



Southern Hemisphere Mining Limited  
ACN 140 494 784

**Annual Report**  
30 June 2022

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## Corporate directory

### Board of Directors

Mr Mark Stowell	Non-Executive Chairman
Mr David Frances	Non-Executive Director
Mr Richard Caldwell	Non-Executive Director

### Company Secretary

Mr Keith Bowker

### Principal Place of Business & Registered Office

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PERTH, WA 6000

PO Box Z5207  
St Georges Terrace  
PERTH WA 6831

Telephone: +61 8 6144 0590  
Email: [cosec@shmining.com.au](mailto:cosec@shmining.com.au)  
Website: [www.shmining.com.au](http://www.shmining.com.au)

### Share Registry

Automic Group  
Level 5, 191 St Georges Terrace  
PERTH WA 6000  
Telephone: 1300 288 664  
Email: [hello@automic.com.au](mailto:hello@automic.com.au)  
Website: [www.investor.automic.com.au](http://www.investor.automic.com.au)

### Auditors

PKF Perth  
Level 5, 35 Havelock Street  
WEST PERTH WA 6005  
Telephone: +61 8 9426 8999  
Website: [www.pkf.com.au](http://www.pkf.com.au)

### Securities Exchange

Australian Securities Exchange  
Website: [www.asx.com.au](http://www.asx.com.au)  
ASX Code: SUH

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## Chairman's letter

Dear Shareholder

The Company's 100% owned large Llahuin Copper/Gold/Moly Project of over 680,000t CuEq in resource is our flagship asset, and recent work is showing considerable potential for growth. This is a very valuable project with large tonnage, simple open pit mining configuration characteristics, good location in a great copper country, as well as multiplier resource growth potential.

We are seeing examples worldwide of car manufacturers actually paying for equity in projects to secure long term supply arrangements. There are very few opportunities with the endowment and optimum configuration like Llahuin independently held in the world today, and as we continue advancing the project, we are expecting companies to be interested, which we welcome.

Our exploration team is well underway in a reinterpretation of the geology following our drilling this year with wider implications for upscale both close to surface and depth potential. We are continuing to invest in Llahuin and create value for our shareholders, as well as advance at low cost the Colina2 Gold Copper Project, and other opportunities including in Lithium exploration for the next large asset for our portfolio.

With the copper price at US\$3.50 per lb it bodes well for advancing our key project into 2023 and beyond.

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 copper. Both manganese and copper are expected to see increasing demand as the world transitions to more sustainable technologies. We have a number of parties who have shown interest in this. The Company remains active in engaging with commodity traders, financiers, EV manufacturers and EV battery manufactures to advance the Los Pumas Manganese Project with the aim to supply a carbon-neutral battery cathode manganese component.

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

Yours sincerely,



Mark Stowell  
Chairman  
Southern Hemisphere Mining Limited

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## Directors' report

The directors of Southern Hemisphere Mining Limited ("the Company") and its controlled entities ("the Group") submit herewith the annual report of the Group for the financial year ended 30 June 2022. To comply with the provisions of the *Corporations Act 2001*, the directors report as follows.

### Information about the directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr Mark Stowell	Non-Executive Chairman (appointed 1 November 2019).
Qualifications	Chartered Accountant.  Mr Stowell has over 20 years of corporate finance and resource business management experience. He served as manager in the corporate division of Arthur Anderson and subsequently in the establishment and management of a number of successful ventures as principal, including resource companies operating in Australia and internationally.  Mr Stowell was a founder director of Anvil Mining Ltd (Democratic Republic of Congo), a copper explorer and developer, 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.
Mr David Frances	Non-Executive Director (appointed 5 February 2021).
Qualifications	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 approximately \$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. MWE then listed on the TSX in one of the largest base metals IPO's 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.
Mr Richard Caldwell	Non-Executive Director (appointed 5 February 2021).
Qualifications	Bachelor of Laws, Bachelor of Economics and Post Grade Diploma in Finance.  Mr Caldwell has a strong background in advising many successful natural resources 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 Stone Bridge, 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 capabilities.

The above named directors held office during the whole of the financial year and since the end of the financial year.

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## Directors' report

### Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Mr Mark Stowell	Kula Gold Limited	Since September 2010
Mr Mark Stowell	Cannon Resources Limited	Since 24 June 2022
Mr David Frances	Province Resources Limited	Since 3 August 2020
Mr David Frances	Lanthanein Resources Limited	Since 4 February 2022
Mr David Frances	Tiger Resources Limited	20 December 2017 – 11 July 2019

### Directors' shareholdings

The following table sets out each director's relevant interest in shares and options in shares of the Company as at the date of this report:

Directors	Fully paid ordinary shares	Listed share options	Unlisted share options
	Number	Number	Number
Mr Mark Stowell	35,261,800	1,827,457	4,000,000
Mr David Frances	833,333	416,666	1,000,000
Mr Richard Caldwell	9,333,333	1,666,666	1,000,000

### Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

### Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 15,160,789 share options were issued or granted to the following directors and senior management of the Company and its controlled entities as part of their remuneration.

Directors and senior management	Listed options issued	Unlisted options granted	Ordinary shares under option
	Number	Number	Number
Mr Mark Stowell	1,827,457	4,000,000	5,827,457
Mr David Frances	416,666	1,000,000	1,416,666
Mr Richard Caldwell	1,666,666	1,000,000	2,666,666
Mr Adam Anderson	-	4,600,000	4,600,000
Mr Keith Bowker	-	650,000	650,000

### Company secretary

Mr Keith Bowker holds a Bachelor of Commerce degree from Curtin University and has experience in company secretarial, corporate compliance and financial accounting matters. Mr Bowker was appointed and Mr Luke Abbott resigned as Company Secretary on 17 June 2022.

### Principle activities

The Group's principal activity in the course of the financial year was the exploration and evaluation of projects in Chile for gold, copper and manganese.

### Review of operations

For the 2022 financial year the Group delivered a loss before tax of \$2,887,633 (2021: \$1,251,232).

As at 30 June 2022, the net asset deficiency of the Group is \$84,626 (2021: net assets of \$1,359,517).

The cash and cash equivalents as at 30 June 2022 was \$161,218 (2021: \$1,526,749) and the Group had a deficiency in working capital of \$148,516 (2021: a surplus of \$1,331,459).

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## Directors' report

### 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 Copper Project during the year involved a thorough review of all data which identified numerous high impact drilling opportunities across the project.

Over 20km of historic diamond core is being re-logged as a result of the re-interpretation of the geology. This is a significant process, however a positive for the project and will likely add to the ability to scale up an open pit and deeper underground targets to materially add to the copper endowment. The re-logging will continue as currently only 28% complete.

A best result of 440m at 0.75% CuEq (Inc 208m at 1.2% Cu Eq from 2m depth was previously intersected in drillhole DDLLA021 at the Central Porphyry.

Soil sampling programs and identification of the numerous gold workings on the Llahuin concessions are also in progress.

### Colina2 Copper/Gold Project

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

Drilling results from the recent diamond drill program were successful in identifying the gold mineralisation structures and confirming the nuggety gold nature of the system, however, do not replicate the grades achieved in the previous RC drilling.

Further low-cost soil and rock chip sampling work is in progress for copper, gold and silver, including the historic Colo Copper Mine to add to the understanding of the Colina2 gold system which should provide further drill targets to evaluate.

### 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 electric vehicle 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 electric vehicle and or battery manufacturers are the target partner for this project and is the Company's focus in conjunction with its advisers and consultants.

