managed Greatcell Solar Limited, a high-tech solar company, from 2005 to 2018 in both executive and non-executive capacities.

Special responsibilities

Interest in Shares and Options

Directorships held in other listed entities

■ Nil

■ 6,000,000 Ordinary Shares; 1,000,000 unlisted options

■ Greatcell Solar Limited (from 2005 to 2018; previously ASX listed under GSL prior to liquidation on 16 August 2019)

Directors' report

- **Mr David Lenigas**

 - Non-executive Director (appointed 7 July 2016, former Chair to 1 November 2019, resigned 5 February 2021)
 - Qualifications ■ Bachelor of Applied Science (Mining Engineering) and holder of a Western Australian First Class Mine Mangers Certificate of Competency.
 - Experience ■ Mr Lenigas is an experienced mining engineer with significant global resources and corporate experience, having serviced as Executive Chairman, Chairman and Non-Executive Director of many public listed companies in London, Canada, Johannesburg and Australia.
 - Special responsibilities ■ Nil
 - Interest in Shares and Options ■ 9,084,282 Ordinary Shares (at time of resignation)
 - Directorships held in other listed entities ■ NQ Minerals Plc (London AQSE listed), AfrigAg Global Plc (AQSE listed), and Anglo African Agriculture Plc (LSE listed).

- **Mr Keith Coughlan**

 - Non-executive Director (appointed 7 July 2016, resigned 5 February 2021)
 - Qualifications ■ BA
 - Experience ■ Mr Coughlan has almost 30 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on the ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds.
 - Special responsibilities ■ Nil
 - Interest in Shares and Options ■ 6,842,141 Ordinary Shares (at time of resignation)
 - Directorships held in other listed entities ■ Managing Director of European Metals Holdings Limited
Non-Executive Director of Calidus Resources Limited
Non-Executive Chair of Doriemus Plc

Directors' report

7. Meetings of directors and committees

During the financial year three meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

| | DIRECTORS' MEETINGS | | AUDIT COMMITTEE | | NOMINATION COMMITTEE | | REMUNERATION COMMITTEE | | FINANCE AND OPERATIONS COMMITTEE | |
|---------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|----------------------------------|-----------------|
| | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended |
| Mr M Stowell | 3 | 3 | | | | | | | | |
| Mr D Frances | 1 | 1 | | | | | | | | |
| Mr R Caldwell | 1 | 1 | | | | | | | | |
| Mr D Lenigas | 2 | 2 | | | | | | | | |
| Mr K Coughlan | 2 | 2 | | | | | | | | |

At the date of this report, the Remuneration, Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.

8. Indemnifying officers or auditor

8.1. Indemnification

The Company has entered an Indemnity, Insurance and Access Deed with each Director. Pursuant to the Deed:

The Director is indemnified by the Company against any liability incurred in that capacity as an officer of the Company to the maximum extent permitted by law subject to certain exclusions.

The Company must keep a complete set of company documents until the later of:

- The date which is seven years after the Director ceases to be an officer of the Company; and
- The date after a final judgment or order has been made in relation to any hearing, conference, dispute, enquiry or investigation in which the Director is involved as a party, witness or otherwise because the Director is or was an officer of the Company (Relevant Proceedings).

The Director has the right to inspect and copy a Company document in connection with any relevant proceedings during the period referred to above.

Subject to the next sentence, the Company must maintain an insurance policy insuring the Director against liability as a director and officer of the Company while the Director is an officer of the Company and until the later of:

- a. The date which is seven years after the Director ceases to be an officer of the Company; and
- b. The date any Relevant Proceedings commenced before the date referred to above have been finally resolved.

The Company may cease to maintain the insurance policy if the Company reasonably determines that the type of coverage is no longer available.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

8.2. Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group.

Directors' report

9. Options

9.1. Unissued shares under option

At the date of this Report, there are 9.8 million shares of the Group under option.

| <u>Grant Date</u> | <u>Date of Expiry</u> | <u>Exercise Price</u> | <u>Number of options (unlisted)</u> |
|-------------------|-----------------------|-----------------------|-------------------------------------|
| 24 June 2021 | 1 July 2026 | Nil | 600,000 ⁽ⁱ⁾ |
| 24 June 2021 | 24 June 2026 | Nil | 3,200,000 ⁽ⁱⁱ⁾ |
| 30 July 2021 | 30 July 2026 | Nil | 6,000,000 ⁽ⁱⁱⁱ⁾ |
| | | | 9,800,000 |

⁽ⁱ⁾ Of the 600,000 options granted to employees, 300,000 have vested. 300,000 will vest on 1 July 2022 subject to continued employment.

⁽ⁱⁱ⁾ Of the 3,200,000 granted to employees, 2,600,000 vested immediately, 300,000 will vest on 1 July 2022 and 300,000 will vest on 1 July 2023 subject to continued employment.

Please see note 18 for further details.

⁽ⁱⁱⁱ⁾ Option issued to the directors were approved at a General Meeting of the Shareholders on 30 July 2021. The relevant options were granted under the Employee Option Plan approved at the Annual General Meeting in 2020. The options are subject to vesting conditions.

The holders of the options, do not have the right, by virtue of the option to participate in any share of any other interest of any other body corporate or registered scheme.

9.2. Shares issued on exercise of options

No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the financial year.

9.3. Shares Options that expired/ lapsed

No share options expired or lapsed during or since the end of the financial year.

Directors' report

10. Non-audit services

During the year, the Company's auditor, PKF Perth, did not perform any services other than their statutory audits (2020: \$nil). Details of remuneration paid to the auditor can be found within the financial statements at Note 18.

In the event that non-audit services are provided by PKF Perth, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

11. Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

12. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2021 has been received and is included within the annual report.

13. Remuneration report (audited)

The information in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

13.1. Key management personnel (KMP)

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP comprise the directors of the Company and key executive personnel:

- | | |
|-----------------------|---|
| ■ Mr Mark Stowell | Chairman |
| ■ Mr David Frances | Director (<i>appointed 5 February 2021</i>) |
| ■ Mr Richard Caldwell | Director (<i>appointed 5 February 2021</i>) |
| ■ Mr David Lenigas | Director (<i>resigned 5 February 2021</i>) |
| ■ Mr Keith Coughlan | Director (<i>resigned 5 February 2021</i>) |

13.2. Principles used to determine the nature and amount of remuneration

In assessing the remuneration of its executive officers, the Company does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on Board discussion. All Director fees are periodically recommended for approval by shareholders. The Company's policy regarding executives' remuneration is that the executives are paid a commercial salary and benefits based on the market rate and experience.

The Company's executive compensation program has three principal components: base salary, incentive bonus plan and share options. Base salaries for all employees of the Company are established for each position based on individual and corporate performances.

Incentive bonuses are designed to add a variable component of compensation based on corporate and individual performances. No bonuses were paid during the most recently completed financial year.

Executive officers are entitled to participate in the Company's Share Option Plan, which is designed to give each option holder an interest in preserving and maximising shareholder value. Such grants are determined by an informal assessment of an individual's performance, level of responsibilities and the importance of his/her position and contribution to the Company.

■ Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

■ Relationship between Remuneration of Key Management Personnel and Shareholder Wealth

During the Group's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature during the current and previous financial years.

Directors' report

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and previous financial years.

13. Remuneration report (audited) (cont.)

■ Relationship between Remuneration of Key Management Personnel and Earnings

As discussed above, the Group is currently undertaking exploration activities and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from its projects. Accordingly, the Board does not consider earnings during the current and previous financial years when determining the nature and amount of remuneration of KMP.

