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## **2010 ANNUAL INFORMATION FORM**

Southern Hemisphere Mining Limited (“**the Company**”)

For The Year Ended June 30, 2010

(Dated as of September 28, 2010)

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### ***Effective Date of Information***

The information contained in Southern Hemisphere Mining Limited’s Annual Information Form (“**AIF**”) is presented as of June 30, 2010, unless otherwise stated herein.

### ***Forward-Looking Statements***

Certain items and documents referred to in this AIF contain forward-looking statements regarding events, financial matters or trends that may affect the Company's future operating results and financial position. In certain cases, forward-looking statements can be identified by the use of the words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes” or variations of such words or phrases or states that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to, the fact that the Company is in the exploration stage, will need additional financing to develop its properties and will be subject to certain risks since its properties are located in foreign locations, namely in Chile. These risk factors are set forth in more detail below under Item 3.2.

Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statement will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this AIF speak only as of September 28, 2010. The Company does not undertake any obligation to announce publicly any revisions to these forward-looking statements to reflect events or circumstances after September 28, 2010 or to reflect the occurrence of unanticipated events, except as required by law.

### ***Currency***

All dollar amount set forth in this AIF are expressed in Canadian dollars except where otherwise indicated by reference to United States of America dollars (“US”), Australian dollars (“AUD”) or Chilean Pesos (“CLP”). As at June 30, 2010, the closing rate for one Canadian dollar to these currencies is set out below:

<b>Currency</b>	<b>Closing rate CAD\$1.00 at June 30, 2010</b>
US	0.9542
AUD	1.1142
CLP	525.4250

***Glossary of Non-Technical Terms***

<b>“ASX”</b>	Australian Securities Exchange.
<b>“Company” or “Southern Hemisphere” or “SHM”</b>	Southern Hemisphere Mining Limited.
<b>“Concessions”</b>	a right granted to the Company by the relevant authorities to perform exploration and mining activities.
<b>“Los Pumas”</b>	the Los Pumas Manganese property as more particularly described under Item 4 in this AIF.
<b>“MHS”</b>	Minera Hemisferio Sur SCM, a Chilean domiciled entity which holds interests in 4 projects including Los Pumas. MHS is a subsidiary of SHMPL.
<b>“PAM”</b>	Pan American Mining Pty Ltd, an Australian domiciled entity which holds Chilean domiciled entity Minera Panamerica SCM.
<b>“SAM”</b>	South American Mining Pty Ltd, an Australian domiciled entity which holds Chilean domiciled entity Minera America del sur SCM.
<b>“SEDAR”</b>	System for Electronic Document Analysis and Retrieval (SEDAR) is a mandatory document filing and retrieval system for Canadian public companies.
<b>“SHMPL”</b>	Southern Hemisphere Mining (Aust) Pty Ltd; now a subsidiary, this Australian domiciled entity took over Youandi Capital Corp to form the Company. SHMPL holds Chilean domiciled entities Minera Hemisferio Sur SCM and Servicios e Inversiones Futuro Ltda.
<b>“Technical Report”</b>	the Technical Report and Resource Estimate regarding Los Pumas dated 4 May 2010 by Coffey Mining Pty Ltd.
<b>“TSXV”</b>	TSX Venture Exchange.
<b>“YCC”</b>	Youandi Capital Corp was a Capital Pool Company on the TSX Venture Exchange which was subject to a reverse takeover by Southern Hemisphere Mining Pty Ltd and became Southern Hemisphere on December 17, 2007.

***Glossary of Technical Terms***

<b>“breccias”</b>	rock comprising angular fragments enclosed in a matrix, usually the result of persistent fracturing by tectonic or hydraulic means.
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<b>“deposit”</b>	a concentration of minerals of interest which may, or may not, be of economic interest.
<b>“diamond drill holes”</b>	holes produced by hollow diamond tipped drill bits which collect core for analysis.
<b>“fault”</b>	a fracture in a rock across which there has been displacement.
<b>“grade”</b>	the amount of valuable mineral in each tonne of ore, expressed as ounces per ton or grams per tonne for precious metal and as a percentage by weight for other metals.
<b>“hydrothermal”</b>	of or pertaining to heated water, to the action of heated water, or to the products of the action of heated water.
<b>“ignimbrite”</b>	a volcanic rock formed by the consolidation of volcanic ash and other material ejected by an explosive volcanic eruption.
<b>“mineralization”</b>	the results of and the process or processes by which a mineral or minerals are introduced into a rock, resulting in an economically valuable or potentially valuable deposit.
<b>“mineral reserve”</b>	the economically mineable part of a measured mineral resource or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting minerals and allowances for losses that may occur when the material is mined.
<b>“mineral resource”</b>	a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction at some future time. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
<b>“outcrop”</b>	an exposure on the surface of the underlying rock.
<b>“pyrite”</b>	a sulphide mineral of iron and sulphur.
<b>“Qualified Person”</b>	an individual who is an engineer or geoscientist with at least five years experience in mineral exploration, mine development, production activities and project assessment, or any combination thereof, including experience relevant to the subject matter of the project or report and is a member in good standing of an approved self-regulating organization.

<b>“quartz”</b>	a common rock-forming mineral comprised of silicon and oxygen (SiO <sub>2</sub> ).
<b>“reverse circulation (RC)”</b>	a drilling method in which fragmented sample is brought to the surface inside drill rods, thereby reducing contamination. Commonly used with a percussion hammer bit.
<b>“sample”</b>	a sample of selected rock chips from within an area of interest.
<b>“sandstone”</b>	a medium grained clastic sedimentary rock.
<b>“sedimentary”</b>	formed by the deposition of solid fragmented material that originates from volcanic ejections or weathering of rocks and is transported from a source to a site of disposition.
<b>“sedimentary rock”</b>	a rock that has been formed by the consolidation of loose sediment that has accumulated in layers.
<b>“sulphide”</b>	a class of minerals commonly combining various elements in varying ratios with a sulphur.
<b>“tonne”</b>	metric unit of weight consisting of 1000 kilograms.
<b>“vein”</b>	a tabular mineral deposit formed in or adjacent to faults or fractures by the deposition of minerals from hydrothermal fluids.
<b>“volcanic”</b>	pertaining to the activity, structures or rock types of a volcano.
<b>“wireframe”</b>	a computer technique to form a surface, or enclose a volume, with an imaginary, continuous array of two dimensional shapes.

## **ITEM 1 - CORPORATE STRUCTURE**

### **1.1 Name, Address and Incorporation**

The Company was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on December 23, 2005 and its common shares were listed on the TSXV on November 2, 2006 trading as Youandi Capital Corp.

In December 2007, YCC acquired all the shares in an Australian proprietary limited company; Southern Hemisphere Mining (Aust) Pty Ltd. SHMPL was formed December 13, 2005 in Western Australia, Australia.

Prior to the acquisition of the SHMPL shares, YCC was classified as a Capital Pool Company as defined in the TSXV Policy 2.4 and, accordingly, had no assets other than cash and no commercial operations. The acquisition was accounted for as a reverse takeover. YCC subsequently changed its name to Southern Hemisphere Mining Limited on December 17, 2007.

The Registered Office of the Company is located at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, Canada V6E 4E6. Operations are managed from the Company's office located at Suite 7, 1200 Hay Street, West Perth, Western Australia, Australia. The Company also maintains an office in Santiago, Chile.

### **1.2 Intercorporate Relationships**

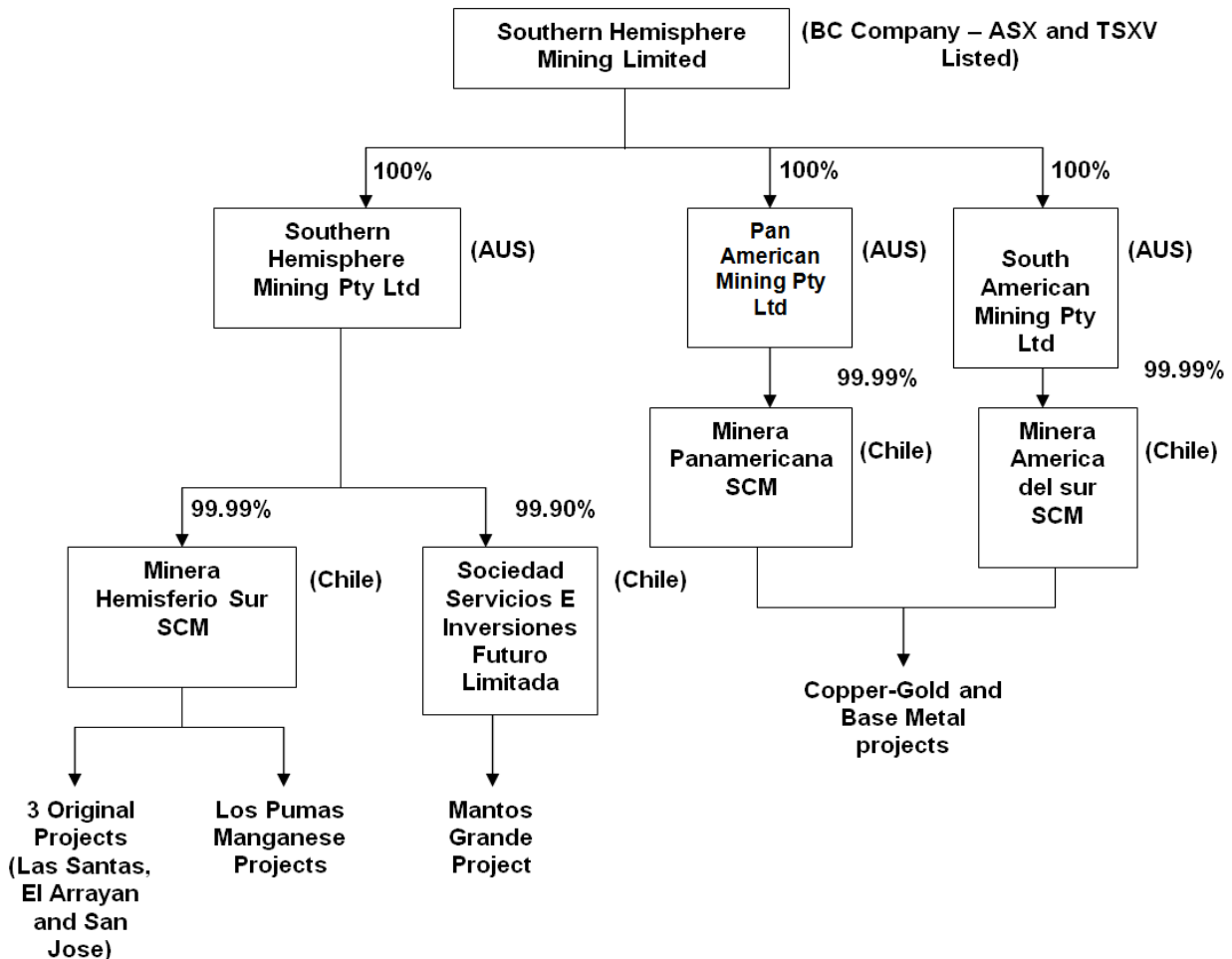
The Company has seven subsidiary companies. Three of these: namely SHMPL, PAM and SAM are wholly owned Australian domiciled subsidiaries. These companies in turn own four Chilean domiciled subsidiaries: MHS, Sociedad Servicios e Inversiones Futuro Ltda, Minera America del Sur SCM and Minera Panamericana SCM. Each Chilean subsidiary is effectively wholly owned by the Company. One share in each of the Chilean subsidiaries is held by the Company's legal counsel in Chile or a Company representative as per local legal requirements.