Work started during the year included resource evaluation work on the old resource and 345 density samples were collected at surface locations across the deposit to allow a more accurate density calculation to be completed in the future.

### Changes in state of affairs

There was no significant change in the state of affairs of the Group during the financial year:

### Dividends

There were no dividends paid or recommended during the financial year ended 30 June 2022 or 30 June 2021.



## Directors' report

### Subsequent events

On 7 July 2022, the Company issued 3,800,000 unlisted options expiring 30 July 2026 to employees under the Employee Incentive Option Plan ('EIOP'). As at the date of this report the Group had 7,750,000 unlisted options on issue under the EIOP leaving a capacity of 397,991.

On 19 July 2022, the Company completed a placement to professional and sophisticated investors raising \$879,983 before costs via the issue of 43,999,158 fully paid ordinary shares at an issue price of \$0.02 per share.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Future developments

The main focus of the Group for the year ahead is gold and copper exploration in Chile.

### Environmental Regulations

The Group's exploration and mining operations are subject to environment regulation under the law of Chile. The Group, via its controlled entities 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 2022 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 Group for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

### Shares under option or issue on exercise of options

Details of unissued shares under option as at the date of this report are:

Quoted / unlisted	Grant date	Number of shares under option	Exercise price of option	Expiry date of options
Unlisted	7 Jul 2022	3,800,000 <sup>1</sup>	Nil	30 Jul 2026
Quoted	16 Feb 2022	24,444,003 <sup>2</sup>	\$0.10	16 Feb 2024
Unlisted	13 Jan 2022	300,000 <sup>3</sup>	Nil	30 Jul 2026
Unlisted	30 July 2021	6,000,000 <sup>4</sup>	Nil	30 Jul 2026
Unlisted	24 Jun 2021	3,650,000 <sup>5</sup>	Nil	30 Jul 2026
		<b>38,194,003</b>		

<sup>1</sup> Unlisted options were granted to employees under the Employee Incentive Option Plan approved at the Annual General Meeting held in 2020 ('EIOP'), 50% will vest on 7 July 2023 with the remaining 50% vesting on 7 July 2024, subject to continued employment.

<sup>2</sup> the Company completed a renounceable rights issue on a 1 for 5 basis, being 48,887,970 fully paid ordinary shares at an issue price of \$0.03 per share to raise \$1,467,414 before costs of \$106,898 together with a 1 for 2 free attaching listed option (ASX: SUHO), being 24,444,003 listed options exercisable at \$0.10 each on or before 16 February 2024.

<sup>3</sup> Unlisted options were granted to employees under the EIOP, 150,000 unlisted options vested on 30 July 2022 with the remaining 150,000 unlisted options vesting on 30 July 2023, subject to continued employment.

<sup>4</sup> Unlisted options issued to the directors under the EIOP were approved at a General Meeting of the Shareholders held on 30 July 2021. The unlisted options vested on the grant date and are subject to performance vesting conditions.

<sup>5</sup> Unlisted options were granted to employees under the EIOP, 3,350,000 unlisted options have vested with the remaining 300,000 unlisted options vesting on 1 July 2023, subject to continued employment.

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

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

450,000 unlisted options lapsed during and since the end of the financial year as a result of continued employment conditions.

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## Directors' report

### Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors and all executive officers of the Company against a liability incurred as such a director or executive officer to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

### Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director. The directors communicate regularly and pass most resolutions via circular resolution.

	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 Mark Stowell	3	3	<i>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.</i>								
Mr David Frances	3	1									
Mr Richard Caldwell	3	3									

### 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.

### Non-audit services

During the current and previous financial year, the Company's auditor, PKF Perth, did not perform any services other than their statutory audits. Details of remuneration paid to the auditor can be found within the financial statements at note 20.

In the event that non-audit services are provided by PKF Perth, the directors are satisfied 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:

- All non-audit services will be reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including 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 economic risks and rewards.

### Auditor's independence declaration

The auditor's independence declaration is included after this report on page 11.

### Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest dollar, unless otherwise indicated.

## Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Southern Hemisphere Mining Limited's key management personnel for the financial year ended 30 June 2022. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel.
- Remuneration policy.
- Relationship between the remuneration policy any company performance.
- Remuneration of key management personnel.
- Key terms of employment contracts.

### Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

- Mr Mark Stowell Non-Executive Chairman
- Mr David Frances Non-Executive Director
- Mr Richard Caldwell Non-Executive Director

The named persons held their current position for the whole of the financial year and since the end of the financial year.

### Remuneration policy

In assessing the remuneration of its key management personnel, the Group does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on Board discussion. The adoption of this remuneration report is periodically recommended for approval by shareholders via a non-binding resolution at the Company's Annual General Meeting.

The Group currently does not have any executives within its key management personnel however, the Group's policy regarding executives' remuneration is that the executives are paid a commercial salary and benefits based on the market rate and experience designed to promote superior performance and long-term commitment to the Group.

The Group's executive compensation program has three principal components: base salary, incentive bonus plan and incentive share options.

Base salaries for all employees of the Group are established for each position based on individual and corporate performances.

Non-Executive Director remuneration, last voted upon by shareholders at the 2011 Annual General Meeting is not to exceed \$500,000 per annum. Directors have no entitlement to termination payments in the event of removal for misconduct.

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 or in the previous financial year.

Key management personnel are entitled to participate in the Group's Employee Incentive Option Plan ('EIOP'), which was approved by shareholders at the 2020 Annual General Meeting. The EIOP 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 Group.

### Relationship between the remuneration policy and company performance

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.

The Board did not determine the nature and amount of remuneration of the key management personnel 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.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2022:

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Interest and other income	27	495	-	169,606	66,354
Loss after tax	(2,887,633)	(1,251,232)	(364,753)	(219,684)	(1,587,318)
Share price at start of year	0.049	0.0202	0.029	0.06	0.08
Share price at end of year	0.02	0.049	0.0202	0.029	0.06
Basic and diluted loss	(0.01)	(0.0063)	(0.0038)	(0.0022)	(0.0019)

## Remuneration report

### Remuneration of key management personnel

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

Group Key Management Personnel	Short-term employee benefits				Post- employment benefits	Long-term employee benefits	Share- based payments		Total
	Salary & fees	Cash bonus	Non- monetary	Other	Super- annuation	Long service	Equity	Options <sup>3</sup>	
	\$	\$	\$	\$	\$	\$	\$	\$	
Mr Mark Stowell <sup>1</sup>	42,000	-	-	-	2,400	-	-	20,640	65,040
Mr David Frances <sup>1</sup>	24,000	-	-	-	-	-	-	5,160	29,160
Mr Richard Caldwell <sup>2</sup>	21,918	-	-	-	2,192	-	-	5,160	29,270
	<b>87,918</b>	-	-	-	<b>4,592</b>	-	-	<b>30,960</b>	<b>123,470</b>

<sup>1</sup> Includes \$2,000 accrued for director fees.

<sup>2</sup> Includes \$1,826 accrued for director fees.

<sup>3</sup> The value of the options granted to key management personnel is calculated as at the grant date using a binomial pricing model (refer Employee incentive option plan page 9).

