Annual Report

Southern Hemisphere Mining Limited

ACN 140 494 784

30 June 2020

Corporate directory

Board of Directors

Mr Mark Stowell	*Chairman*
Mr David Lenigas	*Director*
Mr Keith Coughlan	*Director*

Company Secretary

Jessamyn Lyons

Principal Registered Office

Street:	Suite 2 11 Ventnor Avenue West Perth, Western Australia 6005
Postal:	PO Box 1240 West Perth, Western Australia 6872
Telephone:	+618 6245 2050
Email:	jess@everestcorp.com.au
Website:	www.shmining.com.au

Share Registry

Computershare Investor Services Pty Ltd

Street:	Level 11, 172 St Georges Terrace Perth, Western Australia 6000
Postal:	GPO Box D182 Perth, Western Australia 6840
Telephone:	1300 850 505
Email:	web.queries@computershare.com.au
Website:	www.investorcentre.com

Securities Exchange

Australian Securities Exchange

Website:	www.asx.com.au
ASX Code:	SUH

Auditors

PKF Perth
Level 4,
35 Havelock Street
West Perth, Western Australia 6005

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Chairman's Letter

The past year has been a turnaround year for Southern Hemisphere. A detailed technical review of every project and prospect took place, and the Company relinquished those that did not meet expectations, to focus on those with potential.

As a result, we entered into an arrangement with Pucbore to conduct further studies on Llahuin Copper project to determine whether it would fit economically into their mine plan for El Espino Copper mine 10km away. This work is progressing.

The Colina2 Gold exploration project was identified following the historic data, which showed that a significant gold in soil geochem anomaly had not been adequately tested by the one historic drillhole. Following structural analysis, we interpret that it was sub parallel to the structure and, did not go deep enough. The core was also not sampled in numerous zones. Unfortunately, the core is not available. A low cost trenching method was utilised to test the source of the gold, which was successful and resulted in a new gold discovery, with grades up to 9.46g/t gold.

Further trenching is about to commence and will be followed by RC and Diamond drilling.

The company's focus for the year ahead is advancing the above two projects, with the gold price close to US$2,000 per oz, and copper price recently moving above US$3 per lb.

We look forward to reporting the results as progress is made.

Yours sincerely,

Mark Stowell
Chairman
Southern Hemisphere Mining Limited

Operations review

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

The Llahuin copper project hosts a 149Mt @0.41%CuEq resource. Exploration activities at the Llahuin project during the year were completed by Sociedad Punta del Cobre S.A. (Pucobre). Pucobre is a copper producer listed on the Santiago Stock Exchange.

Pucobre are progressing towards development of the large El Espino Copper mine with estimated US$658m capex, production estimated 42,000t Cu and 30,000 oz gold p.a over 20 years. Please refer to the following link for further information on this: https://www.pucobre.cl/OpenDocs/asp/pagDefault.asp?boton=Doc50&argInstanciaId=50&argCarpetaId=11&argTreeNodosAbiertos=(0)(11)&argTreeNodoSel=11&argTreeNodoActual=11&argRegistroId=10

Pucobre have completed works and extraction of samples for metallurgical testwork from a historic adit into the Central Prospect deposit. The testwork will evaluate if SUH's Llahuin copper resource would be complimentary to the development schedule of their El Espino Copper Mine 8km away, (20km by existing road).

The program included surveying and sampling of the main adit over 150m in length to provide sufficient material (+ one tonne) for assaying and metallurgical testwork. The metallurgical testing will confirm if the material from Llahuin can be blended with the El Espino ore for processing without affecting the original copper-gold recoveries. This work is ongoing.

Los Pumas 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 approval and awaits water supply agreements, completion of final and feasibility studies once the Manganese price is optimal. The Company notes the recent appreciation in the manganese price.

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 Chilean and/or American markets for the product are being investigated and need to be secured by the company (or a JV partner) prior to any further on ground development work being undertaken.

Colina2 Gold Project

The Colina2 Gold Project covers an area of approximately 259Ha, located 9km to the northwest of Sociedad Punta del Cobre S.A. (Pucobre) El Espino Copper Mine, which is advancing towards development and has received the first results from the recent exploration program.

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

Samples were collected on a 1m length along the trench with an average weight of 5kg per sample. The company has now received all the 372 assays and announced a gold discovery with grades in trenching up to 9.46g/t

Planned work at Colina2 includes additional surface trenching to better define the potential strike of the gold mineralisation and drilling to test the downdip width and tenor of the gold mineralisation discovered in the trenches.

Directors' report

The Directors present their Report together with the consolidated financial statements of the Group comprising of Southern Hemisphere Mining Limited and (**the Company**) and its controlled entities (collectively **the Group**) for the financial year ended 30 June 2020 and the auditor's report thereon.

1. Directors

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

Mr Mark Stowell	Chairman
Mr David Lenigas	Director
Mr Keith Coughlan	Director
Mr Trevor Tennant	Director *(retired 31 March 2020)*

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

2. Company secretary

The following person held the position of Company Secretary at the end of the financial year:

- Ms Jessamyn Lyons

Qualifications	Bachelor of Commerce, Graduate Diploma in Applied Corporate Governance
Experience	Ms Lyons is a Chartered Secretary, an Associate of the Governance Institute of Australia and holds a Bachelor of Commerce from the University of Western Australia with majors in Investment Finance, Corporate Finance and Marketing. Ms Lyons is also a Director of Everest Corporate and Company Secretary of Doriemus PLC, RBR Group Limited, Dreadnought Resources Limited and Los Cerros Limited. Ms Lyons also has 15 years of experience working in the stockbroking and banking industries and has held various positions with Macquarie Bank, UBS Investment Bank (London) and more recently Patersons Securities.

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2020.

4. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group occurred during the financial year:

5. Operating and financial review

5.1. Nature of Operations Principal Activities

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

5.2. Financial Review

Operating results

For the 2020 financial year the Group delivered a loss before tax of $364,753 (2019: $219,684).

