



Half Year Report

Southern Hemisphere Mining Limited

ACN 140 494 784

December 31, 2014



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In this Half Year Report all amounts are stated in Australian dollars unless otherwise indicated.

The Directors submit herewith the financial report of Southern Hemisphere Mining Limited ("Company") and its subsidiaries (the "Group") for the half year ended December 31, 2014.

Directors

The names of the directors of the Company during or since the end of the half-year are:

Dr John Tarrant
Mr Andres Hevia

Mr Trevor Tennant
Mr Paul McRae

Mr James Pearson
Mr Andrew Richards

Review of Operations

During the half year ended December 31, 2014, the Group incurred a loss of \$800,920 (half year December 31, 2013: loss of \$1,025,332).

All the Group's Projects are in Chile and its exploration activities are managed from its Santiago office. During the six month period, the Company focussed its exploration on the Group's Projects in the Coquimbo Region of Chile: the Los Rulos Copper-Gold Project and the Llahuin Copper-Gold Project. The Company is the operator of both Projects which are held in incorporated joint ventures with Lundin Mining Corporation ("Lundin Mining").

The following is a summary of the operational activities of the Group for the half year ended December 31, 2014.

• **Los Rulos Copper-Gold Project**

During the period, the Los Rulos Joint Venture completed a 2,500m, 16 diamond drill hole program at the three prospects within the Los Rulos area: the Polvareda 2 Prospect, the Armandino Prospect and the El Che Prospect.

○ **Polvareda 2 Prospect**

Polvareda 2 is located 26 km west of Combarbala at 1,000m elevation. Seven diamond drill holes were completed at Polvareda 2 during the period with results including:

- 13m @ 0.81% Cu (peak intercept 3.76% Cu) and 0.30 g/t Au from 50m including 5m @ 1.64% Cu and 0.60g/t Au
- 8m @ 0.42% Cu (peak intercept 0.98% Cu) and 0.03 g/t Au from 35m
- 12m @ 0.61% Cu (peak intercept 1.51% Cu) and 0.09 g/t Au from 15m
- 8m @ 0.47% Cu (peak intercept 0.68% Cu) and 0.16 g/t Au from 107m

○ **Armandino Prospect**

Armandino is located 26 km south west of Combarbala at 700m elevation. Seven diamond drill holes were completed at Armandino during the period with results including:

- 7m @ 0.57% Cu (peak intercept 0.80% Cu) and 0.07 g/t Au from 113m
- 5m @ 0.53% Cu (peak intercept 1.25% Cu) and 0.03 g/t Au from 180m

○ **El Che Prospect**

El Che is located in the centre of the Los Rulos Project area, 24km west of Combarbala at 900m elevation. Two scout diamond drill holes were completed at El Che during the period with results including:

- 5m @ 0.58% Cu (peak intercept 0.89% Cu) and 0.08 g/t Au from 32m
- 3m @ 0.52% Cu (peak intercept 0.60% Cu) and 0.06 g/t Au from 42m

For more information on these drill results, refer to the Announcements dated September 3 and December 29, 2014.

The Polvareda area is the most interesting target based on current knowledge and data. The Los Rulos Project strategy was to acquire a property adjacent to Polvareda 2; Polvareda 1. Indications are that the Polvareda 1 property could host an intrusive or structural fluid source. To date, the Los Rulos Joint Venture has been unable to formalise terms with the Polvareda 1 vendor.

The Company will continue to pursue agreement on Polvareda 1, however any such agreement must fit within both the Company's and the Los Rulos Joint Venture's investment metrics.

The drilling at Polvareda 2 demonstrates the existence of an interesting rock package – reactive lithologies, breccias and structure – and locally intense calc-silicate alteration and associated with mineralisation.

A more detailed understanding of the structure at Polvareda 2 may help define the location of higher grade mineralisation. However, the Los Rulos Joint Venture has decided that further work at Los Rulos will depend on the acquisition of Polvareda 1.