Diagram 1 below shows the intercorporate relationships among the Company and its subsidiaries as at June 30, 2010 as well as the respective mineral property holdings:



**DIAGRAM 1 – CURRENT STRUCTURE**

**CORPORATE STRUCTURE DIAGRAM OF SOUTHERN HEMISPHERE MINING LIMITED GROUP OF COMPANIES**



**ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS**

**2.1 Three-Year History**

The Company is a resource, exploration and mine development company focused on properties in Chile with the stated strategy of creating shareholder value through the discovery and exploitation of base metal deposits. The Company has previously identified Los Pumas, a manganese project located in northern Chile, as having potential for development. To facilitate the development of Los Pumas, the Company undertook various activities including completing a JORC-compliant resource estimate in April 2010, completing additional drilling which will be used to update this resource estimate and engaging SNC-Lavalin Group Inc. to provide engineering and cost inputs for a feasibility study. The Company also has 12 exploration targets, principally porphyry copper style targets, which will be evaluated.

On December 17, 2007, the Company completed its Qualifying Transaction pursuant to TSXV Policy 2.4 and became a Tier 2 listed issuer on the TSXV. The Qualifying Transaction consisted of the reverse takeover of YCC by SHMPL.

On December 30, 2009 the Company was admitted to the official list of the ASX with trading of the Company's securities on the ASX commencing on January 5, 2010.

### ***SHMPL***

SHMPL is an Australian domiciled resource company with a South American focus. SHMPL, through its wholly owned Chilean subsidiary, MHS, holds the rights to four project areas, including Los Pumas. These four tenement holdings are all located within the Chile copper belt and in the case El Arrayan and Las Santas are in close proximity to existing large copper or copper/gold mining operations.

The MHS project areas are:

1. Las Santas;
2. El Arrayan;
3. San Jose; and
4. Los Pumas.

### ***Reverse Takeover and listing on TSXV***

Pursuant to the terms of the Share Exchange Agreement dated July 2, 2007, (as amended September 13, 2007 and November 29, 2007) YCC issued 22,000,000 special warrants in exchange for all the outstanding shares of SHMPL. These special warrants were convertible into one common share on the conversion date without any further action on the part of the warrant holder. These special warrants were converted into common shares on April 18, 2008. In addition, warrants and options to purchase YCC common shares outstanding immediately prior to the reverse takeover were replaced with warrants and options to purchase an equivalent number of common shares of the Company, on economically equivalent terms and conditions.

The Company's name was changed to Southern Hemisphere Mining Limited effective December 17, 2007 and the Company's common shares commenced trading on January 4, 2008 on the TSXV under the trading symbol "SH"

### ***Acquisition of PAM and SAM***

On June 15, 2009, the Company entered into an agreement to purchase all the shares of two Australian companies, PAM and SAM, and the outstanding shareholdings of their respective Chilean subsidiaries. The Chilean subsidiaries together had title to eight exploration projects in Chile. The shareholders of the Company approved the acquisition of PAM and SAM at a special meeting of shareholders held on July 29, 2009. Consideration for the purchase of the PAM and SAM shares and their underlying assets was agreed to be \$2,000,000 payable by the issuance of 10,000,000 of the Company's common shares.

Projects acquired pursuant to the acquisition of PAM and SAM are as follows:

1. Chitigua;
2. Angel;
3. Santa Gracia and Chackay – together;
4. Carboneras;
5. Meteoritica;
6. Romeral (Juan Soldado);
7. Tres Cruces; and
8. Cunlagua.

### ***Listing on the ASX***

On December 3, 2009 the Company issued a prospectus offering 32,000,000 shares for sale at AUD\$0.25 cents per share as part of its listing on the ASX to raise AUD\$8,000,000 (\$7,497,600) before transaction costs. The offering was fully subscribed and closed on December 17, 2009. On December 30, 2009 the Company was admitted to the official list of the ASX. Trading of the Company's securities on the ASX commenced on January 5, 2010.

### ***Kaiora Option Agreement***

MHS and Sociedad Minera Kaiora Internacional Limitada ("Kaiora") entered into an agreement dated March 11, 2009, pursuant to which MHS was granted an option to purchase certain mining concessions known as "Emanuel del 1 al 20" and "Awahou 1-20" which cover 4 square kilometres near Putre in northern Chile. The option was exercisable in two parts, Option A and Option B. To exercise Option A, MHS would pay to Kaiora the sum of US\$1,050,000. To exercise Option B MHS would pay an additional US\$1,000,000 to Kaiora. In December 2009, MHS completed the US\$1,050,000 payment and exercised Option A. Upon exercise of Option A, under the Kaiora agreement the mining licenses were transferred to a newly formed Chilean company. The shares in this company were to be held 50% by Kaiora and 50% by MHS. Option B provided MHS the right to purchase the 50% of shares held by Kaiora, on or before December 1, 2010.

Following negotiations in the last quarter of calendar year 2009, it was agreed that if MHS paid Kaiora a sum of US\$700,000 by the end of January 2010 then MHS would be entitled to full ownership of the tenements and Kaiora would transfer title of the tenements directly to MHS. The Company exercised this revised Option B in January 2010 and made payment of US\$700,000 to Kaiora. Legal title to the tenements has been transferred in entirety to MHS as no new Chilean company was required to be formed under revised Option B.

### ***Financings***

#### ***2006 Seed Share Offering***

During the year ended July 31, 2006, YCC issued 1,000,000 common shares, at a price of \$0.10 per common share, for total proceeds of \$100,000. As the Company was classified as a Capital Pool Corporation, these shares were held in escrow and could not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. Under the terms of the escrow agreement, the

shares would be released pro-rata to the shareholders as to 10% of the escrow shares upon notice of final acceptance of a Qualifying Transaction by the TSXV and the remainder in six equal tranches of 15% on every six month anniversary thereafter, for a period of 36 months.

#### *2006 Brokered Initial Public Offering*

On November 1, 2006, the Company completed an initial public offering of 1,000,000 common shares at \$0.20 per common share for gross proceeds of \$200,000. Pursuant to an agency agreement for this public offering, Raymond James Ltd received a commission of 10% of the gross proceeds, a corporate finance fee of \$10,000, was reimbursed for its legal fees and expenses and was granted 100,000 Agent's Options exercisable at \$0.20 per common share for a period of 24 months from November 3, 2006. On August 19, 2008, Raymond James Ltd. exercised the 100,000 Agent's Options to purchase 100,000 common shares at \$0.20 per share, for gross proceeds of \$20,000.

#### *2007 Brokered Private Placement*

On December 17, 2007, the Company completed a brokered private placement of 9,203,187 units at \$0.40 per unit for gross proceeds of \$3,681,275 in conjunction with the completion of its Qualifying Transaction. Each unit was comprised of one common share and a one half share purchase warrant. The share purchase warrants expired in December 2009.

On December 17, 2007, the Qualifying Transaction was completed and on April 18, 2008, the 22,000,000 Special warrants issued as consideration for the shares of SHMPL were converted into common shares of the Company. On this date, the restrictions imposed by the TSXV, other than those related to the escrow agreement, were lifted.

#### *2007 Short Form Offering*

On December 17, 2007, the Company completed a short form offering of 1,712,500 units at \$0.40 per unit for gross proceeds of \$685,000. Each unit was comprised of one common share and one half one share purchase warrant. The share purchase warrants expired in December 2009.

#### *2008 Non-Brokered Private Placement*

On December 4, 2008, the Company completed a private placement of 7,670,000 units at a price of \$0.20 per unit for gross proceeds of \$1,534,000. There were no commissions or selling costs associated with this transaction. Each unit was comprised of one common share and one half one share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of \$0.20 per share, exercisable for a period of two years. The proceeds have been allocated to common shares and warrants based on their relative fair values. During the year ended June 30, 2010, warrant holders exercised 450,000 share purchase warrants at an exercise price of \$0.20 per share to acquire 450,000 common shares of the Company.

#### *2009 Non-Brokered Private Placement*

On August 6, 2009, the Company issued 15,000,000 units at a price of \$0.20 per unit for gross proceeds of \$3,000,000. Each unit was comprised of one common share and a one half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.40 per share, exercisable for a period of two years. The proceeds have been allocated to common shares and warrants based on their relative fair values.

*2009 Listing on the Australian Stock Exchange*

Detailed above under the heading “Listing on the ASX”.

## **2.2 Significant Acquisitions**

The Company made no significant acquisitions during its most recently completed financial year other than the ‘PAM and SAM’ and ‘Kaiora Option’ acquisitions noted above.

## **ITEM 3 - DESCRIPTION OF THE BUSINESS**

### **3.1 General**

The Company is a resource, exploration and mine development company engaged directly and indirectly through subsidiaries, in the acquisition and exploration of mineral properties. The Company is in the exploration stage, as none of its properties are currently in production.

#### ***Specialized Skill and Knowledge***

Management is composed of a team of individuals who have extensive expertise in the mineral exploration industry and exploration finance and are complemented by a strong Board of Directors. See Item 9 herein.

#### ***Competitive Conditions***

The Company competes with other mineral exploration and mining companies for mineral properties, for joint venture partners, and for the acquisition of investments in other mining companies.