13.3. Directors and KMP remuneration

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the KMP of the Group:

| 2021 | | | | | | | | | |
|-----------------------------------|---------------------------|-----------------------------|------------------|-------|--|--------------------------------|---|---------|---------|
| Group Key Management Person | Short-term benefits | | | | Post- employment benefits Super- annuation | Long-term benefits Other | Equity-settled share- based payments | | Total |
| | Salary, fees and leave | Profit share and bonuses | Non- monetary | Other | | | Equity | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Mr M Stowell ⁽ⁱ⁾ | 97,000 | - | - | - | 2,280 | - | - | - | 99,280 |
| Mr D Frances ⁽ⁱ⁾ | 10,000 | - | - | - | - | - | - | - | 10,000 |
| Mr R Caldwell | 8,768 | - | - | - | 833 | - | - | - | 9,601 |
| Mr D Lenigas | 34,000 | - | - | - | - | - | - | - | 34,000 |
| Mr K Coughlan | 69,000 | - | - | - | - | - | - | - | 69,000 |
| | 218,768 | - | - | - | 3,113 | - | - | - | 221,881 |

i. Director fees for M Stowell includes \$10,000 accrued for the period ending 30 June 2021 for the provision of consulting services and \$2000 for David Frances director's fees.

| 2020 | | | | | | | | | |
|-----------------------------------|---------------------------|-----------------------------|------------------|-------|--|--------------------------------|---|---------|---------|
| Group Key Management Person | Short-term benefits | | | | Post- employment benefits Super- annuation | Long-term benefits Other | Equity-settled share- based payments | | Total |
| | Salary, fees and leave | Profit share and bonuses | Non- monetary | Other | | | Equity | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Mr M Stowell ⁽ⁱ⁾ | 51,000 | - | - | - | 1,140 | - | - | - | 52,140 |
| Mr D Lenigas | 24,000 | - | - | - | - | - | - | - | 24,000 |
| Mr K Coughlan | 24,000 | - | - | - | - | - | - | - | 24,000 |
| Mr T Tennant | 18,000 | - | - | - | - | - | - | - | 18,000 |
| | 117,000 | - | - | - | 1,140 | - | - | - | 118,140 |

i. Director fees for M Stowell includes \$35,000 accrued for the period ending 30 June 2020 for the provision of consulting services.

13.4. Service Agreements

■ Director Remuneration

The compensation for all Non-Executive Directors, last voted upon by shareholders at the 2011 AGM, is not to exceed \$500,000 per annum.

Directors have no entitlement to termination payments in the event of removal for misconduct.

Directors' report

13. Remuneration report (audited) (cont.)

13.5. Share-based compensation

■ Key Management Personnel Options

Unlisted options refer to options over ordinary shares of Southern Hemisphere Mining Limited, which are exercisable on a one-for-one basis under the Share Option Plan.

The fair value at issue date of Unlisted options is determined using an option pricing model that takes into account the exercise price, the share price at issue date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

3,800,000 unlisted options were granted to employees during the current year under the Share Option Plan. No unlisted options were exercised. No unlisted options lapsed or expired during the year.

At the year-end there are 3,800,000 outstanding unlisted options.

Since year end, 6 million performance options have been approved for directors or related entities – 4 million to a related entity of Mr Mark Stowell and 1 million each to Mr Caldwell and Mr Frances.

■ Securities received that are not performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

13.6. Key management personnel equity holdings

■ Fully paid ordinary shares of the Company held by each Key Management Person

| 2021 | Balance at start of year (or appointment) | Received as part of remuneration | Received on the exercise of options | Other changes | Balance at end of year (or retirement) |
|------------------------------------|---|----------------------------------|-------------------------------------|---------------|--|
| <i>Group Key Management Person</i> | No. | No. | No. | No. | No. |
| Mr M Stowell | 1,200,000 | - | - | 8,656,886 | 9,856,886 |
| Mr D Frances | 0 | - | - | - | - |
| Mr R Caldwell | 6,000,000 | - | - | - | 6,000,000 |
| Mr D Lenigas | 9,084,282 | - | - | - | 9,084,282 |
| Mr K Coughlan | 4,628,094 | - | - | 2,214,047 | 6,842,141 |
| | 20,912,376 | - | - | 10,870,933 | 31,783,309 |

■ Options in the Company held by each Key Management Personnel

No options were held by Key Management Personnel at the end of the year or the prior year.

No options were granted as compensation during the current year or the prior year.

13.7. Other equity-related KMP transactions

Apart from the details disclosed in 13.9 below, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts or balances involving Directors' interests existing at year end.

13.8. Loans to key management personnel

There are no loans made to directors of Company as at 30 June 2021 (2020: nil).

Directors' report

13.9. Other transactions with key management personnel and or their related parties

On 6 August 2020 the company entered into a convertible loan agreement with Merchant Holdings Pty Ltd, a company controlled by Mark Stowell. This agreement provided a loan facility for \$50,000 available for draw down for 6 months from the date of agreement. In terms of the agreement interest accrued at 12% per annum on outstanding principal. The loan was drawn down fully in August. Repayment of the loan was via conversion to 3,569,686 shares at \$0.01 cents and a cash amount of \$14,303.14 in August 2020. Interest of \$117.48 was accrued and paid.

13.10. 13.10. Voting and comments made at the company's 2021 Annual General Meeting ('AGM')

At the 2020 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



MARK STOWELL

Chairman

Dated this Tuesday, 28 September 2021

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SOUTHERN HEMISPHERE MINING LIMITED

In relation to our audit of the financial report of Southern Hemisphere Mining Limited for the year ended 30 June 2021, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF PERTH



SHANE CROSS
PARTNER

28 SEPTEMBER 2021
WEST PERTH

Level 4, 35 Havelock Street, West Perth, WA 6005
PO Box 609, West Perth, WA 6872
T: +61 8 9426 8999 F: +61 8 9426 8900 www.pkfperth.com.au

PKF Perth is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|---|------|--------------------|------------------|
| Continuing Operations | | | |
| Interest income | 3a | 386 | - |
| Other income | 3a | 109 | - |
| Office and administration | | (96,700) | (43,510) |
| Professional fees | | (140,370) | (66,664) |
| Employee benefits expense | 3b | (279,872) | (168,884) |
| Exploration and evaluation related expenditure | | (724,419) | (82,417) |
| Exploration and evaluation costs written off | | (10,366) | (3,278) |
| Loss before income tax | | (1,251,232) | (364,753) |
| Income tax expense | 4 | - | - |
| Loss after income tax for the year | | (1,251,232) | (364,753) |
| Other comprehensive income, net of income tax | | | |
| ■ Items that may be reclassified subsequently to profit or loss | | | |
| □ Foreign currency movement | | (36,487) | (5,079) |
| Other comprehensive loss for the year, net of tax | | (36,487) | (5,079) |
| Total comprehensive loss for the year | | (1,287,719) | (369,832) |
| Earnings per share | | | |
| Basic and diluted loss per share | 11 | (0.0063) | (0.0038) |

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

Consolidated statement of financial position

as at 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|---------------------------------|------|------------------|-----------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 5a | 1,526,749 | 32,822 |
| Other Assets | 6 | 28,058 | 16,947 |
| | | 1,554,807 | 49,769 |
| Total Assets | | 1,554,807 | 49,769 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 7 | 195,290 | 60,861 |
| | | 195,290 | 60,861 |
| Total Liabilities | | 195,290 | 60,861 |
| Net (Liabilities)/Assets | | 1,359,517 | (11,092) |
| Equity | | | |
| Issued capital | 8a | 54,395,671 | 51,903,334 |
| Share-based payments reserve | 8b | 165,991 | - |
| Reserves | 10 | 942,035 | 978,522 |
| Accumulated losses | | (54,144,180) | (52,892,948) |
| Total Equity | | 1,359,517 | (11,092) |