- **Llahuin Copper-Gold Project**

The Llahuin Joint Venture is reviewing adjacent higher-grade satellite opportunities which could add higher grade feed to the overall Llahuin resource.

Subsequent to period end, the Llahuin Joint Venture has been conducting exploration work on the Llanos de Llahuin properties. These properties are in close proximity to the Llahuin Copper-Gold Project. This exploration work has included mapping of underground headings from four operating small scale mines on the properties, collation of historical records, thin section results and detailed surface mapping.

The acquisition of these high grade properties is the Joint Ventures' (and the Company's) current focus.

- **Other Projects**

- **Juan Soldado Prospect**

The Juan Soldado Project Copper Project is located in Region IV of central-northern Chile, 20km north of the regional capital city of La Serena. Minimal work has been performed on this Project to date.

Subsequent to the period end, the Company signed a farm-out agreement with venture capital fund: 'Fondo de Inversión Privado EPG Exploración Minera' (the "EPG Exploration Fund").

Under the terms of the farm-out agreement, the EPG Exploration Fund has the option, within two years of signing, to sole fund USD\$1.2 million of exploration and associated works at the Juan Soldado Project. Part of this exploration spend must result in committed minimum works of 1,000m of drilling.

For more information on this agreement, refer to the Announcement dated January 15, 2015. Drilling commenced February 25, 2015.

- **Chitigua Copper Project**

The Chitigua Copper Project is located on the highly prospective western fault, north of Chuquicamata between the El Abra mine and the Quebrada Blanca Mine. This metallogenic zone includes the Escondida mine.

The Chitigua concessions cover an area of approximately 172 square kilometres and are located 270 km north east of Antofagasta city and 90 km north of the city of Calama, an established mining town.

The Company is currently in negotiations with potential joint venture partners to farm into this Project.

Events subsequent to reporting date

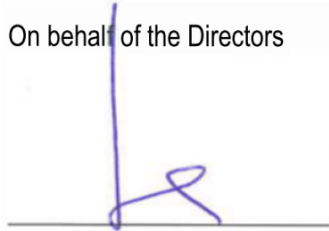
Other than the matters relating to the farm-out of the Juan Soldado Copper Project, there have been no other events subsequent to the reporting date that are expected to have material impact on the financial position or performance of the Group.

Auditor's independence declaration

The Auditor of the Company, Deloitte Touche Tohmatsu has provided a written declaration of their independence to the Board under the Corporations Act 2001 and this is included in page 6 of this report.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



John Tarrant, Chairman
March 13, 2015

The Board of Directors
Southern Hemisphere Mining Limited
1200 Hay Street
West Perth WA 6005

13 March 2015

Dear Board Members

Southern Hemisphere Mining Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Southern Hemisphere Mining Limited.

As lead audit partner for the review of the financial statements of Southern Hemisphere Mining Limited for the financial half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Southern Hemisphere Mining Limited

We have reviewed the accompanying half-year financial report of Southern Hemisphere Mining Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 17.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Southern Hemisphere Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Southern Hemisphere Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.


Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Southern Hemisphere Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 2 in the financial report which indicates that the Consolidated Entity incurred a net loss of \$800,920 and had net cash outflows from operating and investing activities of \$1,364,942 during the half year ended 31 December 2014. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which 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.



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants
Perth, 13 March 2015

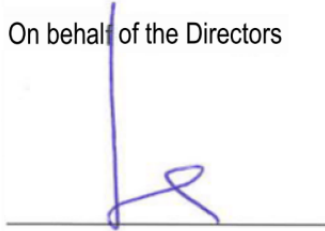
Directors' Declaration

The Directors of the Company declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards AASB 134: *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



John Tarrant, Chairman
March 13, 2015

Southern Hemisphere Mining Limited

Condensed consolidated statement of profit or loss and other comprehensive income