Group Key Management Personnel	Short-term employee benefits				Post- employment benefits	Long-term employee benefits	Share- based payments		Total
	Salary & fees	Cash bonus	Non- monetary	Other	Super- annuation	Long service	Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	
Mr Mark Stowell <sup>1</sup>	97,000	-	-	-	2,280	-	-	-	99,280
Mr David Frances <sup>2</sup>	10,000	-	-	-	-	-	-	-	10,000
Mr Richard Caldwell <sup>3</sup>	8,768	-	-	-	833	-	-	-	9,601
Mr David Lenigas <sup>4</sup>	34,000	-	-	-	-	-	-	-	34,000
Mr Keith Coughlan <sup>4</sup>	69,000	-	-	-	-	-	-	-	69,000
	<b>218,768</b>	-	-	-	<b>3,113</b>	-	-	-	<b>221,881</b>

<sup>1</sup> Includes \$10,000 accrued for director fees and consulting services.

<sup>2</sup> Includes \$2,000 accrued for director fees. Appointed 5 February 2021.

<sup>3</sup> Appointed 5 February 2021.

<sup>4</sup> Resigned 5 February 2021

The relevant proportions of those elements of remuneration of key management personnel that are linked to performance:

Key Management Personnel	Fixed Remuneration		Remuneration linked to performance	
	2022	2021	2022	2021
Mr Mark Stowell	68.3%	100%	31.7%	-
Mr David Frances	82.3%	-	17.7%	-
Mr Richard Caldwell	82.4%	-	17.6%	-
Mr David Lenigas	-	100%	-	-
Mr Keith Coughlan	-	100%	-	-

No key management personnel appointed during the period received a payment as part of his consideration for agreeing to hold the position.

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## Remuneration report

### Bonuses and share-based payments granted as compensation for the current financial year

#### Cash bonuses

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

#### Employee incentive option plan

Southern Hemisphere Mining Limited operates an ownership-based Employee Incentive Option Plan ('EIOPI') for executives and senior employees of the Group.

In accordance with the terms and conditions of the EIOPI, as approved by shareholders at the 2020 Annual General Meeting, each unlisted option converts to fully paid ordinary shares on a one-for-one basis, subject to the following conditions:

- The Company announcing a 30% increase in the copper equivalent resource for the Company's Llahuin Copper Gold Project from the current 149mt at 0.41% copper equivalent (680,000t CuEq) to 800,000t CuEq; or
- A 20 day VWAP (trading days) of 20 cents or above; or
- A change of control event occurs.

No amounts are paid or payable by the recipient on receipt of the unlisted option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. There is no performance based formula to calculate the number of options each executive or senior employee receives. Options expire on the expiry date and any unvested options expire on the resignation of the executive or senior employee. As at the date of this report the Group had 7,750,000 unlisted options on issue under the EIOPI leaving a capacity of 397,991.

Terms and conditions of share-based payment arrangements in the current financial year:

Options series	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting dates
1	24 June 2021	\$0.057	Nil	30 July 2026	76.3% vested, 15.8% vested 1 July 2022 7.9% vesting 1 July 2023
2	30 July 2021	\$0.0516	Nil	30 July 2026	Vested at grant date
3	13 January 2022	\$0.028	Nil	30 July 2026	50% vested 30 July 2022 50% vesting 30 July 2023

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Details of share-based payments granted as compensation to key management personnel during the current financial year.

Name	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited
Mr Mark Stowell	2	4,000,000	4,000,000	100%	-
Mr David Frances	2	1,000,000	1,000,000	100%	-
Mr Richard Caldwell	2	1,000,000	1,000,000	100%	-

The following table summarises the value of unlisted options granted during the financial year, in relation to unlisted options granted to key management personnel as part of their remuneration.

Name	Value of options granted as the grant date <sup>1</sup>
Mr Mark Stowell	\$20,640
Mr David Frances	\$5,160
Mr Richard Caldwell	\$5,160

<sup>1</sup> The value of the unlisted options granted during the financial year is calculated as at the grant date using a binomial pricing model. This grant date value was based on the exercise price, the share price at issue date, expected volatility of the underlying share, the risk-free interest rate for the term of the option and a 10% expected exercise rate.

During the year, no key management personnel exercised options and no options lapsed that were granted to them as part of their compensation. Each option converts into one ordinary share of the Company.

## Remuneration report

### Key management personnel equity holdings

Fully paid ordinary shares of Southern Hemisphere Mining Limited

Name	Balance at	Granted as compensation	Received on exercise of options	Net other change	Balance at
	1 July 2021				30 June 2022
	No.	No.	No.	No.	No.
Mr Mark Stowell	9,856,886	-	-	25,404,914 <sup>1</sup>	35,261,800
Mr David Frances	-	-	-	833,333	833,333
Mr Richard Caldwell	6,000,000	-	-	3,333,333	9,333,333

<sup>1</sup> 3,654,914 fully paid ordinary shares at an issue price of \$0.03 each, included in net other change, were issued for repayment of loan.

### Share options of Southern Hemisphere Mining Limited

Name	Balance at	Granted as compensation <sup>1</sup>	Received on exercise of options	Net other change <sup>2</sup>	Balance at
	1 July 2021				30 June 2022
	No.	No.	No.	No.	No.
Mr Mark Stowell	-	4,000,000	-	1,827,457	5,827,457
Mr David Frances	-	1,000,000	-	416,666	1,416,666
Mr Richard Caldwell	-	1,000,000	-	1,666,666	2,666,666

<sup>1</sup> All unlisted share options issued to key management personnel were made in accordance with the provisions of the Employee Incentive Option Plan.

<sup>2</sup> The options in net other change are listed options exercisable at \$0.10 on or before 16 February 2024 (ASX: SUHO).

Further details of the Employee Incentive Option Plan and of share options granted during the 2021 and 2022 financial years are contained in note 10 to the financial statements.

### Key terms of employment contacts

- The compensation for all Non-Executive Directors, last voted upon by shareholders at the 2011 AGM, is not to exceed \$500,000 p.a.
- Directors have no entitlement to termination payments in the event of removal for misconduct.

### Loans to key management personnel

There were no loans made to key management personnel of Company as at 30 June 2022.

During the previous financial year, the Company entered into a convertible loan facility agreement with Merchant Holdings Pty Ltd, a company controlled by Mr Mark Stowell. This agreement provided a loan facility for \$100,000 available for draw down for 6 months from the date of the agreement. In terms of the agreement interest accrued at 12% per annum on outstanding principal with a default interest rate of 20% should the loan facility not be repaid within 12 months. The loan was drawn down fully in the current year. Repayment of the loan occurred on 16 February 2022 via conversion to 3,654,914 fully paid ordinary shares at an issue price of \$0.03 each together with a 1 for 2 free attaching listed option exercisable at \$0.10 each on or before 16 February 2024 totalling \$109,648 and a cash amount of \$10,352 paid on 14 March 2022. Interest of \$20,000 was accrued and paid at the default interest rate of 20%.

### Other transactions with key management personnel of the Group

During the financial year, the Company leases premises at Suite 2, 20 Howard Street, Perth from an entity that is controlled by Mr Mark Stowell. The terms of this lease are set at a rate that is considered to be arms-length for comparable premises. The rent and outgoings paid for this premises during the financial year ended 30 June 2022 was \$24,386.