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

Consolidated statement of changes in equity

for the year ended 30 June 2021

| | Note | Common Shares | Options Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Total |
|--|------|-------------------|--------------------|---|-----------------------|--------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balance – 30 June 2019 | | 51,617,624 | - | 983,601 | (52,528,195) | 73,030 |
| Net loss for the year | | - | - | - | (364,753) | (364,753) |
| Foreign currency translation | | - | - | (5,079) | - | (5,079) |
| Total Comprehensive Loss | | - | - | (5,079) | (364,753) | (369,832) |
| Share issued, net of transaction costs | | 285,710 | - | - | - | 285,710 |
| Balance – 30 June 2020 | | 51,903,334 | - | 978,522 | (52,892,948) | (11,092) |
| Net loss for the year | | - | - | - | (1,251,232) | (1,251,232) |
| Foreign currency translation | | - | - | (36,487) | - | (36,487) |
| Total Comprehensive Loss | | - | - | (36,487) | (1,251,232) | (1,287,719) |
| Share issued, net of transaction costs | 8 | 2,492,337 | - | - | - | 2,492,337 |
| Options issued during the year | | - | 165,991 | - | - | 165,991 |
| Balance – 30 June 2021 | | 54,395,671 | 165,991 | 942,035 | (54,144,180) | 1,359,517 |

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

Consolidated statement of cash flows

for the year ended 30 June 2021

| For the Year ended | Note | 30 June 2021 \$ | 30 June 2020 \$ |
|---|-----------|--------------------|--------------------|
| Cash provided by (used in) | | | |
| Operating activities: | | | |
| Payments to suppliers | | (222,613) | (245,399) |
| Payments for exploration and evaluation expenditure | | (678,298) | (104,478) |
| Interest received | | 386 | - |
| | 5c | (900,525) | (349,877) |
| Financing activities: | | | |
| Issuance of ordinary shares | | 2,431,501 | 291,705 |
| Costs of share issuance | | (73,261) | (5,995) |
| Proceeds of borrowings | | 50,000 | - |
| Repayment of borrowings | | (14,303) | - |
| | | 2,393,937 | 285,710 |
| (Decrease)/Increase in cash and equivalents | | 1,493,412 | (64,167) |
| Effect of exchange rates on cash and cash equivalents | | 515 | (3,542) |
| Cash and cash equivalents, beginning of year | | 32,822 | 100,531 |
| Cash and cash equivalents, end of year | 5a | 1,526,749 | 32,822 |

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the year ended 30 June 2021

(Expressed in Australian Dollars unless otherwise stated)

Note 1 General Information

Southern Hemisphere Mining Limited ("Southern Hemisphere" or the "Company") is an exploration stage company engaged in the acquisition and exploration of mineral properties, principally located in Chile. The Company and its subsidiaries ("Consolidated Entity" or "Group") have not yet determined whether its mineral properties contain mineral reserves that are economically recoverable.

Southern Hemisphere is a Company limited by shares incorporated and domiciled in Australia whose Ordinary Shares are publicly traded on the Australian Securities Exchange ("ASX"). The address of the registered office is Suite 2, 20 Howard Street, Perth, Western Australia 6000. The financial report of the Group for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 28 September 2021.

Note 2 Basis of Preparation and Significant Accounting Policies

a. Statement of Compliance

These consolidated financial statements as at and for the year ended 30 June 2021 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), other pronouncements of the Australian Accounting Standards Board ("AASB"), Australian Accounting Interpretations and the *Corporations Act 2001*. Compliance with AIFRS also ensures that the consolidated financial statements are in compliance with International Financial Reporting Standards (including interpretations).

b. Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

i. New, revised or amending Accounting Standards and Interpretations

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies

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

The following amendment standards are relevant and effective for the period beginning 1 January 2022:

STANDARD / AMENDMENT / INTERPRETATION

[AASB 2020-1](#) Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

Effective Date: 1 January 2022

[AASB 2020-3](#) Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments

Effective Date 1 January 2022

[AASB 2020-6](#) Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of

Effective Date

Effective Date 1 January 2023

[AASB 2021-2](#) Amendments to Australian Accounting Standards– Disclosure of Accounting Policies and Definition of Accounting Estimates

Effective Date 1 January 2023

Notes to the consolidated financial statements

for the year ended 30 June 2021

ii. New Accounting Standards and Interpretations not yet mandatory or early adopted - continued

AASB 2020-1 & AASB 2020-6

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

An entity shall classify a liability as current when:

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

The company does not believe that the amendments will have a significant impact on the classification of its liabilities

iii. Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$1,251,232 and had net cash outflows from operating and exploration activities of \$900,525 and cash inflows from financing activities of \$2,393,937 (net of costs) for the year ended 30 June 2021.

As such, the Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- Current cash reserves are sufficient to fund current working capital projections.
- The Directors are confident the Group has the ability to raise further funds through capital raisings as and when required to satisfy its operational expenditure commitments.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

c. Parent Entity Information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 12.

d. Basis of Consolidation

The Company's consolidated financial statements include Southern Hemisphere Mining Limited and its subsidiaries, all of which are wholly owned.

i. Subsidiaries

Subsidiaries are entities controlled by the Company. Consolidation accounting is applied for all of the Company's wholly owned subsidiaries. Control is achieved when the Company:

Notes to the consolidated financial statements

for the year ended 30 June 2021

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstance indicate that there changes to one or more of the three elements of control listed above.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

ii. Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Income earned from joint venture entities reduce the carrying amount of the investment.

e. Operating Segments

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

f. Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars ("AUD"). In accordance with AASB 121, "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Australian parent and its Australian subsidiaries is the Australian Dollar ("AUD"); and the functional currency of the Chilean subsidiaries is Chilean Pesos (CLP).

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations not with AUD functional currency are translated into AUD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the foreign currency translation reserve.

g. Use of Estimates and Judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

i. Critical Accounting Estimates

A. Exploration and Evaluation Assets

Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is recognised in loss in the period that the new information becomes available.

Notes to the consolidated financial statements

for the year ended 30 June 2021

B. Impairment

Assets, including property, plant and equipment and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts.

The assessment of the fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

C. Provisions and contingencies

The amount recognised as a provision, including legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

D. Decommissioning and environmental provisions

The Company's operations are subject to environmental regulations in Chile. Upon any establishment of commercial viability of a site, the Company estimates the cost to restore the site following the completion of commercial activities and depletion of reserves. These future obligations are estimated by taking into consideration closure plans, known environmental impacts, and internal and external studies which estimate the activities and costs that will be carried out to meet the decommissioning and environmental provisions obligations. Amounts recorded for decommissioning and environmental provisions are based on estimates of decommissioning and environmental costs which may not be incurred for several years or decades.

The decommissioning and environmental cost estimates could change due to amendments in laws and regulations in Chile. Additionally, actual estimated decommissioning and reclamation costs may differ from those projected. The Company is currently in the exploration stage and as such, there are no decommissioning and environmental reclamation costs at the year end.

E. Fair value of share-based compensation

The fair value of share-based compensation are subject to the limitation of the pricing models adopted that incorporates market data and involves uncertainty in estimates used by management in the assumptions. As the option pricing models require the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Where applicable, judgement is exercised on the probability and timing of achieving milestones related to the options.

ii. Critical Accounting Judgements

A. Exploration and Evaluation Assets

The application of the Company's accounting policy for and determination on recoverability of capitalised exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances.

B. Income taxes

Judgement is required in determining whether deferred tax assets are recognised in the statements of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. As the Company is seeking to generate non-assessable, non-exempt income in Chile, for the purposes of the Australian head entity, a record of prior tax losses is kept but no tax balances have been recognised.