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

Financial position

The net assets of the Group have decreased from 30 June 2019 by $84,122 to net liabilities of $11,092 at 30 June 2020 (2019: $73,030).

As at 30 June 2020, the Group's cash and cash equivalents decreased from 30 June 2019 by $67,709 to $32,822 (2019: $100,531) and had deficit of working capital of $28,039 (2019: $34,899 working capital).

Directors' report

5.3. Events Subsequent to Reporting Date

On 17 July 2020, the Company announced that it had commenced exploration work at its 100% owned Colina2 Gold Project in Chile.

On 27 July 2020, the Company announced that it was undergoing a one for two non-renounceable rights issue to raise up to $540,000. The offer booklet for the issue was released to shareholders on 4 August 2020 and the issue was completed on 20 August 2020 via the issue of a total of 54,319,946 fully paid ordinary shareholders to eligible participants.

On 1 September 2020, the Company announced the first results of the exploration program at its 100% owned Colina2 Gold Project, confirming that the trenching had identified the source of the significant gold in soil anomaly, that is coincident with the NE-SW trending fault on the eastern side of the anomaly. The host rock at Colina2 is an altered Grano-diorite intrusive with boxwork textures with hematite-limonite possibly replacing sulphides and magnetite. Some quartz veinlets smaller than 1 mm with a central suture and hematite halo were also observed in the trenches.

On 30 September 2020, the Company announced that a 2,800m trenching program at its 100% owned Colina2 Gold Project in Chile had commenced. A recent sampling result has been received of 3.1g/t gold, 540m to the SW along strike from the previous trenching results. This rock chip result confirms the gold mineralisation has a strike length of at least 1km.

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2020.

5.4. Future Developments, Prospects and Business Strategies

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

5.5. Environmental Regulations

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

During the year ended 30 June 2020 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached, and no claim has been made for increase of bond.

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

6. Information relating to the directors

Mr Mark Stowell	Chairman (appointed 1 November 2019)
Qualifications	Chartered Accountant.
Experience	Chartered Accountant with over 20 years of corporate finance and resource business management experience. He served as manager in the corporate division of Arthur Andersen and subsequently in the establishment and management of a number of successful ventures as principal, including resource companies operating in Australia and internationally. He was a founder of Anvil Mining Ltd a DR Congo copper/silver company, and on its board for seven years. He was a founder and 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 and silver miner and explorer which completed an IPO on the Toronto Stock Exchange in one of the largest base metal IPO's of 2011. He is also Chairman of Kula Gold Ltd.
Special responsibilities	Nil
Interest in Shares and Options	4,769,686 Ordinary Shares
Directorships held in other listed entities	Kula Gold Limited (ASX listed - KGD)

Directors' report

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

Mr Keith Coughlan	Non-executive Director (appointed 7 July 2016)
Qualifications	BA
Experience	Mr Coughlan has almost 30 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on the ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds.
Special responsibilities	Nil
Interest in Shares and Options	5,442,141 Ordinary Shares
Directorships held in other listed entities	Managing Director of European Metals Holdings Limited Non-Executive Director of Calidus Resources Limited Non-Executive Chair of Doriemus Plc

Mr Trevor Tennant	Director (retired 31 March 2020)
Qualifications	Associateship in Mining Engineering from the WA School of Mines
Experience	Mr Trevor Tennant is a mining engineer with over 40 years' experience in the mining industry. He has been an executive director of Portman Mining Limited, OM Holdings Limited and Territory Iron Limited. Each of these companies has developed and operated mines during Mr Tennant's tenure on their boards. Mr Tennant's earlier work experience has included positions as underground manager of a tin mine in Indonesia, an engineer involved in the feasibility study for the OK Tedi mine and General Manager of the Groote Eylandt manganese mine.
Special responsibilities	Nil
Interest in Shares and Options	8,560,087 Ordinary Shares
Directorships held in other listed entities	None

Directors' report

7. Meetings of directors and committees

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

	DIRECTORS' MEETINGS		AUDIT COMMITTEE		NOMINATION COMMITTEE		REMUNERATION COMMITTEE		FINANCE AND OPERATIONS COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Mr M Stowell	3	3								
Mr D Lenigas	4	4								
Mr K Coughlan	4	4								
Mr T Tennant	3	3								

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

8. Indemnifying officers or auditor

8.1. Indemnification

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

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

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

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

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

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

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

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

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

8.2. Insurance premiums

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

9. Options

9.1. Unissued shares under option

At the date of this Report, there are no unissued shares of the Group under option.

9.2. Shares issued on exercise of options

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

Directors' report

10. Non-audit services

During the year, the Company's auditor, PKF Perth, did not perform any services other than their statutory audits (2019: $nil). Details of remuneration paid to the auditor can be found within the financial statements at Note 17.

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

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

11. Proceedings on behalf of company

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

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

12. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2020 has been received and is included within the annual report.

13. Remuneration report (audited)

The information in this remuneration report has been audited as required by s308(3C) of the Corporations Act 2001.

13.1. Key management personnel (KMP)

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

- Mr Mark Stowell — Chairman (*appointed 1 November 2019)*
- Mr David Lenigas — Director *(former Chairman till 1 November 2019)*
- Mr Keith Coughlan — Director
- Mr Trevor Tennant — Director *(retired 31 March 2020)*

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

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

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

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

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

- Engagement of Remuneration Consultants

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

- Relationship between Remuneration of Key Management Personnel and Shareholder Wealth

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

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

Directors' report

13. Remuneration report (audited) (cont.)

Relationship between Remuneration of Key Management Personnel and Earnings

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

13.3. Directors and KMP remuneration

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

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

2020

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

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

2019

Group Key Management Person	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total
	Salary, fees and leave $	Profit share and bonuses $	Non-monetary $	Other $	Super-annuation $	Other $	Equity $	Options $	$
Mr D Lenigas	24,000	-	-	-	-	-	-	-	**24,000**
Mr K Coughlan	24,000	-	-	-	-	-	-	-	**24,000**
Mr T Tennant	24,000	-	-	-	-	-	-	-	**24,000**
	72,000	-	-	-	-	-	-	-	**72,000**

13.4. Service Agreements

Director Remuneration

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

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

Directors' report

13. Remuneration report (audited) (cont.)

13.5. Share-based compensation

- Key Management Personnel Options

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

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

No unlisted options were granted during the current year under the Share Option Plan. No unlisted options were exercised. No unlisted options lapsed or expired during the year.