For the Half Year ended December 31, 2014

(Expressed in Australian Dollars)

For the half year ended

	Note	December 31, 2014 \$	December 31, 2013 \$
Continuing operations			
Interest income		21,641	14,514
Other income	3	151,744	326,394
Depreciation		(15,241)	(12,021)
Office and administration		(183,854)	(291,404)
Professional fees		(93,500)	(220,534)
Employee benefits expense	3	(681,710)	(842,281)
Loss before tax		(800,920)	(1,025,332)
Income taxes		-	-
Loss from continuing operations		(800,920)	(1,025,332)
Loss for the period		(800,920)	(1,025,332)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(775,336)	(492,438)
Comprehensive (loss) income for the half year		(1,576,256)	(1,517,770)
Basic and diluted loss per share		-0.006	-0.006

To be read in conjunction with the notes to the condensed consolidated financial statements.

Southern Hemisphere Mining Limited
Condensed consolidated statement of financial position
As at December 31, 2014
(Expressed in Australian Dollars)

As at		December 31, 2014 \$	June 30, 2014 \$
	Note		
Assets			
Current Assets			
Cash and cash equivalents		926,834	2,268,122
Other assets		173,677	132,129
		1,100,511	2,400,250
Non-current Assets			
Property, plant and equipment		75,880	81,462
Exploration and evaluation assets	4	22,526,525	22,764,272
		22,602,405	22,845,734
Total Assets		23,702,916	25,245,985
Liabilities			
Current Liabilities			
Trade and other payables		57,604	21,062
Other liabilities		27,663	44,798
Employee benefits		76,159	62,378
		161,426	128,238
Total Liabilities		161,426	128,238
Net Assets		23,541,490	25,117,747
Equity			
Common shares	5	48,391,579	48,391,579
Share based payments reserve		3,270,843	3,270,843
Foreign currency translation reserve		1,494,252	2,269,587
Accumulated losses		(29,615,184)	(28,814,262)
Total Equity		23,541,490	25,117,747

To be read in conjunction with the notes to the condensed consolidated financial statements.

Southern Hemisphere Mining Limited
Condensed consolidated statement of changes in equity
For the Half Year ended December 31, 2014
(Expressed in Australian Dollars)

	Common shares	Share based payments reserve	Foreign currency translation reserve	Accumulated deficit	Total
	\$	\$	\$	\$	\$
Balance – June 30, 2013	45,288,184	3,270,843	2,787,938	(18,419,997)	32,926,967
Net loss for the period	-	-	-	(1,025,332)	(1,025,332)
Foreign currency translation	-	-	(492,438)	-	(492,438)
Total Comprehensive (loss) income	-	-	(492,438)	(1,025,332)	(1,517,770)
Balance – December 31, 2013	45,288,184	3,270,843	2,295,500	(19,445,329)	31,409,198
Shares issued pursuant to private placement (Note 5a)	1,167,024	-	-	-	1,167,024
Shares issued pursuant to Rights issue (Note 5b)	2,236,797	-	-	-	2,236,797
Issue Costs – Private Placement and Rights issue	(300,426)	-	-	-	(300,426)
Net loss for the period	-	-	-	(9,368,935)	(9,368,935)
Foreign currency translation	-	-	(25,913)	-	(25,913)
Total Comprehensive (loss) income	-	-	(25,913)	(9,368,935)	(9,394,846)
Balance – June 30, 2014	48,391,579	3,270,843	2,269,587	(28,814,264)	25,117,747
Net loss for the period	-	-	-	(800,920)	(800,920)
Foreign currency translation	-	-	(775,336)	-	(775,336)
Total Comprehensive (loss) income	-	-	(775,336)	(800,920)	(1,576,256)
Balance – December 31, 2014	48,391,579	3,270,843	1,494,252	(29,615,184)	23,541,490

To be read in conjunction with the notes to the condensed consolidated financial statements.