Notes to the consolidated financial statements

for the year ended 30 June 2021

C. Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates.

h. Financial Instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

i. Effective Interest Method

The effective interest method calculates the amortised cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit and loss.

ii. Loans and Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest method. Any gains or losses on the realisation of receivables are included in profit or loss.

iii. Impairment of Financial Assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

iv. Other financial liabilities

They are measured at amortised cost using the effective interest method. Any gains or losses in the realisation of other financial liabilities are included in profit or loss.

v. Fair values

Fair values of financial assets and liabilities are based upon quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models using quoted market prices.

The Company has made the following classifications:

| | |
|--------------------------|-----------------------|
| Other assets | Loans and receivables |
| Trade and other payables | Other liabilities |

All financial instruments are required to be measured at fair value on initial recognition. Fair value measurement for financial instruments and liquidity risk disclosures require a three level hierarchy that reflects the significance of the inputs used in making the measurements.

Notes to the consolidated financial statements

for the year ended 30 June 2021

i. Long-Lived Asset Impairment

Long-lived assets, which comprise exploration and evaluation assets and property, plant and equipment, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

The Company's property, plant and equipment are assessed for indication of impairment at each financial position date.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Internal factors, such as budgets and forecasts, as well as external factors, such as future prices, costs and other market factors are also monitored to determine if indicators of impairment exist. If any indication of impairment exists, an estimate of the assets' recoverable amount is calculated. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGU's represent the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less cost to sell and fair value in use). Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU.

Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

j. Decommissioning and Environmental Provisions

The Company's mineral exploration and development activities are subject to various Chilean laws and regulations regarding the protection of the environment. As a result, the Company is expected to incur expenses to discharge its obligations under these laws and regulations.

Decommissioning and environmental costs are estimated based on the Company's interpretation of current regulatory and operating license requirements. Initially, a liability for a decommissioning and environmental provision is recognised as its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding decommissioning and environmental provision is added to the carrying amount of the related asset and the cost is amortised as an expense over the economic life of the asset using either the unit of production method or the straight-line method, as appropriate.

Following the initial recognition of the decommissioning and environmental provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation and accreted over time to its present value, (accretion charge is included in the statement of operations within cost of sales). The Company does not currently have any legal obligations relating to the reclamation of its exploration and evaluation assets.

Notes to the consolidated financial statements

for the year ended 30 June 2021

| Note 3 | Revenue and expenses | Note | 2021 \$ | 2020 \$ |
|---------------------------------------|--------------------------------|------|----------------|----------------|
| a. Other income | | | | |
| | Interest Income | | 386 | - |
| | FX Gain | | 109 | - |
| | | | 495 | - |
| b. Employment benefits expense | | | | |
| | Directors' fees ⁽ⁱ⁾ | | 110,768 | 117,000 |
| | Superannuation expenses | | 3,113 | 1,140 |
| | Wages and salaries | | - | 50,744 |
| | Share Based Payments | 16 | 165,991 | - |
| | | | 279,872 | 168,884 |

(i) Includes for M. Stowell \$10,000 for the provision of consulting services and for D Frances \$2,000 for director's fees both accrued for the period ending 30 June 2021

| Note 4 | Income tax | Note | 2021 \$ | 2020 \$ |
|--|--|------|-------------|------------|
| The prima facie income tax expense/ (benefit) on pre-tax accounting profit/ (loss) from operations reconciles to the income tax expenses as follows: | | | | |
| | Accounting profit/ (loss) before income tax | | (1,251,232) | (364,753) |
| | Expected tax rate | | 26.0% | 30% |
| | Expected tax recovery at statutory rates | | (325,320) | (109,426) |
| Tax effects of amounts which are not deductible/ (taxable) in calculating taxable income: | | | | |
| | Non-deductible expenses | | 43,158 | - |
| | Adjustment to prior year unrecognised tax losses | | (3,047,391) | - |
| | Effect of tax rates in foreign jurisdictions* | | (5,210) | (1,132) |
| | Effect of deferred taxes that would be recognised directly in equity | | (22,844) | (1,799) |
| | Impact from change of tax rate on unrecognised DTAs | | 36,790 | 199,459 |
| | Temporary differences not recognised | | 3,320,817 | (87,102) |
| | Income Tax Expenses | | - | - |

*The tax rates used in the above reconciliation is the corporate tax rate of 26% (2020: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

As the Company is seeking to generate non-assessable, non-exempt income in Chile, for the purposes of the Australian head entity, a record of prior tax losses is kept but no tax balances have been recognised.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 4 Income tax (cont.)

Unrecognised deferred tax assets and liabilities as at 30 June 2021 comprise:

| | <u>Deferred Tax Assets</u> | <u>Deferred Tax Liabilities</u> | <u>Net</u> |
|--|--------------------------------|-------------------------------------|-------------------------|
| Prepayments | - | (3,901) | (3,901) |
| Trade and other payables | 2,750 | - | 2,750 |
| Unexpired Blackhole Expenditure | 18,848 | - | 18,848 |
| Unused Tax Losses - Australia | 1,309,693 | - | 1,309,693 |
| Unused Tax Losses - Chile | 3,486,267 | - | 3,486,267 |
| Unrecognised deferred tax assets/ (liabilities) before set-off | 4,817,558 | (3,901) | 4,813,657 |
| Set-off of deferred tax liabilities | (3,901) | 3,901 | - |
| Net unrecognised deferred tax asset | <u>4,813,657</u> | <u>=</u> | <u>4,813,657</u> |

The tax benefits of the above deferred tax assets will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

| Note 5 Cash and cash equivalents | 2021 | 2020 |
|---|------------------|---------------|
| | \$ | \$ |
| a. Reconciliation of cash | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | |
| ■ Cash on hand and balances with banks | 1,526,749 | 32,822 |
| | 1,526,749 | 32,822 |

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

b. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is discussed in note 15.

| c. Cash Flow Information | 2021 | 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| i. Reconciliation of cash flow from operations to (loss)/profit after income tax | | |
| Loss after income tax | (1,251,232) | (364,753) |
| ■ (Increase)/decrease in receivables and other assets | (11,111) | 19,647 |
| ■ Increase/(decrease) in trade and other payables | 169,429 | (4,771) |
| ■ Foreign exchange gain | (37,002) | - |
| ■ Share Based Payments 8c | 229,391 | - |
| Cashflow from operations | (900,525) | (349,877) |

d. **Non-cash investing and financing activities**

There were no non-cash investing activities during the year or the previous year.

The loan for \$50,000 was repaid both in cash and by the issue of shares. Repayment of the loan was via conversion to 3,569,686 shares at \$0.01 cents and a cash amount of \$14,303 in August 2020. See note 13.9 in the Director's Report for further details.

Notes to the consolidated financial statements

for the year ended 30 June 2021

| Note 6 Other Assets | 2021 \$ | 2020 \$ |
|---------------------|---------------|---------------|
| Current | | |
| Prepayments | 16,765 | 13,662 |
| Other receivables | 11,293 | 3,285 |
| | 28,058 | 16,947 |

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

Expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

Where applicable, in measuring the expected credit losses, the trade receivables are assessed on a collective basis as they possess shared credit risk characteristics. They are grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2021 and 30 June 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Notes to the consolidated financial statements

for the year ended 30 June 2021

| Note | 7 | Trade and other payables | 2021 \$ | 2020 \$ |
|------|---|--------------------------|----------------|---------------|
| a. | | Current | | |
| | | Trade payables | 123,735 | 5,387 |
| | | Other payables | 71,555 | 55,474 |
| | | | 195,290 | 60,861 |

- b. Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 30 days.
- c. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 15.