At the year-end there are no outstanding unlisted options.

- Securities received that are not performance-related

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

13.6. Key management personnel equity holdings

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

2020 *Group Key Management Person*	Balance at start of year (or appointment) No.	Received as part of remuneration No.	Received on the exercise of options No.	Other changes No.	Balance at end of year (or retirement) No.
Mr M Stowell	-	-	-	1,200,000	1,200,000
Mr D Lenigas	7,884,282	-	-	1,200,000	9,084,282
Mr K Coughlan	4,628,094	-	-	-	4,628,094
Mr T Tennant	8,560,087	-	-	-	8,560,087
	21,072,463	-	-	2,400,000	23,472,463

- Options in the Company held by each Key Management Personnel

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

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

13.7. Other equity-related KMP transactions

Apart from the details disclosed in 13.4 above, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts or balances involving Directors' interests existing at year end.

13.8. Loans to key management personnel

There are no loans made to directors of Company as at 30 June 2020 (2019: nil).

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

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer Note 13.

13.10. 13.10. Voting and comments made at the company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

END OF REMUNERATION REPORT

Directors' report

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

MARK STOWELL
Chairman
Dated this Wednesday, 30 September 2020

Advisory • Audit
Business Solutions

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 2020, 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

PKF PERTH

SHANE CROSS
PARTNER

30SEPTEMBER 2020
WEST PERTH

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Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Note	2020 $	2019 $
Continuing Operations			
Interest income		-	1
Other income	3a	-	169,605
Office and administration		(43,510)	(82,638)
Professional fees		(66,664)	(87,467)
Employee benefits expense	3b	(168,884)	(120,723)
Exploration and evaluation related expenditure		(82,417)	(62,210)
Exploration and evaluation costs written off		(3,278)	(36,252)
Loss before income tax		**(364,753)**	**(219,684)**
Income tax expense	4	-	-
Loss after income tax for the year		**(364,753)**	**(219,684)**
Other comprehensive income, net of income tax			
■ Items that may be reclassified subsequently to profit or loss			
□ Foreign currency movement		(5,079)	(7,132)
Other comprehensive loss for the year, net of tax		**(5,079)**	**(7,132)**
Total comprehensive loss for the year		**(369,832)**	**(226,816)**
Earnings per share			
Basic and diluted loss per share	11	(0.038)	(0.022)

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

Consolidated statement of financial position

as at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current Assets			
Cash and Cash Equivalents	5a	32,822	100,531
Other Assets	6	16,947	38,131
		49,769	**138,662**
Total Assets		**49,769**	**138,662**
Liabilities			
Current Liabilities			
Trade and Other Payables	7	60,861	65,632
		60,861	**65,632**
Total Liabilities		**60,861**	**65,632**
Net (Liabilities)/Assets		**(11,092)**	**73,030**
Equity			
Issued capital	8	51,903,334	51,617,624
Reserves	10	978,522	983,601
Accumulated losses		(52,892,948)	(52,528,195)
Total Equity		**(11,092)**	**73,030**

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

Consolidated statement of changes in equity

for the year ended 30 June 2020

	Note	Common Shares	Foreign Currency Translation Reserve	Accumulated Losses	Total
		$	$	$	$
Balance – 30 June 2018		**51,421,393**	**990,733**	**(52,308,511)**	**103,615**
Net loss for the year		-	-	(219,684)	(219,684)
Foreign currency translation		-	(7,132)	-	(7,132)
Total Comprehensive Loss		**-**	**(7,132)**	**(219,684)**	**(226,816)**
Share issued, net of transaction costs	8	196,231	-	-	**196,231**
Balance – 30 June 2019		**51,617,624**	**983,601**	**(52,528,195)**	**73,030**
Net loss for the year		-	-	(364,753)	(364,753)
Foreign currency translation		-	(5,079)	-	(5,079)
Total Comprehensive Loss		**-**	**(5,079)**	**(364,753)**	**(369,832)**
Share issued, net of transaction costs	8	285,710	-	-	**285,710**
Balance – 30 June 2020		**51,903,334**	**978,522**	**(52,892,948)**	**(11,092)**

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

Consolidated statement of cash flows

for the year ended 30 June 2020

For the Year ended	Note	30 June 2020 $	30 June 2019 $
Cash provided by (used in)			
Operating activities:			
Payments to suppliers and employees		(245,399)	(309,328)
Interest received		-	1
	5c	**(245,399)**	**(309,327)**
Investing activities:			
Payments for exploration and evaluation expenditure		(104,478)	(54,791)
Proceeds from Option Agreement with Hudbay		-	169,605
		(104,478)	**114,814**
Financing activities:			
Issuance of ordinary shares		291,705	200,000
Costs of share issuance		(5,995)	(3,769)
		285,710	**196,231**
(Decrease)/Increase in cash and equivalents		**(64,167)**	**1,717**
Effect of exchange rates on cash and cash equivalents		(3,542)	(7,058)
Cash and cash equivalents, beginning of year		100,531	105,872
Cash and cash equivalents, end of year	**5a**	**32,822**	**100,531**

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

(Expressed in Australian Dollars unless otherwise stated)

Note 1 General Information

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

Southern Hemisphere is a Company limited by shares incorporated and domiciled in Australia whose Ordinary Shares are publicly traded on the Australian Securities Exchange ("ASX"). The address of the registered office is Suite 2, Level 1, 11 Ventnor Avenue, West Perth, Western Australia 6005. The financial report of the Group for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 30 September 2020.