This directors' report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



**MARK STOWELL**

Chairman

Perth, 28 September 2022


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 2022, 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 2022  
WEST PERTH

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# Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2022

	Note	30 June 2022 \$	30 June 2021 \$
<b>Continuing Operations</b>			
Interest income	3a	27	386
Other income	3a	-	109
Administration expenses		(342,280)	(96,700)
Professional fees		(142,515)	(140,370)
Employee benefits expense	3b	(169,965)	(279,872)
Exploration and evaluation related expenditure		(2,232,900)	(724,419)
Exploration and evaluation costs written off		-	(10,366)
<b>Loss before income tax</b>		<b>(2,887,633)</b>	<b>(1,251,232)</b>
Income tax	4	-	-
<b>Loss after income tax for the year</b>		<b>(2,887,633)</b>	<b>(1,251,232)</b>
<b>Other comprehensive income/(expense) for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency movement		5,519	(36,487)
<b>Other comprehensive profit/(loss) for the year</b>		<b>5,519</b>	<b>(36,487)</b>
<b>Total comprehensive loss for the year</b>		<b>(2,882,114)</b>	<b>(1,287,719)</b>
<b>Loss for the year attributable to:</b>			
Owners of the Company		(2,887,633)	(1,251,232)
<b>Total comprehensive loss for the year attributable to:</b>		<b>(2,882,114)</b>	<b>(1,287,719)</b>
<b>Earnings per share</b>			
Basic and diluted loss per share	13	(0.01)	(0.0063)

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

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## Consolidated statement of financial position

as at 30 June 2022

	Note	30 June 2022 \$	30 June 2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5a	161,218	1,526,749
Receivables and other assets	6	44,344	28,058
<b>Total current assets</b>		<b>205,562</b>	<b>1,554,807</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	19,546	-
<b>Total non-current assets</b>		<b>19,546</b>	<b>-</b>
<b>Total assets</b>		<b>225,108</b>	<b>1,554,807</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	309,734	195,290
<b>Total current liabilities</b>		<b>309,734</b>	<b>195,290</b>
<b>Total liabilities</b>		<b>309,734</b>	<b>195,290</b>
<b>Net (deficiency)/assets</b>		<b>(84,626)</b>	<b>1,359,517</b>
<b>Equity</b>			
Share capital	9	55,756,187	54,395,671
Share-based payments reserve	10	235,266	165,991
Other reserves	11	947,554	942,035
Accumulated losses		(57,023,633)	(54,144,180)
<b>Total equity</b>		<b>(84,626)</b>	<b>1,359,517</b>

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

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## Consolidated statement of changes in equity

for the year ended 30 June 2022

	Note	Share capital \$	Share- based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
<b>Balance 1 July 2020</b>		51,903,334	-	978,522	(52,892,948)	(11,092)
Loss for the year		-	-	-	(1,251,232)	(1,251,232)
Foreign currency translation		-	-	(36,487)	-	(36,487)
<b>Other comprehensive loss for the year</b>		-	-	(36,487)	-	(36,487)
<b>Total comprehensive loss for the year</b>		-	-	(36,487)	(1,251,232)	(1,287,719)
Issue of share capital	9	2,580,198	-	-	-	2,258,019
Share issue costs	9	(87,861)	-	-	-	(87,861)
Share-based payments	10	-	165,991	-	-	165,991
<b>Balance 30 June 2021</b>		<b>54,395,671</b>	<b>165,991</b>	<b>942,035</b>	<b>(54,144,180)</b>	<b>1,359,517</b>
<b>Balance 1 July 2021</b>		54,395,671	165,991	942,035	(54,144,180)	1,359,517
Loss for the year		-	-	-	(2,887,633)	(2,887,633)
Foreign currency translation		-	-	5,519	-	5,519
<b>Other comprehensive profit for the year</b>		-	-	5,519	-	5,519
<b>Total comprehensive loss for the year</b>		-	-	5,519	(2,887,633)	(2,882,114)
Issue of share capital	9	1,467,414	-	-	-	1,467,414
Share issue costs	9	(106,898)	-	-	-	(106,898)
Share-based payments	10	-	77,455	-	-	77,455
Lapsed employee incentive options	10	-	(8,180)	-	8,180	-
<b>Balance 30 June 2022</b>		<b>55,756,187</b>	<b>235,266</b>	<b>947,554</b>	<b>(57,023,633)</b>	<b>(84,626)</b>

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

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## Consolidated statement of cash flows

for the year ended 30 June 2022

	Note	30 June 2022 \$	30 June 2021 \$
<b>Cash flows from operating activities:</b>			
Payments to suppliers and employees		(581,038)	(222,613)
Payments for exploration and evaluation expenditure		(2,125,138)	(678,298)
Interest received		27	386
<b>Net cash used in operating activities</b>	5c	<b>(2,706,149)</b>	<b>(900,525)</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment		(19,806)	-
<b>Net cash used in investing activities</b>		<b>(19,806)</b>	<b>-</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		1,467,414	2,431,501
Share issue costs		(106,898)	(73,261)
Proceeds of borrowings		-	50,000
Repayment of borrowings		-	(14,303)
<b>Net cash from financing activities</b>		<b>1,360,516</b>	<b>2,393,937</b>
<b>Net (decrease)/increase in cash and equivalents</b>		<b>(1,365,439)</b>	<b>1,493,412</b>
Cash and cash equivalents at the beginning of the year		1,526,749	32,822
Effect of exchange rates on cash and cash equivalents		(92)	515
<b>Cash and cash equivalents at the end of the year</b>	5a	<b>161,218</b>	<b>1,526,749</b>

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

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

(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 (the "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 registered in Australia whose ordinary shares are publicly traded on the Australian Securities Exchange ("ASX") under ticker code (ASX: SUH). 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 2022 was authorised for issue in accordance with a resolution of the directors on 28 September 2022.

### 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 2022 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 or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

##### 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 for the year ended 30 June 2022, the Group incurred a loss of \$2,887,633 (2021: \$1,251,232) and had net cash outflows from operating activities of \$2,706,149 (2021: \$900,525) and cash inflows from financing activities of \$1,360,516 (2021: \$2,393,937). As at 30 June 2022 the Group has a net assets deficiency of \$84,626 (2021: net assets \$1,359,517).

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:

- Subsequent to the end of the financial year, on 19 July 2022, the Company completed a placement to professional and sophisticated investors raising \$879,983 before costs via the issue of 43,999,158 fully paid ordinary shares at an issue price of \$0.02 per share therefore the Company currently has cash reserves sufficient to fund current working capital projections.
- The directors are confident based on historical raisings that the Group has the ability to raise further funds through capital raisings as and when required to satisfy its operational expenditure commitments.

## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Going concern (continued)

- The directors are seeking potential joint venture partners which will expedite exploration activities whilst retaining cash reserves. This will result in the Company decreasing its ownership interest in the projects however will increase shareholder value.
- The directors are also seeking new assets and opportunities in thriving sectors which will attract capital to the Company.

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.

In the event that the Group is unsuccessful in the matters set out above in relation to obtaining future funds through capital raisings, there is a material uncertainty whether the Group will continue as a going concern, and therefore whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### c. Parent Entity Information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 14.

### 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:

- 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 Group 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 Group.

Where the Group 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 Group 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 Group'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.

## Notes to the consolidated financial statements

for the year ended 30 June 2022

### 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. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### 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.

#### 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.

##### 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.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Decommissioning and environmental provisions (continued)

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.

### 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.

#### 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 Group 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 Group operates.

#### D. Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

#### E. Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.



## Notes to the consolidated financial statements

for the year ended 30 June 2022

### 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 Group 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 Group'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

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### 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 of 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 of 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.

### k. Revenue recognition

The Group recognises interest revenue as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### l. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle, expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the Group's normal operating cycle, due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### m. Receivables

Receivables are recognised at amortised cost, less any allowance for expected credit losses.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### n. Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposed proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to accumulated losses.