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

| Note 8a | Issued capital | Note | 2021 No. | 2020 No. | 2021 \$ | 2020 \$ |
|---------|--|------|-------------|-------------|------------|------------|
| | Fully paid ordinary shares at no par value | | 244,439,757 | 108,639,892 | 54,395,671 | 51,903,334 |
| | Ordinary shares | | | | | |
| | At the beginning of the period | | 108,639,892 | 88,469,471 | 51,903,334 | 51,617,624 |
| | Shares issued during the year: | | | | | |
| | ■ Share placement ^(a) | | - | 6,000,000 | - | 150,000 |
| | ■ Share placement ^(b) | | - | 14,170,421 | - | 141,705 |
| | ■ Share placement ^(c) | | 54,319,946 | - | 543,200 | - |
| | ■ Share placement ^(d) | | 59,727,562 | - | 1,493,189 | - |
| | ■ Share placement ^(e) | | 21,752,357 | - | 543,809 | - |
| | ■ Share issued to Employees | | - | - | - | - |
| | ■ Costs of share issues ^(f) | | - | - | (87,861) | (5,995) |
| | At reporting date | | 244,439,757 | 108,639,892 | 54,395,671 | 51,903,334 |

- (a) During the year ended 30 June 2020, the Company completed share placements to sophisticated and professional investors issuing a total of 6,000,000 ordinary shares at a price of \$0.025 per share to raise \$150,000 before costs.
- (b) Also, during the previous year on 13 March 2020, the Company completed a share placement to sophisticated and professional investors for a total of 14,170,421 ordinary shares at a price of \$0.01 per share to raise \$141,705 before costs.
- (c) On 18 August 2020, the Company completed a share placement to sophisticated and professional investors for a total of 54,319,946 ordinary shares at a price of \$0.01 per share to raise \$543,199 before costs.
- (d) On 17 December 2020, the Company completed a share placement to sophisticated and professional investors issuing a total of 59,727,562 ordinary shares at a price of \$0.025 per share to raise \$1,493,189 before costs.
- (e) On 24 December 2020, the Company completed a share placement to sophisticated and professional investors issuing a total of 21,752,357 ordinary shares at a price of \$0.025 per share to raise \$543,811 before costs.
- (f) \$73,261 was paid in cash and the balance has been paid by way of the issue of shares.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Terms of Ordinary Shares

Voting Rights

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

| Note 8b | Options Reserve | Note | 2021 No. | 2020 No. | 2021 \$ | 2020 \$ |
|-------------------------|---------------------------------|-------------|---------------------|---------------------|--------------------|--------------------|
| Unlisted Options | | | | | | |
| | At the beginning of the period | | - | - | - | - |
| | Options issued during the year: | | | | | |
| | Granted 24 June 2021 | 16 | 3,800,000 | - | 165,991 | - |
| | At reporting date | | 3,800,000 | - | 165,991 | - |

The options reserve is used to recognise the fair value of options issued to directors, employees, contractors and brokers.

| Note 8c | Shared Based Payments | Note | 2021 \$ | 2020 \$ |
|---|--------------------------------------|-------------|--------------------|--------------------|
| In the Statement of Profit and Loss and Other Comprehensive Income | | | | |
| | Share Based Payments Expense | | 165,991 | - |
| | Shares Issued in settlement of costs | | 63,400 | - |
| | | | <u>229,391</u> | <u>-</u> |
| In Issued Capital | | | | |
| | Capital Raising Costs | | 14,600 | - |
| | | | <u>14,600</u> | <u>-</u> |

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 9 Operating segments

d. Identification of reportable segments

The Group operates predominantly in the mining industry. This comprises exploration and evaluation of copper and gold projects. Inter-segment transactions are priced at cost to the Group.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a monthly basis and in determining the allocation of resources. Management has identified the operating segments based on the two principal locations based on geographical areas and therefore different regulatory environments – Australia and Chile.

Segment assets include the costs to acquire tenements and the capitalised exploration costs of those tenements.

e. Basis of accounting for purposes of reporting by operating segments

■ Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

■ Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

■ Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

| For the Year to 30 June 2021 | | | |
|--|-----------------|-------------|-------------|
| | Australia \$ | Chile \$ | Total \$ |
| Segment revenue and other income | 386 | - | 386 |
| Segment exploration expenditures | (166,093) | (568,692) | (734,785) |
| Segment other expenses | (505,607) | (11,226) | (516,833) |
| Segment (loss)/profit after income tax | (671,314) | (579,928) | (1,251,232) |
| As at 30 June 2021 | | | |
| Segment current assets | 1,501,186 | 53,621 | 1,554,807 |
| Segment total assets | 1,501,186 | 53,621 | 1,554,807 |
| Segment current liabilities | (152,505) | (42,785) | (195,290) |
| Segment total liabilities | (152,505) | (42,785) | (195,290) |
| Segment net assets/(liabilities) | 1,348,681 | 10,836 | 1,359,517 |

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 9 Operating segments (cont.)

| For the Year to 30 June 2020 | | | |
|--|-----------------|-------------|-------------|
| | Australia \$ | Chile \$ | Total \$ |
| Segment revenue and other income | - | - | - |
| Segment exploration expenditures | (3,278) | (82,417) | (85,695) |
| Segment other expenses | (200,023) | (79,035) | (279,058) |
| Segment (loss)/profit after income tax | (203,301) | (161,452) | (364,753) |
| As at 30 June 2020 | | | |
| Segment current assets | 31,329 | 18,440 | 49,769 |
| Segment total assets | 31,329 | 18,440 | 49,769 |
| Segment current liabilities | (54,721) | (6,140) | (60,861) |
| Segment total liabilities | (54,721) | (6,140) | (60,861) |
| Segment net assets/(liabilities) | (23,392) | 12,300 | (11,092) |

| Note 10 Other Reserves | 2021 | 2020 |
|--------------------------------------|----------|---------|
| | \$ | \$ |
| Foreign exchange reserve | 942,035 | 978,522 |
| | 942,035 | 978,522 |
| Movement in foreign exchange reserve | | |
| | 2021 | 2020 |
| | \$ | \$ |
| Opening balance | 978,522 | 983,601 |
| Movement | (36,487) | (5,079) |
| Closing balance | 942,035 | 978,522 |

The foreign exchange reserve records exchange differences arising on translation of foreign controlled subsidiary.

Notes to the consolidated financial statements

for the year ended 30 June 2021

| Note 11 Earnings per share (EPS) | 2021 | 2020 |
|---|-------------|------------|
| | \$ | \$ |
| a. Reconciliation of earnings to profit or loss | | |
| (Loss) / profit used in the calculation of basic and diluted EPS | (1,251,232) | (364,753) |
| | 2021 | 2020 |
| | No. | No. |
| b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS | 198,780,770 | 95,245,662 |
| | 2021 | 2020 |
| | cents | cents |
| c. Earnings per share | | |
| Basic and diluted EPS | (0.629) | (0.382) |

Basic profit/(loss) per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted profit/(loss) per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

| Note 12 Parent entity disclosures | 2021 | 2020 |
|---|--------------------|------------------|
| | \$ | \$ |
| a. Financial Position of Southern Hemisphere Mining Limited | | |
| Current assets | 1,501,186 | 31,329 |
| Non-current assets | 170,907 | 228,102 |
| Total assets | 1,672,093 | 259,431 |
| Current liabilities | 96,845 | 54,721 |
| Non-current liabilities | 215,731 | 215,802 |
| Total liabilities | 312,576 | 270,523 |
| Net (liabilities)/assets | 1,359,517 | (11,092) |
| Equity | | |
| Issued capital | 54,474,120 | 51,981,783 |
| Option Reserve | 165,991 | - |
| Accumulated losses | (53,280,594) | (51,992,875) |
| Total equity | 1,359,517 | (11,092) |
| b. Financial performance of Southern Hemisphere Mining Limited | | |
| Profit / (loss) for the year | (1,287,719) | (243,086) |
| Other comprehensive income | - | - |
| Total comprehensive income | (1,287,719) | (243,086) |