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 2020 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), other pronouncements of the Australian Accounting Standards Board ("AASB"), Australian Accounting Interpretations and the Corporations Act 2001. Compliance with AIFRS also ensures that the consolidated financial statements are in compliance with International Financial Reporting Standards (including interpretations).

b. Basis of Preparation

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

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

i. New, revised or amending Accounting Standards and Interpretations

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

- AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Notes to the consolidated financial statements

for the year ended 30 June 2020

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. There is no impact to the current reporting period.

- Other standards not yet applicable

  The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

iii. Going concern

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

As disclosed in the financial statements, the Group incurred a loss of $364,753 and had net cash outflows from operating activities of $245,399 and cash inflows from financing activities of $285,710 (net of costs) for the year ended 30 June 2020.

Notwithstanding the above, 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 30 June 2020, the Company completed a Non-renounceable Rights Issue raising over $543,000, before costs.
- The Directors are confident the Group has the ability to raise further funds through capital raisings as and when required to satisfy its operational expenditure commitments.

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

Should the Directors not achieve the matters set out above, there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish 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 amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity is not able to continue as a going concern.

c. Parent Entity Information

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

d. Basis of Consolidation

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

i. Subsidiaries

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

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

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

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

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

ii. Joint Ventures

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

e. Operating Segments

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

f. Functional and Presentation Currency

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

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

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

g. Use of Estimates and Judgements

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

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

i. *Critical Accounting Estimates*

A. Exploration and Evaluation Assets

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

B. Impairment

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

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

C. Provisions and contingencies

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

D. Decommissioning and environmental provisions

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

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

E. Fair value of share-based compensation

The fair value of share-based compensation are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

ii. ***Critical Accounting Judgements***

A. Exploration and Evaluation Assets

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

B. Income taxes

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

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 consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates.

h. Financial Instruments

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

i. Effective Interest Method

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

ii. Loans and Receivables

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

iii. Impairment of Financial Assets

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

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

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

iv. Other financial liabilities

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

v. Fair values

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

The Company has made the following classifications:

Other assets	Loans and receivables
Loans due from related parties	Loans and receivables
Trade and other payables	Other liabilities
Other liabilities	Other liabilities
Loans due to related parties	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 fair value measurements.

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.

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 3 Revenue and expenses	2020 $	2019 $
a. Other income		
Income from Option Agreement with Hudbay	-	169,605
	-	169,605
b. Employment benefits expense		
Directors fees(i)	117,000	72,000
Superannuation expenses	1,140	-
Wages and salaries	50,744	48,723
	168,884	**120,723**

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties

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

Note 4 Income tax	Note	2020 $	2019 $
The following significant revenue and expense items are relevant in explaining the financial performance:			
Net loss for accounting		(364,753)	(219,684)
Expected tax rate		30.0%	30.0%
Expected tax recovery at statutory rates		(109,426)	(65,905)
Adjustments recognised in the current year in relation to the current tax of previous years		-	(7,809)
Effect of tax rates in foreign jurisdictions*		(1,132)	-
Change in corporate tax rate		199,459	(125,571)
Effect of deferred taxes that would be recognised directly in equity		(1,799)	(1,130)
Temporary losses & temporary differences not recognised		(87,102)	200,415
Deferred income tax expense (recovery)			
Revenue losses carried forward		1,492,840	1,583,350
Unrecognised deferred tax asset		(1,492,840)	(1,583,350)
Deferred income tax assets (liability)			

*The tax rates used in the above reconciliation are the corporate tax rate of 30% (2019: 30%) payable by Australian corporate entities on taxable profits under Australian tax law and 27% payable by the subsidiaries which operate in Chile.

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 4 Income tax (cont.)

The tax benefits of the above 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.

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 5 Cash and cash equivalents	2020 $	2019 $
a. Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
■ Cash on hand and balances with banks	32,822	100,531
	32,822	100,531

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

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

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

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

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

c. Cash Flow Information	2020 $	2019 $
i. Reconciliation of cash flow from operations to (loss)/profit after income tax		
Loss after income tax	(364,753)	(219,684)
Adjustments for investing activities:		
■ Exploration expenditure	102,941	54,718
■ Income from Option Agreement with Hudbay	-	(169,605)
Non-cash flows in (loss)/profit from ordinary activities:		
■ (Increase)/decrease in receivables and other assets	21,184	33,977
■ Increase/(decrease) in trade and other payables	(4,771)	(8,733)
Cashflow from operations	(245,399)	(309,327)

d. Non-cash investing and financing activities

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 6 Other Assets	2020 $	2019 $
Current		
Deposits made for exploration and evaluation rights applied for but not yet granted	-	24,656
Prepayments	13,662	9,916
Other receivables	3,285	3,559
	16,947	38,131

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

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

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

Expected credit losses

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

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

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2020 and 30 June 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer’s ability to settle the amount outstanding.

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 7 Trade and other payables	2020 $	2019 $
a. **Current**		
Trade payables	5,387	46,077
Other payables	55,474	19,555
	60,861	**65,632**

b. Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 30 days.

c. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 15.

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

Note 8 Issued capital	Note	2020 No.	2019 No.	2020 $	2019 $
Fully paid ordinary shares at no par value		108,639,892	88,469,471	51,907,407	51,617,624
Ordinary shares					
At the beginning of the period		88,469,471	85,136,137	51,617,624	51,421,393
Shares issued during the year:					
■ Share placement (a)		6,000,000	-	150,000	-
■ Share placement (b)		14,170,421	-	141,705	-
■ Share placement (c)		-	1,666,666	-	100,000
■ Share placement (d)		-	1,666,668	-	100,000
■ Share issued to Directors		-	-	-	-
■ Costs of share issues		-	-	(5,995)	(3,769)
At reporting date		108,639,892	88,469,471	51,903,334	51,617,624

(a) During the year ended 30 June 2020, the Company completed share placements to sophisticated and professional investors issuing a total of 6,000,000 ordinary shares at a price of $0.025 per share to raise $150,000 before costs.