### o. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### p. Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### q. Employee benefits

#### *Short-term employee benefits.*

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

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of services. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined for reference to the share price.

The cost of equity-settled transactions are measured at the fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Share-based payments (continued)

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### r. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### s. Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognized for prior periods, where applicable.

### t. Good and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

### u. Rounding of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016 and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest dollar, unless otherwise indicated.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 3 Revenue and expenses	Note	2022 \$	2021 \$
<b>a. Interest and other income</b>			
Interest income		27	386
Foreign exchange gain		-	109
		<b>27</b>	<b>495</b>
<b>b. Employment benefits expense</b>			
Directors' fees			
Salaries & wages (i)		69,918	110,768
Consulting fees		18,000	108,000
Superannuation expenses		4,592	3,113
Share-based payments	10	77,455	165,991
		169,965	387,872
Less: Consulting fees transferred to exploration and evaluation expenses		-	(108,000)
		<b>169,965</b>	<b>279,872</b>

(i) Includes accrued director fees of \$5,826 (2021: \$12,000).

Note 4 Income tax	Note	2022 \$	2021 \$
The prima facie income tax benefit on the loss before income tax from continued operations reconciles to income tax:			
Loss before income tax		(2,887,633)	(1,251,232)
Corporate tax rate		25%	26%
Tax at the corporate tax rate		(721,908)	(325,320)
Tax effect of expenses that are not deductible in determining taxable profit		26,834	43,158
Tax effect of deferred taxes that would be recognised directly in equity		(10,226)	(22,844)
Change in unrecognised deferred tax assets		745,848	310,216
Effect of different tax rates of subsidiaries operating in foreign jurisdictions*		(40,548)	(5,210)
		-	-

\*The tax rates used in the above reconciliation is the corporate tax rate of 25% (2021: 26%) 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.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 4 Income tax (continued)

Unrecognised deferred tax assets and liabilities as at 30 June 2022 comprise:

	Deferred Tax Assets	Deferred Tax Liabilities	Net
Trade and other payables	10,220	-	10,220
Unexpired Blackhole Expenditure	35,347	-	35,347
Unused Tax Losses - Australia	1,957,769	-	1,957,769
Unused Tax Losses - Chile	4,033,659	-	4,033,659
Unrecognised deferred tax assets/ (liabilities) before set-off	6,036,995	-	6,036,995
Set-off of deferred tax liabilities	-	-	-
<b>Net unrecognised deferred tax asset</b>	<b>6,036,995</b>	<b>-</b>	<b>6,036,995</b>

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

- (a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the Company continues to comply with the conditions for deductibility imposed by law; and
- (c) 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.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

Cash flows are included in the consolidated 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	2022	2021
	\$	\$
<b>a. Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the statement of financial position as follows:		
<b>Cash and bank balances</b>	<b>161,218</b>	<b>1,526,749</b>

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 consolidated 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 18.

c. Cash flow information	2022	2021
	\$	\$
i. Reconciliation of cash flows from operating activities to the loss after income tax:		
Loss after income tax	(2,887,633)	(1,251,232)
Increase in receivables and other assets	(16,843)	(11,111)
Increase in trade and other payables	120,554	169,429
Share-based payments	77,455	229,391
Depreciation	260	-
Foreign exchange loss/(gain)	58	(37,002)
<b>Net cash used in operating activities</b>	<b>(2,706,149)</b>	<b>(900,525)</b>

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

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

During the previous financial year, the Company entered into a convertible loan facility agreement with Merchant Holdings Pty Ltd, a company controlled by Mr Mark Stowell. This agreement provided a loan facility for \$100,000 available for draw down for 6 months from the date of the agreement. In terms of the agreement interest accrued at 12% per annum on outstanding principal with a default interest rate of 20% should the loan facility not be repaid within 12 months. The loan was drawn down fully in the current financial year. Repayment of the loan occurred on 16 February 2022 via conversion to 3,654,914 fully paid ordinary shares at an issue price of \$0.03 each together with a 1 for 2 free attaching listed option exercisable at \$0.10 each on or before 16 February 2024 totalling \$109,648 and a cash amount of \$10,352 paid on 14 March 2022. Interest of \$20,000 was accrued and paid at the default interest rate of 20%.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 6 Receivables and other assets	2022	2021
	\$	\$
<b>Current</b>		
Prepayments	21,486	16,765
Other receivables	22,858	11,293
	<b>44,344</b>	<b>28,058</b>

Note 7 Property, plant and equipment	Land and buildings	Plant and equipment	Total
	\$	\$	\$
<b>Cost</b>			
At 1 July 2020	-	61,182	<b>61,182</b>
At 30 June 2021	-	61,182	<b>61,182</b>
Additions <sup>1</sup>	18,477	1,329	<b>19,806</b>
<b>At 30 June 2022</b>	<b>18,477</b>	<b>62,511</b>	<b>80,988</b>
<b>Accumulated Depreciation</b>			
At 1 July 2020	-	(61,182)	<b>(61,182)</b>
At 30 June 2021	-	(61,182)	<b>(61,182)</b>
Charge for the year	-	(260)	<b>(260)</b>
<b>At 30 June 2022</b>	<b>-</b>	<b>(61,442)</b>	<b>(61,422)</b>
<b>Carrying amount</b>			
At 30 June 2021	-	-	-
<b>At 30 June 2022</b>	<b>18,477</b>	<b>1,069</b>	<b>19,546</b>

<sup>1</sup> The additions in plant and equipment include exploration field equipment and the additions in land and buildings include extensions to the core-shed in Llahuin. Refer note 2 (n) for the plant and equipment accounting policy.

Note 8 Trade and other payables	2022	2021
	\$	\$
<b>a. Current</b>		
Trade payables	122,351	123,735
Other payables	187,383	71,555
	<b>309,734</b>	<b>195,290</b>

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 18.

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.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 9	Issued capital	2022 No.	2021 No.	2022 \$	2021 \$
	Fully paid ordinary shares	293,327,727	244,439,757	55,756,187	54,395,671
	<b>Fully paid ordinary shares</b>				
	At the beginning of the year	244,439,757	108,639,892	54,395,671	51,903,334
	Shares issued during the year:				
	■ Renounceable rights issue <sup>(a)</sup>	45,233,056	-	1,357,766	-
	■ Repayment of convertible loan facility <sup>(b)</sup>	3,654,914	-	109,648	-
	■ Share placement <sup>(c)</sup>	-	54,319,946	-	543,200
	■ Share placement <sup>(d)</sup>	-	59,727,562	-	1,493,189
	■ Share placement <sup>(e)</sup>	-	21,752,357	-	543,809
	■ Costs of share issues <sup>(a)</sup>	-	-	(106,898)	(87,861)
		<b>293,327,727</b>	<b>244,439,757</b>	<b>55,756,187</b>	<b>54,395,671</b>

(a) On 16 February 2022, the Company completed a renounceable rights issue on a 1 for 5 basis, being 48,887,970 fully paid ordinary shares at an issue price of \$0.03 per share to raise \$1,467,414 before costs of \$106,898 together with a 1 for 2 free attaching listed option (ASX: SUHO), being 24,444,003 listed options exercisable at \$0.10 each on or before 16 February 2024.

(b) 3,654,914 fully paid ordinary shares at an issue price of \$0.03 per share from the renounceable rights issue in (a) above were issued for partial repayment of \$100,000 convertible loan facility provided by Merchant Holdings Pty Ltd, including accrued interest of \$20,000. For further details refer to note 15.