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 12 Parent entity disclosures (cont.)

a. Guarantees entered into by Southern Hemisphere Mining Limited for the debts of its subsidiaries

There are no guarantees entered into by Southern Hemisphere Mining Limited for the debts of its subsidiaries as at 30 June 2021 (2020: none).

b. Contingent Liabilities of the Parent Entity

The parent entity did not have any contingent liabilities as at 30 June 2021 or 2020.

c. Contractual commitments for the acquisition of property, plant and equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2021 or 2020.

d. Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Note 13 Key Management Personnel (KMP) compensation

The names and positions of KMP are as follows:

| | |
|-----------------------|--------------------------------------|
| ■ Mr Mark Stowell | Chairman |
| ■ Mr David Lenigas | Director (resigned 5 February 2021) |
| ■ Mr Keith Coughlan | Director (resigned 5 February 2021) |
| ■ Mr Richard Caldwell | Director (appointed 5 February 2021) |
| ■ Mr David Frances | Director (appointed 5 February 2021) |

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report.

| | 2021 | 2020 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 218,768 | 117,000 |
| Post-employment benefits | 3,113 | 1,140 |
| Total | 221,881 | 118,140 |

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 14 Related party transactions

a. Key Management Personnel

- Disclosures relating to Key Management Personnel are set out in Note 13 and detailed remuneration disclosures are provided in the remuneration report in the directors' report.

b. Receivable from and payable to related parties

Apart from the loan facility for \$50,000 made available by Merchant Holdings Pty Ltd and repaid in the same month (Directors Report 13.9), no key management personnel have entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving key management personnell's interests existing at year end.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Note 15 Financial risk management

a. Financial Risk Management Policies

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's Financial Assets and Liabilities is shown below:

| | Floating Interest Rate \$ | Fixed Interest Rate \$ | Non- interest Bearing \$ | 2021 Total \$ | Floating Interest Rate \$ | Fixed Interest Rate \$ | Non- interest Bearing \$ | 2020 Total \$ |
|---|------------------------------------|---------------------------------|-----------------------------------|---------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------|
| Financial Assets | | | | | | | | |
| Cash and cash equivalents | - | - | 1,526,749 | 1,526,749 | 16,655 | - | 16,167 | 32,822 |
| Total Financial Assets | - | - | 1,526,749 | 1,526,749 | 16,655 | - | 16,167 | 32,822 |
| Financial Liabilities | | | | | | | | |
| Trade and other payables | - | - | (195,290) | (195,290) | - | - | (60,861) | (60,861) |
| Total Financial Liabilities | - | - | (195,290) | (195,290) | - | - | (60,861) | (60,861) |
| Net Financial Assets/(Liabilities) | - | - | 1,331,459 | 1,331,459 | 16,655 | - | (44,694) | (28,039) |

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 15 Financial risk management (cont.)

b. Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

■ Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The Group's cash is held in an Australian financial institution and a Chilean financial institution, both of which are considered to have high creditability. The Group believes that it has no major credit risk.

■ Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group has no income from operations and relies on equity fund raising to support its exploration program. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 15 Financial risk management (cont.)

■ Contractual Maturities

The following are the contractual maturities of financial liabilities of the Group:

| | Within 1 Year | | Greater Than 1 Year | | Total | |
|--|------------------|-----------------|---------------------|----------|------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial liabilities due for payment | | | | | | |
| Trade and other payables | (195,290) | (60,861) | - | - | (195,290) | (60,861) |
| Total contractual outflows | (195,290) | (60,861) | - | - | (195,290) | (60,861) |
| Financial assets | | | | | | |
| Cash and cash equivalents | 1,526,749 | 32,822 | - | - | 1,526,749 | 32,822 |
| Total anticipated inflows | 1,526,749 | 32,822 | - | - | 1,526,749 | 32,822 |
| Net (outflow)/inflow on financial instruments | 1,331,459 | (28,039) | - | - | 1,331,459 | (28,039) |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

■ Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(1) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Cash and cash equivalents bear interest at floating rates based on the bank prime rate, and as such, are subject to interest rate cash flow risk resulting from market fluctuations in interest rates. The Group has cash balances in bank accounts and short term deposits. Due to the short-term nature of these financial instruments, the Group believes that risks related to interest rates are not significant to the Group at this time.

(2) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Group has considered the sensitivity relating to its exposure to foreign currency risk at reporting date. This sensitivity analysis considers the effect on current year results and equity which could result in a change in the CLP/AUD rate. The Group is exposed to foreign exchange risk through its CLP cash holdings at reporting date. The Company has not entered into any agreements or used any instruments to hedge currency risks.

(3) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 15 Financial risk management (cont.)

(4) Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. A sustained, significant decline in either the prices of the minerals, the Company's issued equities or investor sentiment could have a negative impact on the Company's ability to raise additional capital.

Once in production the Company initially expects to have an exposure to commodity price risk associated with the production and sale of copper and gold. However, the Company is still in the exploration stage.

■ Net Fair Values

(1) Fair value estimation

The fair values of financial assets and financial liabilities are presented in the table in note 15a and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Note 16 Share Based Payments

On 24 June 2021 the Company granted 3,800,000 performance rights to employees under the Company's incentive options plan. 2,900,000 of these vested immediately. 600,000 are subject to employment at 1 July 2022 and a further 300,000 subject to employment at 1 July 2023.

The total fair value of the performance rights was estimated at \$216,600 as at the grant date using the Binomial Option Model with the terms and conditions below and the risk-free interest rate of 0.78% and volatility of 91.58%.

Total expense recognised for the year ended 30 June 2021 is \$165,991.

| <u>Number Granted</u> | <u>Grant Date</u> | <u>Exercise Price</u> | <u>Expiry Date</u> | <u>Fair value at Grant Date</u> | <u>Total Fair Value</u> | <u>No. Vested</u> |
|---------------------------|-------------------|---------------------------|------------------------|-------------------------------------|-----------------------------|-------------------|
| 600,000 | 24/06/2021 | Nil | 1/7/2026 | \$0.057 | \$34,200 | 300,000 |
| 3,200,000 | 24/06/2021 | Nil | 24/06/2026 | \$0.057 | \$182,400 | 2,600,000 |

The total fair value of the options is expensed over the estimated vesting period. The share-based expense of \$165,991 was recognised in the Statement of Profit and Loss and Other Comprehensive Income for the year.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 17 Capital Management

The Directors' objectives when managing capital is to raise sufficient funds in order to maintain and execute the objectives identified in each mineral property project in the Company's exploration plan. There is no quantitative return of capital criteria set out for management, but instead the Company relies on the expertise of management to further develop and maintain its activities. The Group monitors its capital through monthly Board reporting including management accounts and forecasts combined with appropriate external financial, corporate and legal advice when required. The Company is not subject to any externally imposed capital requirements.

The Company considers its capital to be equity which comprises ordinary shares, foreign currency translation reserve and accumulated deficit, which at 30 June 2021 amounted to \$1,359,517 (30 June 2020 – (\$11,092)).

The mineral properties in which the Group currently has an interest are in the exploration stage; as such the Group is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Group will spend its existing working capital and raise additional amounts as required.

There were no changes in the Company's approach to capital management during the current year.