Southern Hemisphere Mining Limited
Condensed consolidated statement of cash flows
For the Half Year ended December 31, 2014
(Expressed in Australian Dollars)

	December 31, 2014 \$	December 31, 2013 \$
Cash provided by (used in)		
Operating activities:		
Payments to suppliers and employees	(970,747)	(1,236,880)
Interest received	21,641	14,514
	(949,106)	(1,222,366)
Investing activities:		
Payments for exploration and evaluation assets	(406,176)	17,578
Payments for property, plant and equipment	(9,660)	(31,376)
	(415,836)	(13,798)
Financing activities:		
Issuance of common shares	-	-
Costs of share issuance	-	-
	-	-
Effect of exchange rates on cash and cash equivalents	23,654	54,110
(Decrease) Increase in cash and equivalents	(1,341,288)	(1,182,054)
Cash and cash equivalents, beginning of period	2,268,122	1,781,408
Cash and cash equivalents, end of period	926,834	599,354
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	926,834	599,354
Cash held on term deposit	-	-
	926,834	599,354

To be read in conjunction with the notes to the condensed consolidated financial statements.

Southern Hemisphere Mining Limited
Notes to the condensed consolidated financial statements
For the Half Year ended December 31, 2014
(Expressed in Australian Dollars)

1. GENERAL INFORMATION

Southern Hemisphere Mining Limited ("Southern Hemisphere" or the "Company") 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 7, 1200 Hay Street, West Perth, Western Australia. The Group also maintains an office in Santiago, Chile.

The financial report of the Group as at and for the half year ended December 31, 2014 was authorised for issue in accordance with a resolution of the Directors on March 13, 2015.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by Southern Hemisphere Mining and its controlled entities during the half year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

New and Revised Accounting Standards

In the half year ended December 31, 2014, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the annual reporting period beginning on or after 1 July 2014. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the entity's accounting policies.

Basis of Preparation and going concern

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half year ended December 31, 2014, the Consolidated Entity has incurred a net loss of \$800,920 (December 31, 2013 - \$1,025,332) and had net cash outflows from operating and investing activities of \$1,364,942 (December 31, 2013 - \$1,236,164). As at December 31, 2014, the Consolidated Entity had accumulated losses of \$29,615,184 (December 31, 2013 - \$28,814,262). Operations for the half year ended December 31, 2014 have been funded by the existing cash and cash equivalents, farm-out of mineral properties and acting as operator in mineral property farm-in arrangements.

These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern.

The Consolidated Entity's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development, sale or joint venture farm-in of mining reserves and achievement of profitable operations. The Consolidated Entity will be required to secure additional funds by June 2015, complemented by further funding if required, by December 2015, to sustain its current level of operating activities and working capital requirements for the 12 month period from the date of signing of this financial report.

Southern Hemisphere Mining Limited (An Exploration Stage Company)**Notes to the condensed consolidated financial statements****For the half year ended December 31, 2014**

(Expressed in Australian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of Preparation and going concern (continued)**

The Consolidated Entity is planning to meet its future expenditures and obligations by raising funds through public offerings, private placements or by farming-out of mineral properties. Although the Consolidated Entity has been successful in obtaining financing in the past, it is not possible to predict whether future efforts will be successful, whether such financing will be available on acceptable terms, or whether the Consolidated Entity will achieve profitable levels of operations.

Should the Consolidated Entity be unable to achieve the matters referred to above, there is a material uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments 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 be unable to continue as a going concern.

Change in presentation currency

From 1 July 2014, the Group changed the currency in which it presents its consolidated financial statements from United States dollars ("USD") to Australian dollars ("AUD"). The change has no impact on the net results of the consolidated entity other than presentation in AUD instead of USD. The Directors considers the change in presentation currency will provide its predominately Australian shareholders with a more consistent and meaningful presentation of the Group's financial position and activities. To effect the change in presentation currency, the USD functional currency assets and liabilities at 30 June 2014 were converted at the spot rate of AUD\$1:USD\$0.9439 on the reporting date; revenue and expenses for the six month period ended December 31, 2013 were converted at the average exchange rate of AUD\$1:USD\$0.9213 for the reporting period, or at the exchange rates ruling at the date of the transaction to the extent practicable and equity balances were converted at applicable historical rates.