#### ***Environmental Protection***

The current and future operations of the Company, including development activities on its properties or areas in which it has an interest, are subject to laws and regulations governing exploration, development, tenure, production, taxes, labour standard, occupational health, wastes disposal, greenhouse gas emissions, protection and remediation of environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Corporation’s properties.

The Company attempts to diligently apply technically proven and economically feasible measures to advance protection of the environment throughout the exploration and development process. Current costs and associated with compliance are considered to be normal.

#### ***Employees and Consultants***

As at June 30, 2010, the Company employed three people at its head office in Perth, Western Australia, Australia and the Managing Director, who is based in Chile.

MHS employs 2 geologists and under Consulting Services Agreements retains the full time services of a general manager, a senior geologist and a part time accountant, all based in Chile.

As operations require, the Company also retains geologists, engineers, geophysicists and other consultants on a per diem basis in the field at Los Pumas in Chile. The Company has not experienced, and does not expect to experience, significant difficulty in attracting and retaining qualified personnel.

### ***Foreign Operations***

The Company's material asset is its 100% interest in Los Pumas located in northern Chile.

The Company also has other mining properties located in Chile (see Item 2.1 – “General Development of the Business – Three Year History”).

The Company's management team in Chile maintains ongoing open lines of communication with officials from the Chilean Department of Mines, Environmental Department and related government departments.

## **3.2 Risk Factors**

In addition to the other information presented in this AIF, the following risk factors should be carefully considered in evaluating the Company and its business.

### **Limited Operating History**

The Company has no history of earnings and there are no known commercial quantities of mineral reserves on the Company's property. A resource calculation has been completed for Los Pumas (see Management Discussion and Analysis for the year ended June 30, 2010) and project development is subject to a feasibility study. Accordingly it is not possible to predict when, if at all, the Company will generate revenues or income from its operations.

### **Exploration and Development is a Speculative Business**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

All of the claims to which the Company has a right to acquire an interest are in the exploration or feasibility stages only and are without reserves. Development of the subject mineral properties would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

### **Unregistered Claims or Interests**

Although the Company is satisfied that it has taken reasonable measures to ensure an unencumbered right to exploit the properties for which it has been granted exploration permits, no assurance can be given that such permits are not subject to prior unregistered agreements or interests or to be undetected or other claims or interests which could be material and adverse to the Company.

### **No Assurance of Production**

Mineral exploration is highly speculative in nature, involves many risks, and frequently does not lead to the discovery of commercial reserves of minerals. While the rewards can be substantial if commercial reserves of minerals are found, there can be no assurance that the Company's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable.

### **Industry Specific Risks**

The exploration, development, and production of minerals are capital-intensive businesses, subject to the normal risks and capital expenditure requirements associated with mining operations, which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

### **Limited Experience with Development-Stage Mining Operations**

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if the Company places its resource properties into production.

### **Political Risks**

The Company's activities in foreign jurisdictions may be affected by possible political or economic instability and government regulations relating to the mining industry and foreign investors therein. The risks created by this political and economic instability include, but are not limited to: military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in exploration or investment policies or shifts in political attitude in such jurisdictions may adversely affect the Company's business. Mineral exploration and mining activities may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of property, environmental legislation, land use, land claims of local people, water use and property safety. The effect of these factors on the Company cannot be accurately predicted.

## **Factors Beyond Company's Control**

Location of mineral deposits depends upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The exploration and development of mineral properties and the marketability of any minerals contained in such properties will also be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and refining facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

## **Uninsured Risks**

The Company's mining activities are subject to the risks normally inherent in mineral exploration, including but not limited to environmental hazards, industrial accident, flooding, periodic or seasonal interruptions due to climate and hazardous weather conditions, and unusual or unexpected formations. Such risks could result in damage to or destruction of mineral properties or production facilities, personal injury, environmental damage, delay in mining and possible legal liability. The Company may become subject to liability for pollution and other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment for such liabilities would reduce the funds available for exploration and mining activities and may have a material impact on the Company's financial position.

## **Currency Exchange Rates**

The Company maintains accounts in Australian dollars and Chilean Pesos which are subject to fluctuations in currency exchange rates. Declines in the value of the Australian dollar, particularly against the U.S. dollar, could materially affect the Company's financial position and results.

## **Competition**

The precious and base metals minerals exploration industry and mining business is an intensely competitive business. The Company competes with numerous other companies and individuals in the search for and the acquisition of attractive precious and base metals exploration properties. Many of these competitors have substantially greater technical and financial resources than the Company. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

## **Future Financing**

The Company has limited financial resources and has no assurance that additional funding will be available to it for further exploration and development of its projects. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

## **Management and Directors**

The success of the Company is currently largely dependent on the performance of its officers. The loss of the services of these persons will have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse affect on the



Company and its prospects. The Company has not purchased any "key-man" insurance with respect to any of its directors or officers to the date hereof. The loss of any key officer of the Company could have an adverse impact on the Company, its business and its financial position.

Certain members of our board and officers of the Company also serve as officers or directors of other companies involved in natural resource exploration and development. Consequently, there exists the possibility that those directors and officers may be in a position of conflict.

### **Dividends**

The Company does not anticipate paying dividends on its common shares in the foreseeable future.

### **Share Price Volatility**

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

### **Dilution**

The Company may undertake additional offerings of Common Shares and of securities convertible into Common Shares in the future. The increase in the number of Common Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of Common Shares. In addition, as a result of such additional Common Shares, the voting power of the Company's existing shareholders will be diluted.

### **Mineral resources and any future mineral reserves are estimates and may be re-estimated and reduced**

Mineral resources (and any future mineral reserves) are estimates, and no assurance can be given that the estimated resources and/or reserves are accurate or that the indicated level of mineral will be produced. Such estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Mineral resource and reserve estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

The actual quality and characteristics of mineral deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, mineral reserves are valued based on future costs and future prices and consequently, the actual mineral reserves and mineral resources may differ from those estimated, which may result in either a positive or negative effect on operations. Should projects encounter mineralization or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the projects' operations.

### **Fluctuating Mineral Prices**

Factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors cannot be predicted.

### **The Mining Industry Is Highly Speculative**

The Company is engaged in the exploration for minerals which involves a high degree of geological, technical and economic uncertainty because of the inability to predict future mineral prices, as well as the difficulty of determining the extent of a mineral deposit and the feasibility of extracting it without the expenditure of considerable money.

### **Potential Conflicts of Interest**

Certain members of the Company's board and officers of the Company also serve as officers or directors of other companies involved in natural resource exploration and development. Consequently, there exists the possibility that those directors and officers may be in a position of conflict.

### **Assets Located Outside of Canada**

Substantially all of the Company's assets are located outside of Canada, and may from time to time be held directly and indirectly through foreign affiliates. It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of certain provinces against the portion of the Company's assets located outside of Canada.

## **3.3 Mineral Projects**

The Company has 12 other properties in Chile. These have, in the main, been acquired on the basis for their potential to host porphyry copper/copper-gold deposits.

The first three of these projects were acquired by the Company pursuant to completion of its Qualifying Transaction in late 2007. These projects, Las Santas, El Arrayan, and San Jose were the subject of a Technical Report dated April 10, 2007 prepared by RSG Global (now Coffey Mining Pty Ltd "Coffey Mining") and filed on SEDAR at [sedar.com](http://sedar.com) on October 2, 2007. An updated review of the projects can be found in the Technical Report dated November 23, 2009 and lodged on SEDAR on January 8, 2010.

In early 2008 the Company purchased the Mantos Grande Project from Sundance Resources Limited. The project was an operating mine based on a scarn style mineralization and included a 200 tonne per day processing plant, a 923 hectare rural property and water rights. A press release dated February 19, 2008 detailing this acquisition is available on SEDAR.

In mid 2009 the Company entered into agreements to purchase PAM and SAM, two Australian companies with Chilean subsidiaries. These agreements added another eight exploration projects to the Company's portfolio of properties, namely the Romeral, Meteoritica, Cunlagua, Chitigua, Tres Cruces, Santa Gracia, Carboneras and Angel projects. These projects are the subject matter of the November 23, 2009 Technical Report prepared by Coffey Mining and lodged on SEDAR on January 8, 2010.

## **ITEM 4 – MATERIAL MINERAL PROJECT**

### **4.1 Summary**

The Company's Material Mineral Project is Los Pumas located in northern Chile. Los Pumas is a manganese project located in northern Chile which is currently the subject of a feasibility study. SNC-Lavalin Group Inc. will provide engineering and cost inputs for the feasibility study. Los Pumas is the subject of a Technical Report prepared by Coffey Mining and dated May 4, 2010. The following information regarding Los Pumas has been extracted from the Technical Report. The detailed disclosure contained in the Technical Report is incorporated by reference into this AIF. A full copy of the Technical Report can be found on SEDAR.

#### ***Manganese market and uses***

Manganese (Mn) is the fourth most used metal globally after iron, aluminum and copper with approximately 90% of manganese ore produced, employed in the production of ferroalloys for use in steelmaking and 10% in the production of batteries, chemicals and aluminum cans.

Crude steel produced from iron contains an undesirable amount of oxygen and some sulphur. The introduction of manganese is essential because it fixes the sulphur content, acts as a hardening agent and is also a powerful deoxidizing agent. Used in small amounts manganese makes steel easier to roll, forge and weld and to date no substitute has been found for its use in steelmaking.

### **4.2 Scope of Work**

Coffey Mining was commissioned by SHM to provide an updated resource estimation for SHM's Los Pumas manganese project, located in Northern Chile.

This report was prepared in accordance with disclosure and reporting requirements set forth in National Instrument 43-101, Companion Policy 43-101CP, and Form 43-101F1, and complies with Canadian National Instrument 43-101 for the 'Standards of Disclosure for Mineral Projects' of December 2005 ("NI 43-101"), and the resource and reserve classifications adopted by CIM Council in November 2004.

The "qualified persons" (as defined in NI 43-101) for the purpose of this report are Mr. Beau Nicholls and associate consultant and Mr. Bernardo Viana an employee of Coffey Mining.

The primary author of this report, Mr Beau Nicholls, is a professional geologist with 15 years experience in the exploration and evaluation of mineral properties within Australia and elsewhere internationally. Mr Nicholls is an Associate Consultant in Brazil for Coffey Mining and a member of the Australian Institute of Geoscientists (MAIG). Mr Nicholls has the appropriate relevant qualifications, experience and independence as defined in NI 43-101. Mr. Nicholls visited Los Pumas in March 2009.