The working capital position of the Group were as follows:

| | Note | 2021 \$ | 2020 \$ |
|---------------------------|------|------------|------------|
| Cash and cash equivalents | 5 | 1,526,749 | 32,822 |
| Trade and other payables | 7 | (195,290) | (60,861) |
| Working capital position | | 1,331,459 | (28,039) |

Note 18 Auditor's remuneration

| | Note | 30 June 2021 \$ | 30 June 2020 \$ |
|--|------|--------------------|--------------------|
| Remuneration of the auditor of the Southern Hemisphere Mining Limited for: | | | |
| ■ Auditing or reviewing the financial reports: | | | |
| □ PKF Perth | | 30,340 | 18,776 |
| | | 30,340 | 18,776 |

Note 19 Controlled entities

Southern Hemisphere Mining Limited is the ultimate parent of the Group.

| | Country of Incorporation | 2021 | Equity Holding 2020 |
|--------------------------------------|-----------------------------|------|------------------------|
| ■ Southern Hemisphere Mining Pty Ltd | Australia | 100 | 100 |
| ■ Minera Hemisferio Sur SCM | Chile* | 100 | 100 |
| ■ Minera Panamericana SCM | Chile* | 100 | 100 |
| ■ Minera Llahuin SCM | Chile* | 100 | 100 |

* Per the requirements of Chile, one nominal share of each entity is held by a resident person. For the avoidance of doubt, this nominal share is controlled by the Group.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 19 Controlled entities

- (1) Southern Hemisphere Mining Pty Ltd is a wholly owned subsidiary of Southern Hemisphere Mining Limited and the investment is held by that entity.
- (2) Minera Hemisferio Sur SCM is a wholly owned subsidiary of Southern Hemisphere Mining Pty Ltd and the investment is held by Southern Hemisphere Mining Pty Ltd.
- (3) Minera Panamericana SCM is a wholly owned subsidiary of Minera Hemisferio Sur SCM and the investment is held by Minera Hemisferio Sur SCM.
- (4) Minera Llahuin SCM is a wholly owned subsidiary with 50.01% owned by Minera Hemisferio Sur SCM and a 49.99% interest held by Pan American Mining Pty Ltd.

The Group has no significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.

Note 20 Contingent Assets/ Liabilities

There are no contingent liabilities as at 30 June 2021 (2020: nil).

Chilean VAT owed to the group is recoverable when the company moves from exploration phase to production phase.

Note 21 Commitments

The Company's exploration commitments are as follows:

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| Not longer than 1 year | 32,792 | 26,976 |
| Longer than 1 but not longer than 5 years | - | - |
| Longer than 5 years | - | - |
| Total | 32,972 | 26,976 |

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 22 Events subsequent to reporting date

On 5 July 2021 the Company announced continued progress on the Los Pumas Manganese Project to sustainably develop the deposit to meet the needs to of the EV battery market.

On 16 August 2021, the Company announced that RC and Diamond Drilling progressing well at Colina2 Gold Project in Chile.

On 13 September 2021 the Company announced results for the first 4 RC drill holes at Colina 2 with further results pending.

On 3 August 2021 the company gave notice of issue of 6,000,000 unlisted employee incentive options for directors as approved by shareholders at a general meeting on 30 July 2021; 4,000,000 options to Mr Mark Stowell or his nominee; 1,000,000 director options each to Mr Richard Caldwell and Mr David Frances or their nominees.

The options have an exercise price of \$0.00 and an expiry date of 30/7/2026. The options will vest upon the earlier of

- 1) The Company announcing a 30% increase in the CuEq resources for the Company's Llahuin Copper Gold Project from the current 149Mt at 0.41% CuEq (611,000t CuEq) to 800,000t CuEq or
- 2) A 20 day VWAP (trading days) of 20 cents or above or
- 3) A Change of Control Event occurring.

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2021.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* (Cth) and:
 - (a) comply with Accounting Standards;
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Group.
 - (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
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 and is signed for and on behalf of the directors by:



MARK STOWELL

Chairman and Non-executive Director

Dated this Tuesday, 28 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN HEMISPHERE MINING LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Southern Hemisphere Mining Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of Southern Hemisphere Mining Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Level 4, 35 Havelock Street, West Perth, WA 6005
PO Box 609, West Perth, WA 6872
T: +61 8 9426 8999 F: +61 8 9426 8900 www.pkfperth.com.au

PKF Perth is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

1. Exploration expenditure

Why significant

As reported in the consolidated statement of profit or loss and other comprehensive income, the consolidated entity expensed total exploration and evaluation expenditure related costs of \$734,785.

This expenditure has been expensed as incurred in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (“AASB 6”).

Exploration and evaluation expenditure was considered to be a key audit matter as it is material and constituted 59% of the consolidated entity’s total expenses for the year. The consolidated entity must also correctly classify the expenditure in accordance with AASB 6. In addition, the results of exploration and evaluation work determines to what extent the minerals reserves and resources may or may not be commercially viable for extraction.

2. Share Based Payments

Why significant

For the year ended 30 June 2021 the value of share based payments issued totalled \$165,991, as disclosed in Note 16. This has been recognised as a share-based payment expense within the employee benefits expense in the Statement of Profit or Loss and Other Comprehensive Income.

The consolidated entity’s accounting judgement and estimates in respect of share based payments is outlined in Note 2(g). Significant judgement is required in relation to:

- The valuation method used in the model; and
- The assumptions and inputs used within the model.

How our audit addressed the key audit matter

Our audit procedures in relation to the exploration and evaluation expenditure included:

- Understanding how the expenditure is incurred and agreeing a sample of the expenditure to supporting documentation to ensure the expenditure has been properly authorised, recorded in the correct period and appropriately classified in accordance with AASB 6 and the consolidated entity’s accounting policy;
- Obtaining evidence that the consolidated entity has valid rights to explore in each specific area for which the expenditure is recorded;
- Considering the consolidated entity’s assessment of the commercial viability of results relating to exploration and evaluation activities carried out in each specific area; and
- Assessing the appropriateness of the related disclosures in Note 2(g).

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

Reviewed internal management’s valuation of the equity instruments issued, including:

- assessing the appropriateness of the valuation method used; and
- assessing the reasonableness of the assumptions and inputs used within the valuation model.
- Reviewed Board meeting minutes and ASX announcements as well as enquired of relevant personnel to ensure all share based payments had been recognised;
- Assessed the allocation and recognition to ensure reasonable; and
- Assessed the appropriateness of the related disclosures in Notes 2(g) and 16.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Southern Hemisphere Mining Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



PKF PERTH



SHANE CROSS
PARTNER

28 September 2021
WEST PERTH,
WESTERN AUSTRALIA

Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital

- a. Ordinary share capital
244,439,757 ordinary fully paid shares held by 579 shareholders.
- b. Unlisted Options over Unissued Shares
The Company has 9,800,000 unlisted options at 17 September 2021 expiring 30 July 2026.
- c. Performance Shares
The Company has no Performance Shares on issue.
- d. Voting Rights
The voting rights attached to each class of equity security are as follows:
 - Ordinary shares: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. Substantial Shareholders as at 17 September 2021

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|-----------------------------------|
| Zero Nominees Pty Ltd | 36,750,000 | 15.03 |
| BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C> | 12,668,336 | 5.88 |

f. Distribution of Shareholders as at 17 September 2021

| Category (size of holding) | Total Holders | Number Ordinary | % Held of Issued Ordinary Capital |
|----------------------------|---------------|-----------------|-----------------------------------|
| 1 – 1,000 | 130 | 55,288 | 0.02 |
| 1,001 – 5,000 | 90 | 222,633 | 0.09 |
| 5,001 – 10,000 | 49 | 381,948 | 0.16 |
| 10,001 – 100,000 | 152 | 5,936,818 | 2.43 |
| 100,001 – and over | 158 | 237,843,070 | 97.30 |
| | 579 | 244,439,757 | 100.00 |

- g. Unmarketable Parcels as at 17 September 2021
As at 17 September 2021 there were 254 fully paid ordinary shareholders holding less than a marketable parcel of shares.
- h. On-Market Buy-Back
There is no current on-market buy-back.
- i. Restricted Securities
The Company has no restricted securities on issue.