(c) On 18 August 2020, the Company completed a share placement to sophisticated and professional investors for a total of 54,319,946 fully paid ordinary shares at an issue price of \$0.01 per share to raise \$543,200 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 fully paid ordinary shares at an issue 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 an issue price of \$0.025 per share to raise \$543,809 before costs.

### Terms of fully paid ordinary shares

#### Voting rights

The Company has one class of fully paid ordinary shares which participates in dividends and any proceeds on the winding up of the Company in proportion to the number of shares held.

At shareholders meetings, each fully paid ordinary share is entitled to one vote.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 10 Share-based payment reserve	2022 No.	2021 No.
Unlisted options	9,950,000	3,800,000
<b>Unlisted options</b>		
At the beginning of the year	3,800,000	-
<i>Unlisted options issued during the year:</i>		
■ Granted 13 January 2022 <sup>(a)</sup>	600,000	-
■ Granted 30 July 2021 <sup>(b)</sup>	6,000,000	-
■ Unlisted options lapsed during the period	(450,000)	-
■ Granted 24 June 2021 <sup>(c)</sup>	-	3,800,000
	<b>9,950,000</b>	<b>3,800,000</b>

(a) On 13 January 2022, 600,000 unlisted options were granted to employees under the Employee Incentive Option Plan ("EIOP"). 150,000 unlisted options vested on 30 July 2022 with the remaining 150,000 unlisted options vesting on 30 July 2023, subject to continued employment. 300,000 unlisted options lapsed during the period as a result of the continued employment conditions.

(b) Unlisted options issued to the directors under the EIOP were approved at a General Meeting of the shareholders held on 30 July 2021. The unlisted options vested on the grant date and are subject to performance criteria.

(c) On 24 June 2021, 3,800,000 unlisted options were granted to employees under the EIOP. 3,350,000 unlisted options have vested with the remaining 300,000 unlisted options vesting on 1 July 2023, subject to continued employment. 150,000 unlisted options lapsed during the period as a result of the continued employment conditions.

Southern Hemisphere Mining Limited operates an ownership-based Employee Incentive Option Plan ("EIOP") for executives and senior employees of the Group.

In accordance with the terms and conditions of the EIOP, as approved by shareholders at the 2020 Annual General Meeting, each unlisted option converts to fully paid ordinary shares on a one-for-one basis, subject to the following conditions:

- The Company announcing a 30% increase in the copper equivalent resource for the Company's Llahuin copper gold project from the current 149mt at 0.41% copper equivalent (680,000t CuEq) to 800,000t CuEq; or
- A 20 day VWAP (trading days) of 20 cents or above; or
- A change of control event occurs.

No amounts are paid or payable by the recipient of the unlisted option. The holders of these unlisted options do not have the right, by virtue of the unlisted option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

The option carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Options expire on the expiry date and any unvested options expire on the resignation of the executive or senior employee

There is no performance based formula to calculate the number of options each executive or senior employee receives.

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

The share-based payment reserve is used to recognise the fair value of unlisted options issued to directors, employees, contractors and stockbrokers.

Note 10 Share-based payment reserve (continued)	2022 \$	2021 \$
Balance at the beginning of the year	165,991	-
Share-based payments expense	77,455	165,991
Lapsed options	(8,180)	-
	<b>235,266</b>	<b>165,991</b>

## Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 11 Other reserves	2022	2021
	\$	\$
Foreign currency translation reserve	947,554	942,035

Movement in foreign currency translation reserve	2022	2021
	\$	\$
Balance at the beginning of the year	942,035	978,522
Movement	5,519	(36,487)
	<b>947,554</b>	<b>942,035</b>

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

### Note 12 Operating segments

#### a. Identification of reportable segments

The Group operates predominantly in the mining industry. This comprises exploration and evaluation of copper, gold and manganese 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.

#### b. 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 makers 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 2022	Australia	Chile	Total
	\$	\$	\$
Segment revenue and other income	27	-	27
Segment exploration expenditures	(345,827)	(1,887,073)	(2,232,900)
Segment other expenses	(514,453)	(140,307)	(654,760)
Segment loss after income tax	<b>(860,253)</b>	<b>(2,027,380)</b>	<b>(2,887,633)</b>
<b>As at 30 June 2022</b>			
Segment current assets	125,322	80,240	205,562
Segment non-current assets	1,069	18,477	19,546
Segment total assets	<b>126,391</b>	<b>98,717</b>	<b>225,108</b>
Segment current liabilities	(111,233)	(198,501)	(309,734)
Segment total liabilities	<b>(111,233)</b>	<b>(198,501)</b>	<b>(309,734)</b>
Segment net assets/(liabilities)	<b>15,158</b>	<b>(99,784)</b>	<b>(84,626)</b>

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 12 Operating segments (continued)

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 after income tax	<b>(671,314)</b>	<b>(579,918)</b>	<b>(1,251,232)</b>
<b>As at 30 June 2021</b>			
Segment current assets	1,501,186	53,621	1,554,807
Segment total assets	<b>1,501,186</b>	<b>53,621</b>	<b>1,554,807</b>
Segment current liabilities	(152,505)	(42,785)	(195,290)
Segment total liabilities	<b>(152,505)</b>	<b>(42,785)</b>	<b>(195,290)</b>
Segment net assets	<b>1,348,681</b>	<b>10,836</b>	<b>1,359,517</b>

### Note 13 Earnings per share

	2022 \$	2021 \$
<b>Loss for the year</b>		
Loss for the year attributable to owners of the Company used for the purposes of basic and diluted loss per share	(2,887,633)	(1,251,232)
	<b>2022 No.</b>	<b>2021 No.</b>
<b>Number of shares</b>		
Weighted average number of fully paid ordinary shares used for the purposes of basic and diluted loss per share	262,521,609	198,780,770
	<b>2022 \$</b>	<b>2021 \$</b>
<b>Loss per share</b>		
Basic and diluted loss per share	(0.01)	(0.0063)

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

Diluted loss per share is the same as the basic loss per share as these are not dilutive transactions when the Company had a loss.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 14 Parent entity disclosures	2022	2021
	\$	\$
<b>Financial Position of Southern Hemisphere Mining Limited</b>		
Current assets	125,287	1,501,186
Non-current assets	29,346	170,907
<b>Total assets</b>	<b>154,633</b>	<b>1,672,093</b>
Current liabilities	111,207	96,845
Non-current liabilities	215,731	215,731
<b>Total liabilities</b>	<b>326,938</b>	<b>312,576</b>
<b>Net (deficiency)/assets</b>	<b>(172,305)</b>	<b>1,359,517</b>
<b>Equity</b>		
Share capital	55,834,636	54,474,120
Share-based payment reserve	243,308	165,991
Accumulated losses	(56,250,249)	(53,280,594)
<b>Total equity</b>	<b>(172,305)</b>	<b>1,359,517</b>
<b>Financial performance of Southern Hemisphere Mining Limited</b>		
Loss for the year	(2,887,633)	(1,251,232)
Other comprehensive income/(expense)	5,519	(36,487)
<b>Total comprehensive loss</b>	<b>(2,882,114)</b>	<b>(1,287,719)</b>

### 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 2022 or 2021.

### Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022 or 2021.

### 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 2022 or 2021.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, 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.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 15 Key management personnel compensation

The names and positions of key management personnel are as follows:

- Mr Mark Stowell Non-Executive Chairman
- Mr David Frances Non-Executive Director
- Mr Richard Caldwell Non-Executive Director

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 in the directors' report.