3. REVENUE AND EXPENSES

Half year ended

December 31, 2014

December 31, 2013

Other income

\$

\$

Joint Venture and administration fees for Project operations under Company management

151,744

204,524

Option Payment for mineral properties

-

121,870

151,744

326,394

Employee benefits expenses

Half year ended

December 31, 2014

December 31, 2013

\$

\$

Salary and wages

652,432

803,819

Superannuation and post employment benefits

29,278

38,462

681,710

842,281

Southern Hemisphere Mining Limited
Notes to the condensed consolidated financial statements
For the half year ended December 31, 2014
(Expressed in Australian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	December 31, 2014	June 30, 2014
Projects	\$	\$
Carrying amount at beginning of period	22,764,272	31,259,956
Translation on change in presentation currency	(643,923)	(440,381)
Exploration costs written off	-	(8,500,341)
Capitalised mineral exploration and evaluation	406,176	445,038
Carrying amount at end of period	22,526,525	22,764,272

5. SHARE CAPITAL

Fully paid ordinary shares

	Number of shares	\$
Balance, June 30, 2013	172,892,487	45,288,184
Balance, December 31, 2013	172,892,487	45,288,184
Share issued pursuant to private placement (a)	25,933,873	1,167,024
Share issued pursuant to Rights Issue (b)	49,706,590	2,236,797
Costs of private placement and Rights Issue	-	(300,426)
Balance, June 30, 2014	248,532,950	48,391,579
Balance, December 31, 2014	248,532,950	48,391,579

- a) On February 7, 2014, the Company conducted a private placement to sophisticated and professional investors of 25,933,873 common shares of the Company. Total gross proceeds raised from the private placement were \$1,167,024.
- b) On March 7, 2014, the Company conducted a follow-on Rights Issue on the same terms as the private placement completed on February 7, 2014. Under the Rights Issue, 49,706,590 common shares of the Company were issued for total gross proceeds of \$2,236,797. Transaction costs incurred for the placement and Rights Issue totalled \$300,426.

Options over ordinary shares

Grant date	Expiry date	Exercise price (\$)	Balance at start of period	Issued during period	Exercised during period	Expired during period	Balance at end of period
10/9/2012	31/12/2014	0.21	3,650,000	-	-	(3,650,000)	-
(c)	7/3/2016	0.045	37,820,208	-	-	-	37,820,208

- c) Free attaching options were issued in conjunction with the February 7, 2014 private placement and the March 7, 2014 Rights Issue.

Southern Hemisphere Mining Limited (An Exploration Stage Company)**Notes to the condensed consolidated financial statements****For the half year ended December 31, 2014**

(Expressed in Australian Dollars)

6. RELATED PARTIES**Key management personnel compensation**

The remuneration of Directors and other members of key management personnel during the six month periods ended December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
	\$	\$
Short term benefits	285,014	388,067
Post-employment benefits	17,155	27,547
	302,169	415,614

Apart from the details disclosed, 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 involving Directors' interests existing at period end.

7. SEGMENT INFORMATION

The results and financial position of the Company's single operating segment, exploration activities in Chile, are prepared for the Board on a basis consistent with the AASBs, and thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made.

8. SUBSEQUENT EVENTS

On January 15, 2015 the Company announced that it has signed a farm-out agreement on the Juan Soldado Copper Project with Fondo de Inversión Privado EPG Exploración Minera (the "EPG Exploration Fund").

The farm-out agreement gives the EPG Exploration Fund is the option to earn up to 50.1% in the Project by sole funding USD\$1.2 million of exploration and associated works.