Mr. Viana is a professional resource geologist with 9 years experience in resource and mining geology. Mr. Viana is a member of the Australian Institute of Geoscientists (MAIG) and has the appropriate relevant qualifications, experience and independence as defined in the NI 43-101. Mr. Viana has not visited Los Pumas.

### 4.3 Location and Site Description

Los Pumas is located in northern Chile, approximately 175km or 3 hours drive east of Arica, the major port city in Region XV of Chile (approximately 1,700km north of the capital city Santiago). Arica is serviced by domestic flights between Santiago and a number of cities in Chile, and is located within 1 hours drive from Tacna, the southernmost city of Peru. Access from Arica to Los Pumas is via the International Highway from Arica to La Paz (CH11) to the regional administrative centre of Putre, then via the all weather gravel road (A023) to the project area.

The geographic coordinates of Los Pumas are Latitude -18.04, Longitude -69.63.

### 4.4 Exploration History

Los Pumas' potential as a manganese property was first identified during World War II when a German company excavated a number of small trenches and underground openings in both the mantle and vein mineralization. The result of this work is not available, nor is there any record of additional exploration up until the work commenced by SHM in September 2008.

### 4.5 Property Tenure

Los Pumas comprises 46 Exploration Licences (plus one under application) and 8 Mining Licences. The concessions collectively cover an area of approximately 135km<sup>2</sup>.

Los Pumas is located in the High Andes, on the edge of the Gorge Allan Lluta River, with elevations ranging from 3,500m to 5,000m above sea level. The project elevation is at 3,500m.

The temperature ranges between -15° to -5°C at night and 5° to 20°C during the day, with an annual rainfall of between 100 and 440mm.

### 4.6 Geology and Mineralization

Los Pumas is located immediately to the west of the Taapacá volcano in a geographical area called the “altiplano” (high plateau). It is adjacent to the north-south trending Lluta River, where several other minor manganese occurrences have been identified. The geology of Los Pumas is dominated by volcanic rocks of the Huaylas Formation (Upper Miocene age) and the Lauca Ignimbrite (Upper Pliocene). These have been subsequently overlain by Pleistocene pyroclastics, andesites and dacites and sedimentary units including primarily pumice, ignimbrites and a mixture of acid volcanic rocks (dacites and rhyodacites). Six major volcanic centres are clearly visible from Los Pumas with the closest being approximately 4km to the east.

The major formations are summarized below:

#### *Huaylas Formation*

This is Miocene in age, as defined by Salas (1966), comprising sedimentary and subhorizontal volcanics, which fill depressions in the Precordillera and high Andes Mountains. At Los Pumas the footwall to the mineralization is semi-consolidated gravel, sandstone and limonitic volcanic sediments, moderately stratified, in continuous layers that are centimetres to 10's of metres in thickness.

### *Lauca Formation*

The Lauca Formation (Pliocene - Pleistocene) was defined by Munoz (1988) as a continental subhorizontal sedimentary sequence. In Los Pumas, the Lauca Formation is represented by a subunit called the Lauca Ignimbrite, which consists of a pyroclastic flow deposit, composed of mainly rhyolite.

There are two pyroclastic flow units in the Los Pumas area, each about 5m to 10m thick. The lower unit is strongly pink in colour, rich in ash and pumice, while the upper level is less pink in colour.

The Lauca Ignimbrite is important in that this unit hosts the majority of the manganese mineralization at Los Pumas. The manganese has formed mantle style mineralization, having been hydrothermally injected into the flat ignimbrite layer along paths of weakness associated with subvertical faults, preferentially orientated NNW, with subordinate structures oriented N-S and ENE. In the Los Pumas area, the Lauca Ignimbrite is interrupted by a dacitic to andesitic ignimbrite flow derived from the Taapacá Volcanic Complex .

### *Taapacá Volcanic Complex*

The Taapacá Volcano is a large dacitic to andesitic volcano located to the east of Los Pumas. The main products of this volcano are block flow and ash flow rocks, with a dacitic-andesitic composition.

### *Deposit Types*

The primary exploration model associated with Los Pumas is 'manto' style mineralization comprising sub-horizontal, stratabound deposits (or mantos) and their subvertical feeder zones.

The manto model involves the introduction of mineralized hydrothermal solutions via steeply dipping feeder zones usually expressed as faults or breccia zones. These solutions then selectively invade and mineralise relatively porous and permeable horizons within the adjacent stratigraphic profile. Where a feeder zone successively intersects a series of permeable horizons within the stratigraphy, stacked mineralized mantos may be developed. These stacked mantos are often characterized by a vertical metal zonation.

The feeder structures are characteristically higher grade than the mantos, especially immediately below the manto horizon however the manto deposits themselves are frequently of significantly greater dimensions. The deposit size is usually a function of the size, number and frequency of feeder structures, the volume of mineralising hydrothermal fluids, and the width and permeability of the manto horizon.

### *Mineralization*

The manganese mineralization at Los Pumas is divided into the north and south targets and is separated by the Taapacá volcanic dacitic-andesitic flow (approximately 1km). The north target is approximately 1.7km by 0.6km in area and approximately 1m to 10m in thickness, while the south target is 1km by 0.2km in area and a similar thickness.

Mineralization outcrops from surface in most cases, extending up to a maximum depth of 30m below surface.

The Lauca Ignimbrite is important in that this unit hosts the majority of the manganese mineralization identified at Los Pumas. The manganese has formed mantle style mineralization having been hydrothermally injected into the flat ignimbrite layer along paths of weakness associated with subvertical faults, preferentially oriented N-NW, with subordinate structures oriented N-S and ENE.

The testwork completed by SHM indicates that Cryptomelane is the only manganese mineral represented.

The volcanic sediments located in the footwall of the mineralization are more ductile in nature and have not been as pervasively mineralized, although still contain narrow, high grade manganese veinlets and stockwork mineralization. This style of mineralization is also observed in the andesite flow that separates the north and south targets. This narrow, high grade mineralization was the focus of small underground mining activity undertaken by the Germans during World War II.

#### *Metallurgical test work*

Metallurgical test work on the Los Pumas mineralization has focused primarily on the production of a marketable grade manganese product from the relatively low grade in-situ resource by gravity techniques. This involved the use of Heavy Liquid Separation (HLS) tests and Dense Media Separation (DMS) tests on samples. The HLS tests were undertaken at a laboratory scale to provide information prior to the DMS tests in a pilot scale plant.

Other test work has been carried out to determine the comminution characteristics of the mineralized material. This included determination of the bond work index, abrasiveness, and strength characteristics.

### **4.7 Exploration Concept**

The work completed by SHM to date has included:

- Regional reconnaissance mainly in the form of travelling to various farming areas and asking if people have seen “black rock”.
- Project scale mapping of Los Pumas.
- 32 diamond drilling (DD) holes for a total of 652.2m
- 342 reverse circulation (RC) holes for a total of 9,271m
- 25 pit samples for a total of 30m.

All exploration has been undertaken by SHM personnel with the use of an independent drilling contractor as required.

### **4.8 Status of Exploration, Development and Operations**

#### **Mineral Resource Estimates**

Coffey Mining completed the geological modeling for the Los Pumas deposit, with the guidance of the SHM chief geologist. Coffey Mining used the Ordinary Kriging (OK) method to estimate Mn (%), SiO<sub>2</sub> (%), Fe<sub>2</sub>O<sub>3</sub> (%), Al (%), K (%), P (%) and MnO (%).

#### *Database Review*

Coffey Mining was provided with the digital databases, topography, geological and mineralization wireframes.

Coffey Mining inspected photos of the RC chip trays and DC drilling against geological logging and manganese assays. A reasonable correlation was seen between lithology, logging and assays. No major

data issues were identified. The data was found to be internally consistent with appropriate coding of data types and mineralized domains.

### *Geological Modelling*

Coffey Mining has modelled 98 E-W cross sections (25m spacing) in the north target and 100m spacing in the south target. The geological model was based on the lithological logging and interpretation and was separated in four lithologies, as presented below:

- Code 1 Block and Ash Geological Unit: includes andesite / dacite tuffs, ignimbrites, pumice, sandstone and agglomerate of andesitic composition, amorphous silica and eventually manganese mantle.
- Code 2 Lauca Geological Unit (Pink Ignimbrite): Includes Ignimbrite Pink, Pink Vitric ignimbrite, ignimbrite, Sandstone with pink composition of eroded ignimbrite, manganese mantle.
- Code 3 Undifferentiated Ignimbrite
- Code 4 Huaylas Geological Unit (Volcanic Sediment): Includes undifferentiated volcanic sediment, sandstone, ignimbrite, clay areas, Manganese Mantle, etc.

### *Block Modelling*

The block model was generated using the Gemcom Surpac mining software package version 6.1.1. A parent block size of 25mE x 25mN x 2mRL was selected with sub-blocking to 12.5mE x 12.5mN x 1mRL cell size to improve volume representation of the interpreted wireframe models. OK (*Ordinary Kriging*) was used to estimate Mn (%), SiO<sub>2</sub> (%), Fe<sub>2</sub>O<sub>3</sub> (%), Al (%), K (%), P (%) and MnO (%) grades.

### *Resource Classification*

The grade estimates for all domains have been classified as Measured, Indicated and Inferred based on the confidence levels of the key criteria that were considered during the resource estimation.

### *Mineral Resource*

The Mineral Resource for Los Pumas as per the Technical report is shown in Table 1 and Table 2 applying different cutoff grades for high grade and low grade domains.