(b) On 13 March 2020, the Company completed a share placement to sophisticated and professional investors for a total of 14,170,421 ordinary shares at a price of $0.01 per share to raise $141,704 before costs.

(c) On 7 November 2018, the Company completed a share placement to sophisticated and professional investors for a total of 1,666,666 ordinary shares at a price of $0.06 per share to raise $100,000 before costs.

(d) On 28 November 2018, the Company completed a share placement to sophisticated and professional investors for a total of 1,666,668 ordinary shares at a price of $0.06 per share to raise $100,000 before costs.

Terms of Ordinary Shares

Voting Rights

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 9 Operating segments

a. Identification of reportable segments

The Group operates predominantly in the mining industry. This comprises exploration and evaluation of copper, gold and lithium 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 maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

- **Segment assets**

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

- **Segment liabilities**

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 9 Operating segments (cont.)

For the Year to 30 June 2019	Australia $	Chile $	Total $
Segment revenue and other income	1	169,605	169,606
Segment exploration expenditures	(41,630)	(56,831)	(98,461)
Segment other expenses	(215,779)	(75,050)	(290,829)
Segment (loss)/profit after income tax	(257,408)	37,724	(219,684)
As at 30 June 2019			
Segment current assets	135,919	2,743	138,662
Segment total assets	135,919	2,743	138,662
Segment current liabilities	(59,542)	(6,090)	(65,632)
Segment total liabilities	(59,542)	(6,090)	(65,632)
Segment net assets/(liabilities)	76,377	(3,347)	73,030

Note 10 Reserves

	2020 $	2019 $
Foreign exchange reserve	978,522	983,601
	978,522	983,601

Movement in foreign exchange reserve

	2020 $	2019 $
Opening balance	983,601	990,733
Movement	(5,079)	(7,132)
Closing balance	978,522	983,601

a. **Foreign Exchange Translation Reserve**

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 11 Earnings per share (EPS)	2020 $	2019 $
a. **Reconciliation of earnings to profit or loss**		
(Loss) / profit used in the calculation of basic and diluted EPS	(364,753)	(219,684)

	2020 No.	2019 No.
b. **Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS**	95,245,662	87,200,064

	2020	2019
c. **Earnings per share**		
Basic and diluted EPS	(0.038)	(0.022)

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

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

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

Note 12 Parent entity disclosures	2020 $	2019 $
a. **Financial Position of Southern Hemisphere Mining Limited**		
Current assets	31,329	135,920
Non-current assets	228,102	172,144
Total assets	**259,431**	**308,064**
Current liabilities	54,721	19,232
Non-current liabilities	215,802	215,802
Total liabilities	**270,523**	**235,034**
Net (liabilities)/assets	**(11,092)**	**73,030**
Equity		
Issued capital	51,981,783	51,696,074
Accumulated losses	(51,992,875)	(51,623,044)
Total equity	**(11,092)**	**73,030**
b. **Financial performance of Southern Hemisphere Mining Limited**		
Profit / (loss) for the year	(243,086)	(298,003)
Other comprehensive income	-	-
Total comprehensive income	(243,086)	(298,003)

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 12 Parent entity disclosures (cont.)

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

There are no guarantees entered into by Southern Hemisphere Mining Limited for the debts of its subsidiaries as at 30 June 2020 (2019: none).

b. Contingent Liabilities of the Parent Entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 2019.

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

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2020 or 2019.

d. Significant accounting policies

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

Investments in subsidiaries, associates and joint venture entities

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

Share-based payments

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

Note 13 Key Management Personnel (KMP) compensation

The names are positions of KMP are as follows:

- Mr Mark Stowell — Chairman
- Mr David Lenigas — Director
- Mr Keith Coughlan — Director
- Mr Trevor Tennant — Director *(retired 31 March 2020)*

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.

	2020 $	2019 $
Short-term employee benefits	117,000	72,000
Post-employment benefits	1,140	-
Total	118,140	72,000

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 14 Related party transactions

a. Key Management Personnel

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

b. Receivable from and payable to related parties

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 personnels' interests existing at year end.

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

Note 15 Financial risk management

a. Financial Risk Management Policies

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

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

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

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

	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2020 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2019 Total $
Financial Assets								
Cash and cash equivalents	16,655	-	16,167	**32,822**	99,727	-	804	**100,531**
Total Financial Assets	16,655	-	16,167	**32,822**	99,727	-	804	**100,531**
Financial Liabilities								
Trade and other payables	-	-	(60,861)	**(60,861)**	-	-	(65,632)	**(65,632)**
Total Financial Liabilities	-	-	(60,861)	**(60,861)**	-	-	(65,632)	**(65,632)**
Net Financial Assets/(Liabilities	16,655	-	(44,694)	**(28,039)**	99,727	-	(64,828)	**34,899**

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 15 Financial risk management (cont.)

b. Specific Financial Risk Exposures and Management

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

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

- Credit risk

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

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

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

- Liquidity risk

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

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

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

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 15 Financial risk management (cont.)

- *Contractual Maturities*

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

	Within 1 Year		Greater Than 1 Year		Total	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Financial liabilities due for payment						
Trade and other payables	(60,861)	(65,632)	-	-	(60,861)	(65,632)
Total contractual outflows	(60,861)	(65,632)	-	-	(60,861)	(65,632)
Financial assets						
Cash and cash equivalents	32,822	100,531	-	-	32,822	100,531
Total anticipated inflows	32,822	100,531	-	-	32,822	100,531
Net (outflow)/inflow on financial instruments	(28,039)	34,899	-	-	(28,039)	34,899

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

- Market risk

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

(1) *Interest rate risk*

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

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

(2) *Foreign exchange risk*

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

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

(3) *Price risk*

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 15 Financial risk management (cont.)