	2022	2021
	\$	\$
Short-term employee benefits	87,918	218,768
Post-employment benefits	4,592	3,113
Equity-settled share-based payments	30,960	-
	<b>123,470</b>	<b>221,881</b>

### Note 16 Related party transactions

#### Key management personnel

Disclosures relating to Key Management Personnel are set out in Note 15 and detailed remuneration disclosures are provided in the remuneration report in the directors' report.

#### Loans to key management personnel

During the previous financial year, the Company entered into a convertible loan facility agreement with Merchant Holdings Pty Ltd, a company controlled by Mr Mark Stowell. This agreement provided a loan facility for \$100,000 available for draw down for 6 months from the date of the agreement. In terms of the agreement interest accrued at 12% per annum on outstanding principal with a default interest rate of 20% should the loan facility not be repaid within 12 months. The loan was drawn down fully in the current financial year. Repayment of the loan occurred on 16 February 2022 via conversion to 3,654,914 fully paid ordinary shares at an issue price of \$0.03 each together with a 1 for 2 free attaching listed option exercisable at \$0.10 each on or before 16 February 2024 totalling \$109,648 and a cash amount of \$10,352 paid on 14 March 2022. Interest of \$20,000 was accrued and paid at the default interest rate of 20%.

Apart from the above loan facility, 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 personnel 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.



## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 17 Share-based payments

On 13 January 2022, the Company granted 600,000 unlisted options to employees under the Company's Employee Incentive Option Plan ('EIOP'). 50% vested on 30 July 2022 and the remaining 50% will vest on 30 July 2023, subject to employment conditions. 300,000 unlisted options lapsed as a result of the employment conditions.

On 30 July 2021, the Company granted 6,000,000 unlisted options to directors under the EIOP and were approved at a General Meeting of the shareholders held on 30 July 2021. The unlisted options vested on the grant date and are subject to performance criteria.

On 24 June 2021 the Company granted 3,800,000 unlisted options to employees under the EIOP. 3,350,000 have vested with the remaining 300,000 vesting 1 July 2023, subject to employment conditions. 150,000 unlisted options lapsed as a result of the employment conditions.

Set out below are summaries of options granted under the EIOP:

#### 2022

Options series	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
3	13/01/2022	30/07/2026	Nil	-	600,000	-	(300,000)	300,000
2	30/07/2021	30/07/2026	Nil	-	6,000,000	-	-	6,000,000
1	24/06/2021	30/07/2026	Nil	3,800,000	-	-	(150,000)	3,650,000
				<b>3,800,000</b>	<b>6,600,000</b>	-	<b>(450,000)</b>	<b>9,950,000</b>

Weighted average exercise price - - - - -

#### 2021

Options series	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
1	24/06/2021	30/07/2026	Nil	-	3,800,000	-	-	3,800,000
				-	<b>3,800,000</b>	-	-	<b>3,800,000</b>

Weighted average exercise price - - - - -

6,450,000 options are exercisable at the end of the financial year (2021: 2,900,000).

The weighted average share price during the current and previous financial year was \$0.03.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.08 years (2021: 5.08 years).

For the options granted, the valuation model inputs used to determine the total fair value of \$264,360 at the various grant dates using the Binomial Option Model are as follows:

Options series	Grant date	Expiry date	Share price at grant date	Exercise Price	Expected volatility	Risk-free interest rate	Fair value at grant date	Total fair value
3	13/01/2022	30/07/2026	\$0.0387	Nil	87.83%	1.465%	\$0.028	\$16,800
2	30/07/2021	30/07/2026	\$0.06	Nil	98.40%	0.56%	\$0.0516	\$30,960 <sup>1</sup>
1	24/06/2021	30/07/2026	\$0.057	Nil	91.58%	0.065%	\$0.057	\$216,600

<sup>1</sup> These unlisted options were valued taking into consideration a 10% expected exercise rate given the performance criteria.

For further details in relation to the EIOP and performance criteria refer to page 9 of the remuneration report.

The total fair value of the unlisted options is expensed over the estimated vesting period. The share-based expense of \$77,455 (2021: \$165,991) was recognised in the consolidated statement of profit and loss and other comprehensive income for the year.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 18 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 set out below:

	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest bearing \$	2022 Total \$	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest bearing \$	2021 Total \$
<b>Financial Assets</b>								
Cash and cash equivalents	-	-	161,218	<b>161,218</b>	-	-	1,526,749	<b>1,526,749</b>
<b>Total Financial Assets</b>	-	-	161,218	<b>161,218</b>	-	-	1,526,749	<b>1,526,749</b>
<b>Financial Liabilities</b>								
Trade and other payables	-	-	(309,734)	<b>(309,734)</b>	-	-	(195,290)	<b>(195,290)</b>
<b>Total Financial Liabilities</b>	-	-	(309,734)	<b>(309,734)</b>	-	-	(195,290)	<b>(195,290)</b>
<b>Net Financial Assets/(Liabilities)</b>	-	-	(148,516)	<b>(148,516)</b>	-	-	1,331,459	<b>1,331,459</b>

#### 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.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 18 Financial risk management (continued)

#### ■ 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 consolidated statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

#### ■ Contractual maturities

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

	Within 1 Year		Greater Than 1 Year		Total	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables	(309,734)	(195,290)	-	-	(309,734)	(195,290)
<b>Total contractual outflows</b>	<b>(309,734)</b>	<b>(195,290)</b>	<b>-</b>	<b>-</b>	<b>(309,734)</b>	<b>(195,290)</b>
Financial assets						
Cash and cash equivalents	161,218	1,526,749	-	-	161,218	1,526,749
<b>Total anticipated inflows</b>	<b>161,218</b>	<b>1,526,749</b>	<b>-</b>	<b>-</b>	<b>161,218</b>	<b>1,526,749</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>(148,516)</b>	<b>1,331,459</b>	<b>-</b>	<b>-</b>	<b>(148,516)</b>	<b>1,331,459</b>

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.

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

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### Note 18 Financial risk management (continued)

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(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.

(4) *Commodity price risk*

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

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

■ **Net fair values**

*Fair value estimation*

The fair values of financial assets and financial liabilities are presented in the table in note 18a and can be compared to their carrying values as presented in the consolidated 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.

## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 19 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 Group's exploration plan. There is no quantitative return of capital criteria set out for management, but instead the Group 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 Group is not subject to any externally imposed capital requirements.

The Group considers its capital to be equity which comprises fully paid ordinary shares, share-based payment reserve, foreign currency translation reserve and accumulated losses, which at 30 June 2022 amounted to (\$84,626) (30 June 2021 – \$1,359,517).

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 Group's approach to capital management during the current year.

The working capital position of the Group were as follows:

	Note	2022 \$	2021 \$
Cash and cash equivalents	5	161,218	1,526,749
Trade and other payables	8	(309,734)	(195,290)
<b>Working capital position</b>		<b>(148,516)</b>	<b>1,331,459</b>

### Note 20 Auditor's remuneration

	2022 \$	2021 \$
Remuneration of the auditor of Southern Hemisphere Mining Limited for:		
Auditing or reviewing the financial reports:		
PKF Perth	19,715	30,340

### Note 21 Contingent Assets/ Liabilities

There were no contingent liabilities as at 30 June 2022 or 30 June 2021.