**Table 1**

Los Pumas Project – South Hemisphere Mining									
Grade Tonnage Report (as at May 4 <sup>th</sup> 2010)									
Ordinary Kriging Estimate – High Grade Domain									
Resource	Mn% Lower Cutoff Grade	Tonnes (Mt)	Mn (%)	SiO <sub>2</sub> (%)	Fe <sub>2</sub> O <sub>3</sub> (%)	Al (%)	K (%)	P (%)	MnO (%)
Measured	0	4.32	9.39	58.45	2.57	5.65	3.43	0.04	12.00
	4	4.31	9.39	58.45	2.57	5.65	3.43	0.04	12.01
	10	1.65	11.81	55.56	2.54	5.34	3.58	0.05	15.04
Indicated	0	6.12	8.82	58.03	2.90	5.83	3.39	0.04	11.26
	4	5.95	8.98	57.84	2.92	5.81	3.38	0.04	11.45
	10	1.84	11.49	55.31	2.79	5.36	3.58	0.04	14.65
<b>Measured and Indicated</b>	<b>0</b>	<b>10.44</b>	<b>9.06</b>	<b>58.20</b>	<b>2.76</b>	<b>5.76</b>	<b>3.41</b>	<b>0.04</b>	<b>11.57</b>
	<b>4</b>	<b>10.26</b>	<b>9.15</b>	<b>58.15</b>	<b>2.74</b>	<b>5.74</b>	<b>3.40</b>	<b>0.04</b>	<b>11.73</b>
	<b>10</b>	<b>3.49</b>	<b>11.64</b>	<b>55.44</b>	<b>2.66</b>	<b>5.35</b>	<b>3.58</b>	<b>0.05</b>	<b>14.87</b>
Inferred	0	3.09	10.24	56.37	2.84	5.51	3.09	0.05	12.59
	4	3.05	10.32	56.24	2.86	5.5	3.08	0.05	12.69
	10	1.26	13.85	52.99	2.44	4.67	2.95	0.05	17.04

**Table 2**

Los Pumas Project – South Hemisphere Mining									
Grade Tonnage Report (as at May 4 <sup>th</sup> 2010)									
Ordinary Kriging Estimate – Low Grade Domain									
Resource	Mn% Lower Cutoff Grade	Tonnes (Mt)	Mn (%)	SiO <sub>2</sub> (%)	Fe <sub>2</sub> O <sub>3</sub> (%)	Al (%)	K (%)	P (%)	MnO (%)
Measured	0	27.41	1.89	66.44	3.12	6.74	3.09	0.04	2.32
	2	10.05	2.78	65.72	3.15	6.48	3	0.04	3.24
	4	0.93	5.02	64.52	2.95	6.56	2.99	0.04	3.93
Indicated	0	61.96	1.74	64.68	3.63	6.95	2.87	0.05	2.12
	2	20.26	2.86	63.08	4.03	6.79	2.76	0.05	3.28
	4	2.02	5.1	62.52	3.43	6.7	2.72	0.05	3.77
<b>Measured and Indicated</b>	<b>0</b>	<b>89.36</b>	<b>1.79</b>	<b>65.22</b>	<b>3.47</b>	<b>6.89</b>	<b>2.94</b>	<b>0.05</b>	<b>2.18</b>
	<b>2</b>	<b>30.31</b>	<b>2.83</b>	<b>64.38</b>	<b>3.58</b>	<b>6.65</b>	<b>2.88</b>	<b>0.04</b>	<b>3.26</b>
	<b>4</b>	<b>2.95</b>	<b>5.07</b>	<b>63.51</b>	<b>3.19</b>	<b>6.64</b>	<b>2.85</b>	<b>0.04</b>	<b>3.84</b>
Inferred	0	1210.32	1.52	62.86	4.03	7.27	2.68	0.05	1.90
	2	234.33	2.33	62.34	4.05	6.97	2.58	0.06	2.69
	4	1.23	4.58	61.52	3.62	7.14	2.35	0.05	3.2



### *Local Resources and Infrastructure*

It is important to highlight in this section the infrastructure given that manganese is a bulk commodity and infrastructure becomes very important to a project's economic returns when considering the transport to market.

The project is located 175km by a very good sealed road which is the major road between Bolivia and the port facilities in Arica.

Coffey Mining reviewed the Arica port, which at the time of the visit was loading lead concentrate from Bolivia for export. The containment shed was negatively ventilated and well sealed with new equipment as would be expected from the main export port for Bolivia. The port storage facility has a capacity of approximately 25,000t and would require shuttling of material from a designated storage stockpile to the port during the loading of larger vessels.

## **4.9 Conclusions and Recommendations**

Coffey Mining considers Los Pumas to be an exciting discovery which is very well located to take advantage of the existing infrastructure, which includes good access and proximity to port facilities. The work to date has seen the project advance from the discovery stage to a scoping level in less than 2 years.

The resource was reclassified by Coffey Mining to Measured, Indicated and Inferred status. The in-situ resources are wholly contained within the SHM concessions.

### *Recommendations*

Coffey Mining considers the next phase of any work at Los Pumas would be to establish a number of concepts, namely:

- To complete a technical study to evaluate the economic viability and potential mining scenarios.
- In the high likelihood of a positive outcome for the scoping study, Coffey Mining would recommend additional infill Reverse Circulation (RC) drilling to 25m by 25m in selected areas with the aim of increasing confidence in the resource and thereby define additional of Measured and Indicated Mineral Resources and support the feasibility study planned by SHM:
- This additional drilling should include the use of certified manganese standards at rate of 1 in 20 to ensure laboratory accuracy is measured.
- Maintain the umpire assay program which will involve an independent certified laboratory to analyze up to 10% of all mineralized pulps.
- SHM has sunk, during the preparation of this report, 1.2m by 1.2m shafts to get bulk samples for dynamic bench scale pilot plant work rather than drill large diameter core holes. This gives them a much bigger sample for bench scale testwork. The new samples have to be integrated into a metallurgical study update.

#### **4.10 Initial Production, Transport and Marketing**

The Company expects initial production rate of 350,000 tonnes per annum increasing to 500,000 tonnes per annum of fines manganese ore. It will be transported by road haulage the 175 kilometres from the mine site to a covered storage area near the Arica port, which has bulk handling facilities. Prior to the commencement of shiploading, the ore will be transferred to a covered storage shed in the port, from which conveyors will provide direct connection to the shiploader. 30,000 tonnes monthly shipments are expected to depart Arica sailing for approximately 32 days to one of the two main ports receiving manganese in China, which are Tianjin Port in the north and Qinzhou Port in the south.

The marketing of this ore will be determined not only by its chemical specification, but also sizing and a marketing executive consultant has been appointed to engage with Chinese smelters and introduce Los Pumas ore.

In 2009, a Memorandum of Understanding was signed with Langfang Xinda Ferroalloy Co. Ltd for the supply of 150,000 metric tonnes of ore per annum for seven years. Langfang will also undertake the initial smelter testing from the initial production.

#### **4.11 Current Status**

Los Pumas continues to be the focus of the Company's activities. Further drilling has been undertaken bringing the total RC drilling to 14,185 meters in 518 holes.

A program of bulk sampling started in March 2010 with the commencement of the sinking of the first of a series of four winzes. The four winzes have been completed providing approximately 300 tonnes of sample material. Selected samples have been sent to Mintek in Johannesburg for beneficiation test work. Preliminary results from the beneficiation test work suggest that the bulk of the Los Pumas mineralization is amenable to concentration using gravity processes.

Another resource estimate is currently being undertaken. This will update the previous work and include the results of the most recent drilling campaign.

A Project Manager has been appointed to manage the completion of the feasibility study for Los Pumas. As part of the feasibility study process the Company has engaged the international engineering and construction management group SNC-Lavalin Group Inc. to prepare detailed designs and cost estimates for the proposed mining and processing operations at Los Pumas. The Company expects that SNC-Lavalin Group Inc. will complete their work during October.

Agreement with the local Community has been reached over the use of their land for the Project. Subject to annual easement payments, this agreement grants the Company use of the land for all exploration and mining purposes, including the construction of plant, buildings, and associated infrastructure for a 20 year period. Discussions with the same Community regarding the use of surface water for the processing plant are progressing and conclusion is expected in the last quarter of 2010.

The environmental assessment process was progressed during the last quarter. The assessment has been released for public comment and responses are currently being collected.

The Company is aiming to have Los Pumas operational before the end of 2011.

## **ITEM 5 - DIVIDENDS**

All of the common shares of the Company are entitled to an equal share in the dividends declared and paid by the Company. There are no restrictions in the Company's articles or elsewhere which could prevent the Company from paying dividends, however, the Company has not paid any dividends since incorporation and it is not contemplating that any dividends will be paid in the immediate future.

The directors of the Company will determine when, if any, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Company's financial position at that time.

## **ITEM 6 - DESCRIPTION OF CAPITAL STRUCTURE**

### **6.1 General Description of Capital Structure**

The Company is authorized to issue an unlimited number of common shares without par value. Each common share ranks equally with all common shares with respect to dissolution, liquidation or winding up of the Company and payment of dividends. The holders of common shares are entitled to one vote for each share on all matters to be voted on by the shareholders.

The common shares are not redeemable, have no conversion rights and carry no pre-emptive or other rights to subscribe for additional shares. The outstanding common shares are fully paid and non-assessable. As at the date of this AIF, there are 103,019,021 common shares issued and outstanding.

## **ITEM 7 - MARKET FOR SECURITIES**

### **7.1 Trading Price and Volume**

Since January 2008, the Company's common shares have been listed and posted for trading on the TSXV under the trading symbol "SH". The table below sets out the reported high and low prices for the common shares of the Company on the TSXV for the calendar months indicated along with the volume of common shares traded for the months indicated:

<b>PERIOD</b>	<b>HIGH (\$)</b>	<b>LOW (\$)</b>	<b>VOLUME TRADED</b>
Jun-10	0.42	0.40	1,600
May-10	0.42	0.42	0
Apr-10	0.48	0.36	30,500
Mar-10	0.37	0.30	52,500
Feb-10	0.40	0.36	274,500
Jan-10	0.54	0.25	403,900
Dec-09	0.32	0.25	9,000
Nov-09	0.35	0.30	13,000
Oct-09	0.30	0.23	136,200
Sep-09	0.35	0.20	365,000
Aug-09	0.30	0.10	999,500
Jul-09	0.11	0.10	24,300

Since January 2010, the Company's common shares have also been listed and posted for trading on the ASX under the trading symbol "SUH". The table below sets out the reported high and low prices in \$AUD for the common shares of the Company on the ASX for the calendar months indicated along with the volume of common shares traded for the months indicated:

<b>PERIOD</b>	<b>\$AUD HIGH (\$)</b>	<b>\$AUD LOW (\$)</b>	<b>VOLUME TRADED</b>
Jun-10	0.40	0.29	787,400
May-10	0.47	0.33	3,559,500
Apr-10	0.55	0.47	4,336,400
Mar-10	0.48	0.39	4,631,800
Feb-10	0.49	0.40	2,353,500
Jan-10	0.57	0.35	12,451,200

## 7.2 Prior Sales

On 31 December 2009, the Company issued 5,200,000 options to Directors and Employees of the Company as part of the ASX listing process. The fair value of the options has been determined as AUD\$427,440 in the Investigating Accountant's Report ("IAR") issued as part of the listing process. This valuation was performed by Stanton International who completed the IAR. The options are subject to the 2009 Stock Option Plan.