Additional Information for Listed Public Companies

j. 20 Largest Shareholders — Ordinary Shares as at 17 September 2021

| Rank | Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|--------------|---|---|-----------------------------------|
| 1. | ZERO NOMINEES PTY LTD | 36,750,000 | 15.03 |
| 2. | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 14,368,336 | 5.88 |
| 3. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 10,443,179 | 4.27 |
| 4. | MERCHANT HOLDINGS PTY LTD | 9,856,886 | 4.03 |
| 5. | ICECOLD INVESTMENTS PTY LTD <G&J BROWN SUPER FUND A/C> | 9,000,000 | 3.68 |
| 6. | NETWEALTH INVESTMENTS PTY LTD <WRAP SERVICES A/C> | 8,610,987 | 3.52 |
| 7. | MR GRANT POVEY | 8,532,066 | 3.49 |
| 8. | GREATSIDE HOLDINGS PTY LTD <ADL A/C> | 7,201,720 | 2.95 |
| 9. | INKESE PTY LTD> | 6,650,000 | 2.72 |
| 10. | MR RICHARD ALEXANDER CALDWELL> | 6,000,000 | 2.45 |
| 11. | MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C> | 5,350,000 | 2.19 |
| 12. | ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C> | 5,167,512 | 2.11 |
| 13. | PIAMA PTY LTD <FENA SUPERANNUATION PLAN A/C> | 5,000,000 | 2.05 |
| 14. | HOPETOUN NOMINEES PTY LTD <HOPETOUN A/C> | 4,750,000 | 1.94 |
| 15. | NORVEST PROJECTS PTY LTD | 4,200,000 | 1.72 |
| 16. | HENGGELER SUPER PTY LTD <TOP BANANAS SUPERFUND A/C> | 4,090,000 | 1.67 |
| 17. | MR GRANT WILLIAM WALDON + MRS BARBARA ELIZABETH WALDON <NODLAW INV EMPLOYEES S/F A/C> | 4,035,003 | 1.65 |
| 18. | MR GRANT RONALD MORGAN + MRS JENNY MORGAN | 4,004,724 | 1.64 |
| 19. | MRS MELANIE JANE CHESSELL | 4,000,000 | 1.64 |
| 20. | MR GRANT RUSSELL POVEY | 3,760,000 | 1.54 |
| TOTAL | | 161,7700,413 | 66.18 |

2 Principal registered office

As disclosed in the Corporate directory on page 0 of this Annual Report.

3 Registers of securities

As disclosed in the Corporate directory on page 0 of this Annual Report.

4 Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page 0 of this Annual Report.

5 Use of funds

The Company has used its funds in accordance with its business objectives.

Mineral Resources and Ore Reserves Statement

The information in this Annual Report relating to estimates of Mineral Resources and Ore Reserves have been extracted from the following News release technical reports:

| News release date | News release title | Description |
|-------------------|--|---|
| 18/8/2013* | Llahuin Copper-Gold Project – Technical Report for JORC Resource Upgrade | Resource estimate for Llahuin deposit with relevant JORC Code (2004) Table 1. |
| 25/3/2011* | Technical Report – Los Pumas Resource Upgrade | Resource estimate for Los Pumas deposit with relevant JORC Code (2004) Table 1. |

* This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The News releases referenced in the previous table are available on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the most recent market announcement for each deposit and, in the case of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original News releases.

Llahuin Project: Total Measured and Indicated Resources - JORC Compliant

| Resource (at 0.28% Cu Equiv cutoff) | Tonnes Millions | Cu % | Au g/t | Mo % | Cu Equiv* |
|-------------------------------------|-----------------|-------------|-------------|--------------|-------------|
| Measured | 112 | 0.31 | 0.12 | 0.008 | 0.42 |
| Indicated | 37 | 0.23 | 0.14 | 0.007 | 0.37 |
| Measured plus Indicated | 149 | 0.29 | 0.12 | 0.008 | 0.41 |
| Inferred | 20 | 0.20 | 0.19 | 0.005 | 0.36 |

*Copper Equivalent ("Cu Equiv")

The copper equivalent calculations represent the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. It is the Company's opinion that elements considered have a reasonable potential to be recovered as evidenced in similar multi-commodity natured mines. Copper equivalent conversion factors and long-term price assumptions used are stated below:

Copper Equivalent Formula= Cu % + Au (g/t) x 0.72662 + Mo % x 4.412

Price Assumptions- Cu (\$3.40/lb), Au (\$1,700/oz), Mo (\$15/lb)

Los Pumas Project: Total Measured and Indicated Resources - JORC Compliant

| Resource (at 4% Mn cutoff) | Tonnes Millions | Mn % | SiO ₂ % | Fe ₂ O ₃ % | Al % | K % | P % |
|--------------------------------|-----------------|-------------|--------------------|----------------------------------|-------------|-------------|-------------|
| Measured | 5.27 | 7.39 | 57.85 | 2.78 | 5.62 | 2.88 | 0.05 |
| Indicated | 13.06 | 7.65 | 55 | 2.96 | 5.64 | 2.92 | 0.05 |
| Measured plus Indicated | 18.34 | 7.58 | 55.82 | 2.91 | 5.62 | 2.91 | 0.05 |
| Inferred | 5.39 | 8.59 | 51.44 | 2.72 | 5.49 | 2.69 | 0.06 |

Competent Person / Qualified Person Statement

The information in this report that relates to copper and gold exploration results for the Company's Projects is based on information compiled by Mr Adam Anderson, who is a Member of The Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists. Mr Anderson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking 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". Mr Anderson is a consultant for the Company and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. For further information, please refer to the Technical Reports and News Releases on the Company's website at www.shmining.com.au.

Concession Schedule

Mining Property List as at 30 June 2021

Minera Hemisferio SUR S.C.M

Colina 2 Project

| Mining Properties | Kind | % Interest |
|-------------------|--------------|------------|
| COLINA 2, 1 al 30 | Exploitation | 100 |
| COLINA A01 | Exploration | 100 |
| COLINA A02 | Exploration | 100 |
| COLINA A03 | Exploration | 100 |
| COLINA A04 | Exploration | 100 |
| COLINA A05 | Exploration | 100 |
| 4COLINA A06 | Exploration | 100 |
| COLINA A07 | Exploration | 100 |
| COLINA A08 | Exploration | 100 |
| COLINA A09 | Exploration | 100 |
| COLINA A10 | Exploration | 100 |
| COLINA A11 | Exploration | 100 |
| COLINA A12 | Exploration | 100 |
| COLINA A13 | Exploration | 100 |

Los Pumas Project

| Mining Properties | Kind | % Interest |
|-------------------|--------------|------------|
| AWAHOU 1 AL 20 | Exploitation | 100 |
| EMANUEL 1 AL 20 | Exploitation | 100 |
| LLUTA I 1 AL 54 | Exploitation | 100 |
| LLUTA II 1 AL 285 | Exploitation | 100 |
| PUTRE 6 1 AL 11 | Exploitation | 100 |
| PUTRE I 1 AL 20 | Exploitation | 100 |
| PUTRE II 1 AL 20 | Exploitation | 100 |

Rincon Project

| Mining Properties | Kind | % Interest |
|-------------------|--------------|------------|
| RINCÓN 7, 1 AL 30 | Exploitation | 100 |

Minera Llahuin S.C.M

Llahuin Project

| Mining Properties | Kind | % Interest |
|----------------------|--------------|------------|
| AMAPOLA 1, 1 al 20 | Exploitation | 100 |
| AMAPOLA 2, 1 al 20 | Exploitation | 100 |
| AMAPOLA 3, 1 al 20 | Exploitation | 100 |
| AMAPOLA 4, 1 al 18 | Exploitation | 100 |
| AMAPOLA I, 1 al 228 | Exploitation | 100 |
| AMAPOLA II, 1 al 256 | Exploitation | 100 |