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

### Note 22 Commitments

The Group's exploration commitments are as follows:

	2022 \$	2021 \$
Not longer than 1 year	32,524	32,792
Longer than 1 but not longer than 5 years	-	-
Longer than 5 years	-	-
	<b>32,524</b>	<b>32,792</b>

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## Notes to the consolidated financial statements

for the year ended 30 June 2022

### Note 23 Controlled entities

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

	Country of Incorporation	Equity Holding	
		2022	2021
■ Southern Hemisphere Mining (Aust) 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.

- (1) Southern Hemisphere Mining (Aust) 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 (Aust) Pty Ltd and the investment is held by Southern Hemisphere Mining (Aust) 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 of Minera Hemisferio Sur SCM and the investment is held by Minera Hemisferio Sur SCM.

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

### Note 24 Events subsequent to reporting date

On 7 July 2022, the Company issued 3,800,000 unlisted options expiring 30 July 2026 to employees under the Employee Incentive Option Plan ('EIOP'). As at the date of this report the Group had 7,750,000 unlisted options on issue leaving a capacity under the EIOP of 397,991.

On 19 July 2022, the Company completed a placement to professional and sophisticated investors raising \$879,983 before costs via the issue of 43,999,158 fully paid ordinary shares at an issue price of \$0.02 per share.

The impact of the Coronavirus ('COVID-19') pandemic was ongoing for the Group up to 30 June 2022. Subsequent to the year end, we are seeing minimal impact as business is starting to return back to more normal and predictable conditions. We are no longer seeing the delays due to maintaining social distancing, quarantine requirements or travel restrictions.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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## Directors' declaration

The directors declare that:

- (a) 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.
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements and giving a true and fair view of the financial position as at 30 June 2022 and performance of the Group for the financial year ended on that date, and
- (d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**MARK STOWELL**

Chairman

Perth, 28 September 2022

## 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 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2022 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.

#### Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 2(b)(iii) in the financial report, which indicated that the consolidated entity incurred a net loss after tax of \$2,887,633 during the year ended 30 June 2022 (2021: net loss after tax of \$1,251,232), net asset deficiency of \$84,626 (2021: Net Assets of 1,359,517) and had net cash outflows from operating activities of \$2,706,149 (2021: \$900,525). This, along with other matters as set forth in Note 2(b)(iii), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

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## 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 Matter

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. This matter is 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 this matter. For the matter below, our description of how our audit addressed the matter is provided in that context

### 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 \$2,232,900 (2021:\$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 78% 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.

#### 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).

## 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 2022, 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 2022.

In our opinion, the Remuneration Report of Southern Hemisphere Mining Limited for the year ended 30 June 2022, 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 2022  
WEST PERTH,  
WESTERN AUSTRALIA

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## Additional Information for Listed Public Companies

The following additional information as at 23 September 2022 is required by the Australian Securities Exchange in respect of listed public companies.

### 1 Capital

- a. Fully paid ordinary shares  
337,326,885 fully paid ordinary shares held by 601 shareholders.
- b. Listed options  
24,444,003 listed options exercisable at \$0.10 expiring 16 February 2024 held by 134 optionholders.
- c. Unlisted options  
13,750,000 unlisted options exercisable at nil expiring 30 July 2026 held by 19 optionholders.
- d. Performance Shares  
The Company has no Performance Shares on issue.
- e. Voting Rights  
The voting rights attached to each class of equity security are as follows:
  - Fully paid ordinary shares: Each fully paid ordinary share is entitled to one vote.
  - Listed and unlisted options: Optionholders of listed or unlisted options are not entitled to vote by virtue of holding an option.

#### f. Substantial Shareholders as at 23 September 2022

Name	Number of Fully Paid Ordinary Shares Held	% Held of Issued Ordinary Capital
Merchant Holdings Pty Ltd	35,261,800	10.45
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	18,554,549	5.50

#### g. Distribution of Shareholders as at 23 September 2022

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	131	54,381	0.02
1,001 – 5,000	84	204,845	0.06
5,001 – 10,000	49	384,762	0.11
10,001 – 100,000	151	6,132,150	1.82
100,001 – and over	186	330,550,747	97.99
	601	337,326,885	100.00

- h. Unmarketable Parcels as at 23 September 2022  
301 fully paid ordinary shareholders holding less than a marketable parcel of shares.

- i. On-Market Buy-Back  
There is no current on-market buy-back.

- j. Restricted Securities  
The Company has no restricted securities on issue.

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k. 20 Largest Shareholders — Ordinary Shares as at 23 September 2022

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	MERCHANT HOLDINGS PTY LTD	35,261,800	10.45
2.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	18,554,549	5.50
3.	PIAMA PTY LTD <FENA SUPERANNUATION PLAN A/C>	15,000,000	4.45
	ICECOLD INVESTMENTS PTY LTD <G&J BROWN SUPER FUND A/C>	15,000,000	4.45
4.	MRS JILL ANDERSON	14,999,500	4.45
5.	ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C>	13,201,014	3.91
6.	MR GRANT POVEY	10,633,558	3.15
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,587,320	3.14
8.	GREATSIDE HOLDINGS PTY LTD <ADL A/C>	9,642,064	2.86
9.	MR RICHARD ALEXANDER CALDWELL	9,333,333	2.77
10.	INKESE PTY LTD	9,300,000	2.76
11.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES /C>	8,610,987	2.55
12.	HENGGELER SUPER PTY LTD <TOP BANANAS SUPERFUND A/C>	8,108,000	2.40
13.	1215 CAPITAL PTY LTD	7,419,455	2.20
14.	MR JAY EVAN DALE HUGHES <INKESE FAMILY A/C>	7,000,000	2.08
15.	MS MICHELLE LEE HASKINS	5,884,952	1.74
16.	LIBERTY MANAGEMENT PTY LTD <LIBERTY SUPER FUND A/C>	5,252,151	1.56
17.	NORVEST PROJECTS PTY LTD	5,000,000	1.48
18.	MRS MELANIE JANE CHESSELL	4,800,000	1.42
19.	WESTRADE RESOURCES PTY LTD <SHEPPARD SUPER FUND A/C>	4,050,006	1.20
20.	ERMGA (WA) PTY LTD <NODLAW INV EMPLOYEE S/F A/C>	4,035,003	1.20
<b>TOTAL</b>		<b>221,673,692</b>	<b>65.71</b>

**2 Principal registered office**

As disclosed in the Corporate directory of this Annual Report.

**3 Registers of securities**

As disclosed in the Corporate directory of this Annual Report.

**4 Stock exchange listing**

Quotation has been granted for the fully paid ordinary shares and listed options exercisable at \$0.10 expiring 16 February 2024 of the Company on all Member Exchanges of the Australian Securities Exchange Limited, as disclosed in the Corporate directory of this Annual Report.

**5 Use of funds**

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

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## 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
<b>Measured plus Indicated</b>	<b>149</b>	<b>0.29</b>	<b>0.12</b>	<b>0.008</b>	<b>0.41</b>
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 <sub>2</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	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
<b>Measured plus Indicated</b>	<b>18.34</b>	<b>7.58</b>	<b>55.82</b>	<b>2.91</b>	<b>5.62</b>	<b>2.91</b>	<b>0.05</b>
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](http://www.shmining.com.au).

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## Concession Schedule

*Mining Property List as at 30 June 2022*

### Minera Hemisferio SUR S.C.M

#### Colina 2 Project

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

#### Los Pumas Project

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

### Minera Llahuin S.C.M

#### Llahuin Project

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

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