On 31 December 2009, the Company issued 1,000,000 options to Euroz Securities Ltd pursuant to the ASX listing. The options vested upon issuance and had an exercise price of AUD\$0.25 and an expiry date of 31 December 2012.

## ITEM 8 – ESCROWED SECURITIES

### 8.1 Escrowed Shares

At June 30, 2010, the Company has the following common shares in escrow:

<b>Note (1)</b>	<b>Number</b>
Original shares	1,000,000
Release effective April 22, 2008	(100,000)
Release effective July 4, 2008	(150,000)
Release effective January 4, 2009	(150,000)
Release effective July 4, 2009	(150,000)
Release effective January 4, 2010	(150,000)
Balance of shares in escrow	300,000

<b>Note (2)</b>	
Original shares	22,000,000
Release effective April 22, 2008	(2,200,000)
Release effective July 4, 2008	(3,300,000)
Release effective January 4, 2009	(3,300,000)
Release effective July 4, 2009	(3,300,000)

Release effective January 4, 2010	(3,300,000)
Balance of shares in escrow	<u>6,600,000</u>
<b>Note (3)</b>	
Original shares	<u>5,640,776</u>
Balance of shares in escrow	<u>5,640,776</u>
<b>Total escrowed shares</b>	<b><u><u>12,540,776</u></u></b>

- (1) 1,000,000 common shares issued during the period ended July 31, 2006, when the Company was a Capital Pool Corporation (“CPC”) as defined under the policies of the TSXV. These shares were subject to a Tier two value escrow arrangement as defined by the policies of the TSXV whereby 10% of the escrowed shares would be released upon issuance of the final notice of acceptance of a Qualifying Transaction by the TSXV, and the remainder in six equal tranches of 15% on every six month anniversary thereof, for a period of 36 months.
- (2) As the conversion of the 22,000,000 special warrants, issued on completion of the reverse takeover which constituted the Company’s Qualifying Transaction, took place on April 18, 2008, the release of the initial 10% of the escrowed former CPC shares was effective April 22, 2008.

22,000,000 special warrants convertible into common shares of the Company were issued on December 17, 2007, pursuant to a Share Exchange Agreement dated July 2, 2007 and amended September 13, 2007 and November 29, 2007.

These 22,000,000 special warrants were subject to a four month hold period, and are subject to a Tier two value escrow arrangement, the terms of which are as described in section (1) above. The 22,000,000 special warrants were converted into 22,000,000 common shares of the Company, effective April 18, 2008, and the initial release of 10% of the escrowed shares was effective April 22, 2008.

- (3) As part of the listing on the ASX completed on December 30, 2009 5,640,776 common shares issued as part of this listing are to be held in escrow for a period of 12 months from the date of issue pursuant to a Restriction Agreement with the relevant holders of the common shares.

## **ITEM 9 – DIRECTORS AND OFFICERS**

### **9.1 Name, Occupation and Security Holding**

The following table sets forth all current directors and executive officers of the Company as at the date of this AIF, with each position and office held by them in the Company, their terms of office and the period of service as such and the number of shares of the Company and percentage of the issued shares beneficially owned, directly or indirectly, or subject to control or direction by the person.

<b>Name &amp; Municipality of Residence</b>	<b>Office and Date First Elected/Appointed</b>	<b>Principal Occupation during the Last Five Years</b>	<b>Number and Percentage of Voting Shares (Common) Beneficially Owned</b>
Trevor Tennant Perth, Western Australia, Australia	Chairman and Managing Director December 17, 2007	Mining Engineer	15,559,587 shares (15.10%) 2,013,441 options 375,000 warrants
James Pearson Perth, Western Australia, Australia	Executive Director December 17, 2007	Mining Engineer	9,037,451 shares (8.77%) 1,835,969 options 50,000 warrants
Eduardo Valenzuela Perth, Western Australia, Australia	Non-executive Director December 17, 2007	Mining Engineer	4,760,982 shares (4.62%) 1,624,849 options 50,000 warrants
Richard Billingsley Surrey, British Columbia, Canada	Non-executive Director December 23, 2005	Company Director	50,000 shares (0.05) 166,000 options
David Craig Perth, Western Australia, Australia	Non-executive Director November 20, 2009	Lawyer; Non-executive Chairman of Moly Mines Limited	80,000 shares (0.08%) 100,000 options
Yang Xifu Langfang, Hebei, China	Non-executive Director September 1, 2010	Company Director; Vice Chairman of the Chinese Ferroalloy Association	14,500,000 shares (14.08%) 5,000,000 warrants

The term of each of the current directors and/or officers of the Company will expire at the Company's next annual general meeting unless his office is earlier vacated in accordance with the Articles of the Company or he becomes disqualified to act as a director. The Directors and Officers of the Company, as a group, own or have voting control or direction over 43,988,020 common shares or approximately 42.70% of the issued and outstanding shares.

### ***Management***

The following is background information on each of the directors and management of Southern Hemisphere:

#### **Trevor Tennant**

Chairman and Managing Director

Trevor Tennant is a mining engineer with over 37 years experience in the mining industry. Much of this experience has been gained in the base metals and industrial minerals sectors of the industry. He has been an executive director of Portman Mining Limited, OM Holdings Limited and Territory Iron Limited. All these companies have developed and gone on to operate mines during Mr Tennant's tenure on their boards. Portman developed manganese and iron ore operations, OM Holdings developed a manganese mining operation at Bootu Creek in the Northern Territory and Territory Iron developed the Frances Creek iron ore mine. 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 manager of an iron ore mine and General Manager of the Groote Eylandt manganese mine.

**James Pearson**  
Executive Director

James Pearson is a mining engineer with nearly 30 years experience in the mining and civil engineering construction industries. He is a past director of OM Holdings Limited and Haddington Resources Limited. Mr Pearson is also the principal of Featly Pty Limited, a private company that provides consulting services to the mining industry. Mr Pearson has had experience in the development and operation of a variety of mining operations. He has held positions as planning engineer, mine manager, and operations manager in coal, gold, nickel, manganese and iron ore operations.

**Eduardo Valenzuela**  
Non-executive Director

Eduardo Valenzuela has qualifications as a mining engineer and a master of business in international management. He has over 25 years of experience in mine operations, project management, technical services and project financing in many commodities including copper, iron ore, nickel, gold and coal. Mr Valenzuela's experience includes senior roles in Australia, Latin America and the USA. He has held numerous positions including that of industry specialist with the International Finance Corporation, mining manager at Murrin Murrin nickel operations, project manager at Escondida copper mine and manager Latin America with BHP Engineering Pty Ltd in Chile. Mr Valenzuela speaks fluent Spanish and English.

**Richard Billingsley**  
Non-executive Director

Richard Billingsley is a company director and mineral explorationist who acquired extensive experience in geochemical sampling and geophysical field work early in his career. During the late 1990's Mr Billingsley specialised in restructuring failed mining companies and built up the largest Mineral Land Management Position in the Province of British Columbia. He is currently a director of listed companies, Glass Earth Gold Limited and Luiiri Gold Limited.

**David Craig**  
Non-executive Director

David Craig is a lawyer who has held and holds executive and board positions in the fields of law, financial services and the resources industry. As a partner of a major Perth law firm, he specialised in resources and commercial legal advice, which included work on resources joint ventures, the acquisition and disposal of interests in companies and projects, and capital raisings by companies. This was followed by ten years in the financial services industry as a stockbroker and an executive director in a national stockbroking and investment banking company. Mr Craig then spent five years working with Woodside Petroleum Ltd in an executive position in the field of public and government affairs. He brings to the Board expertise in law, financial markets, stakeholder engagement, relationship management, strategic planning and risk management. In terms of ASX listed companies he is Non-executive Chairman of Moly Mines Limited and a Non-Executive Director of Entek Energy Ltd.

**Yang Xifu**  
Non-executive Director

Yang Xifu is Managing Director of Langfang Xinda Ferroalloy Co., Ltd and concurrently Vice Chairman of the Chinese Ferroalloy Association. He brings to the board significant marketing and mining connections having been involved in Manganese and related industries for 39 years.

## **9.2 Cease Trade Orders or Bankruptcies**

Other than as disclosed below none of the directors or executive officers of the Company, is, as at the date of this AIF or has been, within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade order or order similar to a cease trade order, or an order that denied the relevant company access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade or order similar to a cease trade order, or an order that denied the relevant company access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF or has been, within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

## **9.3 Penalties or Sanctions**

No director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, or has entered into a settlement agreement with a Canadian securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.



#### **9.4 Conflicts of Interest**

Some of the directors and officers of the Company are also directors or officers of other reporting and non-reporting issuers or have significant shareholdings in other reporting issuer companies and, to the extent such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms.

The Company is not aware of any conflicts of interest between the Company and any of its directors and officers as of the date of this AIF.

#### **ITEM 10 – LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no material legal proceedings or regulatory actions involving the Company or its properties as at the date of this AIF.

#### **ITEM 11 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Company has entered into executive service agreements with Mr Tennant and Mr Pearson. Mr Tennant is employed as the managing director of the Company to perform the functions and responsibilities of the role of managing director including as delegated or assigned by the Board. Mr Tennant additionally performs the role as Chairman of the Company until the appointment by the Board of a non-executive Chairman. Mr Pearson is employed as an executive of the Company to perform the functions and responsibilities of the role of an executive director including as delegated or assigned by the Board. The agreements commenced from the date of listing of the Company on the ASX on January 5, 2010. The engagement of Mr Tennant as managing director and Mr Pearson as an executive director continues until terminated in accordance with the agreements. The Company may terminate the employment upon limited events akin to misconduct or incapacity. Additionally, either party may terminate the agreement without cause on six months written notice. Mr Tennant receives an annual salary of \$350,000 inclusive of statutory superannuation. Mr Tennant will not be paid a separate director's fee for serving on the Board. Mr Pearson receives an annual salary of \$250,000 inclusive of statutory superannuation. Mr Pearson will not be paid a separate director's fee for serving on the Board. The agreements are governed by the laws of Western Australia.

#### **ITEM 12 – TRANSFER AGENT AND REGISTRAR**

The Company's registrar and transfer agent for its common shares is Computershare Trust Company of Canada, located at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 Canada.