(4) *Commodity price risk*

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

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

- Sensitivity Analyses

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

(1) *Foreign exchange*	Profit $	Equity $
Year ended 30 June 2020		
±10% of Australian dollar strengthening/weakening against the CLP	± 3,509	± 3,509
Year ended 30 June 2019		
±10% of Australian dollar strengthening/weakening against the CLP	± 3,772	± 3,772

- Net Fair Values

(1) *Fair value estimation*

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

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

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

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 16 Capital Management

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

The Company considers its capital to be equity which comprises ordinary shares, foreign currency translation reserve and accumulated deficit, which at 30 June 2020 amounted to ($11,092) (30 June 2019 - $73,030).

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

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

The working capital position of the Group were as follows:

	Note	2020 $	2019 $
Cash and cash equivalents	5	32,822	100,531
Trade and other payables	7	(60,861)	(65,632)
Working capital position		(28,039)	34,899

Note 17 Auditor's remuneration

	Note	30 June 2020 $	30 June 2019 $
Remuneration of the auditor of the Southern Hemisphere Mining Limited for:			
■ Auditing or reviewing the financial reports:			
□ PKF Perth		18,776	18,625
		18,776	18,625

Note 18 Controlled entities

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

	Country of Incorporation	Equity Holding 2020	2019
■ Southern Hemisphere Mining Pty LtdError! Reference source not found.	Australia	100	100
■ Pan American Mining Pty LtdError! Reference source not found.	Australia	100	100
■ Minera Hemisferio Sur SCMError! Reference source not found.	Chile*	100	100
■ Minera Panamericana SCMError! Reference source not found.	Chile*	100	100
■ Minera Llahuin SCMError! Reference source not found.	Chile*	100	100

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

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 18 Controlled entities

(1) Southern Hemisphere Mining Pty Ltd and Pan American Mining Pty Ltd are wholly owned subsidiaries of Southern Hemisphere Mining Limited and the investment is held by that entity.

(2) Minera Hemisferio Sur SCM is a wholly owned subsidiary of Southern Hemisphere Mining Pty Ltd and the investment is held by Southern Hemisphere Mining Pty Ltd.

(3) Minera Panamericana SCM is a wholly owned subsidiary of Minera Hemisferio Sur SCM and the investment is held by Minera Hemisferio Sur SCM.

(4) Minera Llahuin SCM is a wholly owned subsidiary with 50.01% owned by Minera Hemisferio Sur SCM and a 49.99% interest held by Pan American Mining Pty Ltd.

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

Note 19 Contingent Liabilities

There are no contingent liabilities as at 30 June 2020 (2019: nil).

Note 20 Commitments

The Company's exploration commitments are as follows:

	2020 $	2019 $
Not longer than 1 year	26,976	32,059
Longer than 1 but not longer than 5 years	-	-
Longer than 5 years	-	-
Total	26,976	32,059

Note 21 Events subsequent to reporting date

On 17 July 2020, the Company announced that it had commenced exploration work at its 100% owned Colina2 Gold Project in Chile.

On 27 July 2020, the Company announced that it was undergoing a one for two non-renounceable rights issue to raise up to $540,000. The offer booklet for the issue was released to shareholders on 4 August 2020 and the issue was completed on 20 August 2020 via the issue of a total of 54,319,946 fully paid ordinary shareholders to eligible participants.

On 1 September 2020, the Company announced the first results of the exploration program at it's 100% owned Colina2 Gold Project, confirming that the trenching had identified the source of the significant gold in soil anomaly, that is coincident with the NE-SW trending fault on the eastern side of the anomaly. The host rock at Colina2 is an altered Grano-diorite intrusive with boxwork textures with hematite-limonite possibly replacing sulphides and magnetite. Some quartz veinlets smaller than 1 mm with a central suture and hematite halo were also observed in the trenches.

On 30 September 2020, the Company announced that a 2,800m trenching program at its 100% owned Colina2 Gold Project in Chile had commenced. A recent sampling result has been received of 3.1g/t gold, 540m to the SW along strike from the previous trenching results. This rock chip result confirms the gold mineralisation has a strike length of at least 1km.

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2020.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* (Cth) and:

   (a) comply with Accounting Standards;

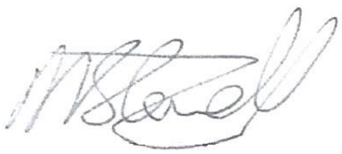
   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

   (c) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Group.

   (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



MARK STOWELL
Chairman and Non-executive Director
Dated this Wednesday, 30 September 2020

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 2020, 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 2020 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to the financial report which indicates the consolidated entity has incurred a loss of $364,753 and operating cash outflows of $245,399 for the year ended 30 June 2020. These conditions along with other matters in note 2b.(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.

Advisory • Audit
Business Solutions

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 was 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 each matter below, our description of how our audit addressed the matter is provided in that context

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 $85,695.

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 23.5% 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 2020, 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 2020.

In our opinion, the Remuneration Report of Southern Hemisphere Mining Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Advisory • Audit
Business Solutions

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

PKF PERTH

SHANE CROSS
PARTNER

30 September 2020
WEST PERTH,
WESTERN AUSTRALIA

Corporate governance statement

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication 'Corporate Governance Principles and Recommendations (3rd Edition)' (**Recommendations**). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons have been provided for not following them.

The Company's Corporate Governance Plan has been posted on the Company's website at www.shmining.com.au.