#### **ITEM 13 - MATERIAL CONTRACTS**

Other than contracts entered into in the ordinary course of business, the following are the only contracts which are material to the Company that have been entered into since the Company's incorporation on December 23, 2005 and that remain in effect as of the date of this AIF:

1. Executive Services Agreements effective January 5, 2010 between the Company and Mr Trevor Tennant and Mr James Pearson. See Item 11-"Interest of Management and Other in Material Transactions".

2. Contract for ‘Completion of Feasibility Study’ dated April 5, 2010, between the Company and SNC-Lavalin Chile S.A (a member of SNC-Lavalin Group Inc.) for the provision of engineering and cost inputs for a feasibility study in connection with Los Pumas. The fee for this service is estimated in the contract at US\$850,979 plus estimated reimbursable expenses of US\$70,042 for a total of US\$921,021. SNC-Lavalin Group Inc. is a large Canadian engineering firm. It is one of the ten largest engineering firms in the world and is based in Montreal, Quebec. SNC-Lavalin Group Inc. is not a related party of the Company.
  
3. Agreement dated June 8, 2010, between MHS and Putre Land Owners (surface owners of the Los Pumas Project area) providing MHS with easement rights over the Putre Community Lands, which include MHS’s current exploration and exploitation concessions. Subject to annual easement payments MHS is granted the use of the land for all exploration and mining purposes, including the construction of plant, buildings and associated infrastructure for a 20 year period.

## **ITEM 14 - INTERESTS OF EXPERTS**

### **14.1 Names of Experts**

The following table lists persons and companies who have prepared or certified documents referred to in this AIF and the document which they have prepared or certified:

<b>Name of Individual or Company</b>	<b>Document Prepared or Certified</b>
Coffey Mining Pty Ltd	Technical Report
Deloitte Touche Tohmatsu	Independent auditors’ report on the June 30, 2010 Financial Statements

### **14.2 Interests of Experts**

Coffey Mining Pty Ltd prepared the Independent Geologist’s Report in the Company’s ASX Listing Prospectus. The Company paid approximately AUD\$185,000 (exclusive of GST and disbursements) to Coffey Mining Pty Ltd in respect of this work. Coffey are providing continuing services to the Company such as laboratory sampling.

To the knowledge of the Company, Deloitte Touche Tohmatsu and the principals of Deloitte Touche Tohmatsu as a group beneficially own, directly or indirectly, none of the outstanding common shares of the Company.

### **14.3 Audit Committee**

#### *Composition of the Audit Committee*

The following are the members of the Company’s audit committee:

<b>Member</b>	<b>Status</b>	<b>Acumen</b>
David Craig	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Richard Billingsley	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Eduardo Valenzuela	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

#### *Audit Committee Oversight*

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Company's audit committee to nominate or compensate an external auditor not adopted by the Board of Directors.

#### *Reliance on Certain Exemptions*

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of Multilateral Instrument 52-110 ("MI 52-110") (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

### **ITEM 15 - ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR. Additional information including directors' and officer's remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Information Circular dated December 30, 2009 for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Company's audited consolidated financial statements, and related management discussion and analysis, for its fiscal year ended June 30, 2010.

#### **15.1 Australian Legal Requirements Respecting the Acquisition of Securities of the Company**

The Company is incorporated in British Columbia, Canada and is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act of Australia dealing with the acquisition of shares. The acquisition of shares in the Company is subject to British Columbia law and applicable Canadian securities laws.

#### **15.2 Summary of Canadian Legal Requirements Respecting the Acquisition of Securities of the Company**

Applicable Canadian laws, like their Australian equivalent, are very technical. Accordingly, shareholders should consult their own Canadian legal advisors with respect to Canadian legal requirement matters, rather than relying upon this general summary.

In general, subject to compliance with applicable Canadian securities laws, a holder of shares in the capital of a corporation incorporated under the Business Corporations Act (British Columbia) (the "BCABC"), is entitled to transfer his, her or its shares to anyone else upon compliance with the provisions of the BCABC and the articles of the corporation. Where a corporation is offering its shares to the public, the articles of the corporation may not include restrictions on the transfer of shares.

Canadian securities laws impose certain limitations on the acquisition of securities. The issuance to the public and trading of securities in Canada is regulated at the provincial/territorial level by securities legislation administered by the relevant provincial or territorial securities commission.

Take-over bids are regulated primarily by provincial and territorial securities legislation and, to a limited extent, the corporate statutes under which the target company is incorporated. Under provincial or territorial securities regulations, an offer to acquire shares of an issuer by a “control person” of that issuer may constitute a take-over bid. Under the Securities Act (British Columbia), a “control person” is generally defined as any person, company or combination of persons or companies whose holdings represent a sufficient number of securities of the issuer to materially affect the control of that issuer. A holding of more than 20%, in the absence of evidence to the contrary, is deemed to materially affect control of the issuer. Any offer to acquire voting or equity securities where such securities together with the offeror’s securities represent an aggregate of 20% or more of the outstanding securities of that class will constitute a take-over bid.

Unless an exemption from formal take-over bid requirements under applicable securities legislation can be obtained, persons or companies seeking to make a take-over bid must comply with detailed rules governing bids prescribed by applicable provincial or territorial securities laws. For example, under the Securities Act (British Columbia), exempt bids include bids made over the facilities of the TSXV and a bid for not more than 5% of the outstanding securities of a class of securities, so long as the aggregate number of securities of that class acquired by the offeror in the previous twelve months is not greater than 5% of the class and the bid is for a price not in excess of the market price for those securities.

### **15.3 Reporting by Substantial Shareholders and Insiders**

Under the insider reporting and trading rules of applicable Canadian securities legislation, reporting obligations and trading restrictions are placed on substantial shareholders. An “insider” generally includes any person or company who beneficially owns, directly or indirectly, voting securities or who exercises control or direction over voting securities or a reporting issuer or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities.

Shareholders who become insiders must file an “Insider Profile” in the prescribed form under National Instrument 55-102 – *System for Electronic Disclosure by Insiders* (“SEDI”). A further insider report must be filed within 10 days of any change in the ownership or control or direction over securities of the Company of that insider. Insider reports must be filed electronically on SEDI at [sedi.ca](http://sedi.ca)

### **15.4 ASX Reporting Requirements**

The following additional information is disclosed with respect to compliance with the Company’s ASX listing. In accordance with the ASX listing rules, the Company confirms that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX in a way consistent with its business objectives.

#### *Statement of Compliance with ASX Corporate Governance Principles and Recommendations*

In accordance with ASX listing rule 4.10, set out below is the “if not, why not” report in relation to those matters of corporate governance where the Company’s practices depart from the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations.

Recommendation Reference – ASX Guidelines	Notification of Departure	Explanation of Departure
2.1	No majority of independent directors	<p>The Company has 6 Directors of which 2 Directors are executive and 4 Directors are non-executive, however, one of the non-executive Directors (Mr Yang Xifu) is not independent in terms of the ASX Corporate Governance Council's definition of independent director, due to having a substantial holding in the Company. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non-executive Directors.</p> <p>The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.</p>
2.2 and 2.3	Chairman not independent and roles of Chairman and Chief Executive Officer are exercised by the same person	The Company's Chairman, Mr Trevor Tennant, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director as he is an executive of the Company and a substantial Shareholder. However, the Board believes the Chairman is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

Copies of the Company's Corporate Governance policies are accessible on the Company's website: [www.shmining.com.au](http://www.shmining.com.au).

#### *Company Secretary*

The Company Secretary is Mr John Sibenaler.

#### *Distribution of Shareholders and their Holdings as at 24 September 2010 (Combined TSXV/ASX)*

The Company's common shares trade on the TSXV and also trade on the ASX as CHESS Depository Interests (CDIs"). Each CDI represents one Southern Hemisphere common share. CDI holders are the beneficial owner of common shares and although they are not entitled to attend and vote at the Southern Hemisphere shareholder meetings, CDI holders may direct CHESS Depository Nominees Pty Ltd, as the legal holder of their Southern Hemisphere common shares, to cast proxy votes at the relevant meeting.

Ordinary Shares / CDIs held (a)	Total Number of Holders	Number of Shares
1 to 1,000 (b)	3	2,092
1,001 to 5,000	24	69,650
5,001 to 10,000	58	504,010
10,001 to 100,000	210	9,840,622
100,001 and over	82	92,602,647
<b>Total</b>	<b>377</b>	<b>103,019,021 (c)</b>

- a) All shares / CDIs rank equally.
- b) The number of shareholders with a holding less than a marketable parcel (AUD\$500) based on a market price of AUD \$0.51 as at 24 September 2010 was 2.
- c) With reference to Item 8.1(3): 5,640,776 shares are held in escrow with respect to the Company's ASX listing.

### *Substantial Shareholders*

The Company, as part of admission to the ASX undertook to announce to the ASX on becoming aware of a person having a substantial holding in the Company within the meaning of section 671B of the Corporations Act of Australia. Substantial shareholders of the Company (as defined by the Corporations Act of Australia) are set out below as at 24 September 2010.

<b>Name of individual or entity</b>	<b>Number of Ordinary Shares / CDIs held</b>	<b>% of Issued Capital</b>
Mr Trevor Tennant and related entities	15,559,587	15.10
Mr Yang Xifu	14,500,000	14.08
Mr James Pearson and related entities	9,037,451	8.77
Mr Seetoh Kwok Weng	6,800,000	6.60

### *Unquoted Securities as at 24 September 2010*

<b>Class of Equity Security (a)</b>	<b>Total Number of Securities</b>	<b>Number of Security Holders</b>	<b>Holder and Number of Unquoted Securities (b)</b>
31 December 2012 AUD\$0.30 Options (c)	5,116,666	15	n/a
31 December 2012 AUD\$0.25 Options	1,000,000	1	Zero Nominees Pty Ltd
8 December 2010 CAD\$0.20 Warrants	585,000	5	Skylife Nominees Pty Ltd (375,000)
28 August 2011 CAD\$0.40 Warrants	7,500,000	2	Mr Yang Xifu (5,000,000) Mr Seetoh Kwok Weng (2,500,000)
1 November 2011 CAD \$0.20 Options (c)	133,334	2	n/a
3 January 2013 CAD \$0.40 Options (c)	3,356,579	8	n/a

- a) These unquoted securities do not have voting rights.
- b) Disclosed if an individual or entity holds 20% or more of the equity securities in an unquoted class, unless issued under an employee share scheme as defined by the ASX listing rules.
- c) These securities were issued under an employee share scheme as defined by the ASX listing rules.