Principles And Recommendations	Comply	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which: (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	Complying	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Complying	(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director. (b) Material information relevant to any decision on whether, or not, to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complying	The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complying	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.
Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	Complying	(a) The Company has adopted a Diversity Policy. (i) The Diversity Policy provides a framework for the Company to achieve a list of 5 measurable objectives that encompass gender equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives. (b) The Diversity Policy is outlined in the Corporate Governance Plan which is available on the company website. (c) (i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition, the Board will review progress against the objectives in its annual performance assessment. (ii) The Company has no employees and utilises external consultants and contractors as and when required. (iii) The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

Principles And Recommendations	Comply	Explanation
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Part-Complying	(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule E of the Company's Corporate Governance Plan which is available on the Company's website. (b) The Company's Performance Evaluation Policy requires the Board to disclosure whether or not performance evaluations were conducted during the relevant reporting period. Due to the size of the Board and the nature of the business, it has not been deemed necessary to institute a formal documented performance review program of individuals. However, the Chairman intends to conduct formal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director are disclosed. The Board considers that at this stage of the Company's development an informal process is appropriate. The review will assist to indicate whether the Board's performance is appropriate and efficient with respect to the Board Charter. The Board regularly reviews its skill base and whether it remains appropriate for the Company's operational, legal and financial requirements.
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complying	(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives. (b) The Company's Performance Evaluation Policy requires the Board to conduct annual performance of the senior executives. The Policy requires the Board to disclose whether, or not, performance evaluations were conducted during the relevant reporting period. During the financial year an evaluation of performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.
Principle 2: Structure the board to add value		
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.	Part-Complying	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Nomination Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee. The duties of the Nomination Committee are outlined in Schedule E of the Company's Corporate Governance Plan available online. The Board devotes time at each board meeting to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.

<table>
<tr><th>Principles And Recommendations</th><th>Comply</th><th>Explanation</th></tr>
<tr><td>Recommendation 2.2
A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</td><td>Complying</td><td>
<table>
<tr><th>Board Skills Matrix</th><th>Number of Directors that Meet the Skill</th></tr>
<tr><td>Executive & Non- Executive experience</td><td>3</td></tr>
<tr><td>Industry experience & knowledge</td><td>3</td></tr>
<tr><td>Leadership</td><td>3</td></tr>
<tr><td>Corporate governance & risk management</td><td>3</td></tr>
<tr><td>Strategic thinking</td><td>3</td></tr>
<tr><td>Desired behavioural competencies</td><td>3</td></tr>
<tr><td>Geographic experience</td><td>3</td></tr>
<tr><td>Capital Markets experience</td><td>3</td></tr>
<tr><td>Subject matter expertise:</td><td></td></tr>
<tr><td>- accounting</td><td>2</td></tr>
<tr><td>- capital management</td><td>3</td></tr>
<tr><td>- corporate financing</td><td>2</td></tr>
<tr><td>- industry taxation [1]</td><td>0</td></tr>
<tr><td>- risk management</td><td>3</td></tr>
<tr><td>- legal</td><td>3</td></tr>
<tr><td>- IT expertise [2]</td><td>0</td></tr>
</table>
(1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.
(2) Skill gap noticed however an external IT firm is employed on an adhoc basis to maintain IT requirements.</td></tr>
<tr><td>Recommendation 2.3
A listed entity should disclose:
(a) the names of the directors considered by the board to be independent directors;
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
(c) the length of service of each director</td><td>Complying</td><td>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no independent directors.
(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website.
(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Directors Report on page 4-5 of the 2020 Annual Report.</td></tr>
<tr><td>Recommendation 2.4
A majority of the board of a listed entity should be independent directors.</td><td>Not complying</td><td>The Board Charter requires that where practical the majority of the Board will be independent. Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no independent directors.
Details of each Director's independence are provided in the Annual Reports and Company website.</td></tr>
<tr><td>Recommendation 2.5
The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</td><td>Not complying</td><td>The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director.
Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no independent directors</td></tr>
<tr><td>Recommendation 2.6
A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</td><td>Complying</td><td>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</td></tr>
<tr><th colspan="3">Principle 3: Act ethically and responsibly</th></tr>
<tr><td>Recommendation 3.1
A listed entity should:
(a) have a code of conduct for its directors, senior executives and employees; and
(b) disclose that code or a summary of it.</td><td>Complying</td><td>(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.
(b) The Company's Corporate Code of Conduct can be found on the Company's website.</td></tr>
</table>

Principles And Recommendations	Comply	Explanation
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Part-Complying	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Annexure B of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complying	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complying	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Complying	(a) The Company's Continuous Disclosure Policy details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Company's Continuous Disclosure Policy is detailed in Schedule C of the Corporate Governance Plan available on the Company website.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	Complying	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complying	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders.

Principles And Recommendations	Comply	Explanation
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complying	The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complying	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.
Principle 7: Recognise and manage risk		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	Part-Complying	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Annexure B of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Complying	(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule G of the Corporate Governance Plan is entitled "Risk Management Policy' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. (b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complying	(b) Annexure B of the Company's Corporate Plan provides for the internal audit function of the Company. The Board Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.

Principles And Recommendations	Comply	Explanation
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complying	Schedule G of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually by the Board who assess the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Part-Complying	(b) Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. The role and responsibilities of the Remuneration Committee are outlined in Annexure C of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	Complying	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors. The remuneration of the directors is disclosed in Section 13.3 of the Directors Report on page 8 of the 2020 Annual Report.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Complying	(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity-based plans. (b) A copy of the Company's Corporate Governance Plan is available on the Company's website.

Additional Information for Listed Public Companies

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

1 Capital

a. Ordinary share capital

162,959,838 ordinary fully paid shares held by 467 shareholders.

b. Unlisted Options over Unissued Shares

The Company has no Options on issue.

c. Performance Shares

The Company has no Performance Shares on issue.

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares**: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. Substantial Shareholders as at 25 August 2020

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Zero Nominees Pty Ltd	25,588,308	15.70
Almaretta Pty Ltd	12,857,009	7.89
HSBC Custody Nominees (Australia) Limited	8,192,534	5.03

f. Distribution of Shareholders as at 25 August 2020

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	125	55,008	0.03
1,001 – 5,000	94	226,743	0.14
5,001 – 10,000	51	375,618	0.23
10,001 – 100,000	84	3,565,277	2.19
100,001 – and over	113	158,737,192	97.41
	467	162,959,838	100.00

g. Unmarketable Parcels as at 25 August 2020

As at 25 August 2020 there were 291 fully paid ordinary shareholders holding less than a marketable parcel of shares.

h. On-Market Buy-Back

There is no current on-market buy-back.

i. Restricted Securities

The Company has no restricted securities on issue.

Additional Information for Listed Public Companies

j. 20 Largest Shareholders — Ordinary Shares as at as at 24 August 2020

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	ZERO NOMINEES PTY LTD	25,588,308	15.70
2.	ALMARETTA PTY LTD	12,857,009	7.89
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,192,534	5.03
4.	NETWEALTH INVESTMENTS PTY LTD <WRAP SERVICES A/C>	7,735,065	4.75
5.	ICECOLD INVESTMENTS PTY LTD <G&J BROWN SUPER FUND A/C>	6,000,000	3.68
6.	GREATSIDE HOLDINGS PTY LTD <ADL A/C>	5,201,720	3.19
7.	MERCHANT HOLDINGS PTY LTD	4,769,686	2.93
8.	MR GRANT POVEY	4,677,419	2.87
9.	HOPETOUN NOMINEES PTY LTD <HOPETOUN A/C>	4,640,000	2.85
10.	MR JAY EVAN HUGHES <INKESE FAMILY A/C>	3,515,000	2.16
11.	ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C>	3,445,008	2.11
12.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	3,311,989	2.03
13.	INKESE PTY LTD	3,079,596	1.89
14.	NORVEST PROJECTS PTY LTD	3,015,000	1.85
15.	ALBATROSS PASS PTY LTD	3,000,000	1.84
16.	KADAJE INVESTMENTS PTY LTD <KADAJE A/C>	3,000,000	1.84
17.	MR GRANT RONALD MORGAN + MRS JENNY MORGAN	2,804,724	1.72
18.	MR GRANT WILLIAM WALDON + MRS BARBARA ELIZABETH WALDON <NODLAW INV EMPLOYEES S/F A/C>	2,690,002	1.65
19.	MR GARY WAYNE WATKINS + MRS DEBRA DOREEN WATKINS <THE WATKINS INVESTMENT A/C>	2,409,848	1.53
20.	INSWINGER HOLDINGS PTY LTD <CMSS SUPERANNUATION FUND A/C>	2,442,141	1.50
	TOTAL	**112,456,049**	69.01

2 Principal registered office

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

3 Registers of securities

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

4 Stock exchange listing

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

5 Use of funds

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

Mineral Resources and Ore Reserves Statement

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

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

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

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

Llahuin Project: Total Measured and Indicated Resources - JORC Compliant

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

***Copper Equivalent ("Cu Equiv")**

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

Copper Equivalent Formula= Cu % + Au (g/t) x 0.72662 + Mo % x 4.412
Price Assumptions- Cu ($3.40/lb), Au ($1,700/oz), Mo ($15/lb)

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

Resource (at 4% Mn cutoff)	Tonnes Millions	Mn %	SiO_2 %	Fe_2O_3 %	Al %	K %	P %
Measured	5.27	7.39	57.85	2.78	5.62	2.88	0.05
Indicated	13.06	7.65	55	2.96	5.64	2.92	0.05
Measured plus Indicated	**18.34**	**7.58**	**55.82**	**2.91**	**5.62**	**2.91**	**0.05**
Inferred	5.39	8.59	51.44	2.72	5.49	2.69	0.06

Competent Person / Qualified Person Statement

The information in this report that relates to copper and gold exploration results for the Company's Projects is based on information compiled by Mr Adam Anderson, who is a Member of The Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists. Mr Anderson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Anderson is a consultant for the Company and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. For further information, please refer to the Technical Reports and News Releases on the Company's website at www.shmining.com.au.

Concession Schedule

Mining Property List as at 30 June 2020

Minera Hemisferio SUR S.C.M

Colina 2 Project

Mining Properties	Kind	Area (ha)	Location	% Interest
COLINA 2, 1 al 30	Exploitation	259	CANELA	100

Los Pumas Project

Mining Properties	Kind	Area (ha)	Location	% Interest
AWAHOU 1 AL 20	Exploitation	200	GENERAL LAGOS	100
EMANUEL 1 AL 20	Exploitation	200	GENERAL LAGOS	100
LLUTA I 1 AL 54	Exploitation	249	PUTRE	100
LLUTA II 1 AL 285	Exploitation	285	PUTRE	100
PUTRE 6 1 AL 11	Exploitation	65	PUTRE	100
PUTRE I 1 AL 20	Exploitation	86	PUTRE	100
PUTRE II 1 AL 20	Exploitation	124	PUTRE	100

Rincon Project

Mining Properties	Kind	Area (ha)	Location	% Interest
RINCÓN 7, 1 AL 30	Exploitation	300	SALAMANCA	100

Minera Llahuin S.C.M

Llahuin Project

Mining Properties	Kind	Area (ha)	Location	% Interest
AMAPOLA 1, 1 al 20	Exploitation	200	COMBARBALÁ	100
AMAPOLA 2, 1 al 20	Exploitation	196	COMBARBALÁ	100
AMAPOLA 3, 1 al 20	Exploitation	195	COMBARBALÁ	100
AMAPOLA 4, 1 al 18	Exploitation	180	COMBARBALÁ	100
AMAPOLA I, 1 al 228	Exploitation	228	COMBARBALÁ	100
AMAPOLA II, 1 al 256	Exploitation	256	COMBARBALÁ	100