### *On-market Buy-back*

There is no current on-market buy-back of the Company's securities in place.

### *Quotation*

Southern Hemisphere Common Shares are quoted as 'SH' on the TSXV and CDIs are quoted as 'SUH' on the ASX.

*Concession Schedule*

<b>Name of Concession (1) (2)</b>	<b>Name of Concession (1) (2)</b>	<b>Name of Concession (1) (2)</b>
BELEN 1	ESTE 10	MATEO 3
BELEN 2	ESTE 11	MATEO 4
BELEN 3	ESTE 12	MATEO 5
BELEN 4	ESTE 13	MATEO 6
BELEN 5	ESTE 14	MG 1
BELEN 6	ESTE 15	MG 10
CHAN 1	ESTE 16	MG 11
CHAN 10	ESTE 17	MG 12
CHAN 11	ESTE 18	MG 13
CHAN 12	ESTE 19	MG 14
CHAN 13	ESTE 2	MG 2
CHAN 14	ESTE 20	MG 3
CHAN 15	ESTE 21	MG 4
CHAN 16	ESTE 22	MG 5
CHAN 17	ESTE 23	MG 6
CHAN 18	ESTE 24	MG 7
CHAN 19	ESTE 25	MG 8
CHAN 2	ESTE 26	MG 9
CHAN 20	ESTE 27	NACIMIENTO 1
CHAN 3	ESTE 28	NACIMIENTO 2
CHAN 4	ESTE 3	NACIMIENTO 3
CHAN 5	ESTE 4	PARINA 1
CHAN 6	ESTE 5	PASCUALA 1
CHAN 7	ESTE 6	PASCUALA 2
CHAN 8	ESTE 7	PASCUALA 3
CHAN 9	ESTE 8	PASCUALA 4
CHITIGUA SUR 1	ESTE 9	PASCUALA 5
CHITIGUA SUR 2	HEMISFERIO	PASCUALA 6
CHITIGUA SUR 3	IGNACIA 1	PATY 1
CHITIGUA SUR 4	IGNACIA 2	PUMA 1
CHITIGUA SUR 5	IGNACIA 3	PUMA 2
CHITIGUA SUR 6	IGNACIA 4	PUMA 3
CONTI 1	IRON 10	PUMA 4
CONTI 2	IRON 7	PUMA NORTE 1
CONTI 3	IRON 8	PUMA NORTE 10
ESPERANZA 1	IRON 9	PUMA NORTE 2
ESPERANZA 2	LITU 1	PUMA NORTE 3
ESPERANZA 3	LITU 2	PUMA NORTE 4
ESPERANZA 4	LLUTA 1	PUMA NORTE 5
ESTE 1	LLUTA 2	PUMA NORTE 6

*Concession Schedule cont'd*

<b>Name of Concession (1) (2)</b>	<b>Name of Concession (1) (2)</b>	<b>Name of Concession (1) (2)</b>
PUMA NORTE 7	SANTA ANA 34	CHITIGUA II 1
PUMA NORTE 8	SANTA ANA 35	ESPERANZA 10
PUMA NORTE 9	SANTA ANA 36	ESPERANZA 11
PUTRE 1	SANTA ANA 37	ESPERANZA 12
PUTRE 2	SANTA ANA 38	ESPERANZA 13
PUTRE 3	SANTA ANA 4	ESPERANZA 14
PUTRE 4	SANTA ANA 5	ESPERANZA 15
PUTRE 5	SANTA ANA 6	ESPERANZA 16
PUTRE 6	SANTA ANA 7	ESPERANZA 17
PUTRE 7	SANTA ANA 8	ESPERANZA 18
PUTRE 8	SANTA ANA 9	ESPERANZA 19
SAN ALBERTO	TREN 1	ESPERANZA 20
SAN CRISTIAN	TRES CRUCES 19	ESPERANZA 21
SANTA ANA 1	TRES CRUCES 20	ESPERANZA 22
SANTA ANA 10	YANET 1	ESPERANZA 23
SANTA ANA 11	YANET 10	ESPERANZA 24
SANTA ANA 12	YANET 11	ESPERANZA 25
SANTA ANA 13	YANET 12	ESPERANZA 26
SANTA ANA 14	YANET 13	ESPERANZA 27
SANTA ANA 15	YANET 14	ESPERANZA 28
SANTA ANA 16	YANET 15	ESPERANZA 29
SANTA ANA 17	YANET 2	ESPERANZA 30
SANTA ANA 18	YANET 3	ESPERANZA 31
SANTA ANA 19	YANET 4	ESPERANZA 32
SANTA ANA 2	YANET 5	ESPERANZA 5
SANTA ANA 20	YANET 6	ESPERANZA 6
SANTA ANA 21	YANET 7	ESPERANZA 7
SANTA ANA 22	YANET 8	ESPERANZA 8
SANTA ANA 23	YANET 9	ESPERANZA 9
SANTA ANA 24	YUCRA 1	LAS PERDICES 1
SANTA ANA 25	ANGEL 4	LAS PERDICES 2
SANTA ANA 26	ANGEL 5	LAS PERDICES 3
SANTA ANA 27	ANGEL 6	LAS PERDICES 4
SANTA ANA 28	CHACAY 14	LAS PERDICES 5
SANTA ANA 29	CHACAY 20	LAS PERDICES 6
SANTA ANA 3	CHACAY 22	LAS PERDICES 7
SANTA ANA 30	CHACAY 23	TANIA 1
SANTA ANA 31	CHACAY 26	TANIA 2
SANTA ANA 32	CHACAY 27	TANIA 3
SANTA ANA 33	CHACAY 28	TANIA 4



*Concession Schedule cont'd*

<b>Name of Concession (1) (2)</b>	<b>Name of Concession (1) (2)</b>	<b>Name of Concession (1) (2)</b>
TRES CRUCES 1	MANTOS 18	CHITIGUA SUR ESTE 1 AL 5
TRES CRUCES 2	MANTOS 19	DAVID 1 AL 60
TRES CRUCES 3	MANTOS 20	EDUARDO 1 AL 60
TRES CRUCES 4	PARINACOTA 1	EMANUEL 1 AL 20
TRES CRUCES 5	PARINACOTA 2	LEYLA 1 AL 60
TRES CRUCES 6	LEO 1	LLUTA I 1 AL 60
TRES CRUCES 7	LEO 2	LLUTA II 1 AL 300
TRES CRUCES 8	LEO 3	PACITA 1 AL 60
TRES CRUCES 9	LEO 4	PATRICIA 1 AL 40
TRES CRUCES 10	LEO 5	PUTRE I 1 AL 20
TRES CRUCES 11	LEO 6	PUTRE II 1 AL 20
TRES CRUCES 12	LEO 7	RODOLFO 1 AL 60
TRES CRUCES 13	LEO 8	SAN ALBERTO 1 A L 30
TRES CRUCES 14	LEO 9	SAN ALFONSO CUATRO 1 AL 50
TRES CRUCES 17	LEO 10	SAN ALFONSO DOS 1 AL 25
TRES CRUCES 15	LEO 11	SAN ALFONSO TRES 1 AL 36
TRES CRUCES 16	LEO 12	SAN ALFONSO UNO 1 AL 38
TRES CRUCES 18	LEO 13	SAN CRISTIAN 1 AL 20
AZUL 5	LEO 14	SAN GONZALO 1 AL 30
AZUL 6	LEO 15	SAN JAMES 1, 1/ 100
AZUL 7	LEO 16	SAN JAMES 1, 101/ 200
AZUL 8	LEO 17	SAN JAMES 10, 1/ 24
CARBONERA 10	LEO 18	SAN JAMES 11, 1/6
CARBONERA 11	LEO 19	SAN JAMES 2, 1/ 60
CARBONERA 12	LEO 20	SAN JAMES 2, 61/200
CARBONERA 13	LEO 21	SAN JAMES 3, 1/ 200
CARBONERA 14	LEO 22	SAN JAMES 4, 1/ 300
CARBONERA 15	LEO 23	SAN JAMES 5, 1/ 300
CARBONERA 16	LEO 24	SAN JAMES 6, 1/ 30
CARBONERA 17	LEO 25	SAN JAMES 7, 1/ 100
CARBONERA 18	LEO 26	SAN JAMES 8, 1/ 20
CUNLAGUA 12	LEO 27	SAN JAMES 9, 1/ 15
CUNLAGUA 13	LEO 28	SAN JORGE CINCO 1 AL 11
CUNLAGUA 14	LEO 29	SAN JORGE CUATRO 1 AL 60
CUNLAGUA 15	LEO 30	SAN JORGE DOS 1 AL 49
CUNLAGUA 16	LEO 31	SAN JORGE TRES 1 AL 36
MANTOS 14	ANDREA 1 AL 60	SAN JORGE UNO 1 AL 12
MANTOS 15	AWAHOU 1 AL 20	SAN JOSE DOS 1 AL 34
MANTOS 16	BASILIO 1 AL 60	SAN JOSE TRES 1 AL 54
MANTOS 17	BELEN 1 1 AL 10	SAN JOSE UNO 1 AL 23

*Concession Schedule cont'd*

<b>Name of Concession (1) (2)</b>	<b>Name of Concession (1) (2)</b>	<b>Name of Concession (1) (2)</b>
SAN TREVOR 1, 1/300	CUYANA 1 AL 5	MANTOS 2, 1 AL 20
SAN TREVOR 10, 1/75	CHITIGUA 8, 1 AL 120	MANTOS 3, 1 AL 20
SAN TREVOR 10, 151/225	CHITIGUA 7, 1 AL 50	MANTOS 4, 1 AL 20
SAN TREVOR 10, 76/150	CHITIGUA 4, 76 AL 150	MANTOS 5, 1 AL 20
SAN TREVOR 2, 1/300	CHITIGUA 4, 1 AL 75	MANTOS 6, 1 AL 30
SAN TREVOR 3, 1/150	CHITIGUA 34, 1 AL 30	MANTOS 7, 1 AL 300
SAN TREVOR 3, 151/300	CHITIGUA 32, 1 AL 60	MANTOS 8, 1 AL 130
SAN TREVOR 4, 1/150	CHITIGUA 31, 1 AL 60	FUTURO 5, 1 AL 60
SAN TREVOR 4, 151/300	CHITIGUA 30, 46 AL 90	MANTOS 9, 1 AL 30
SAN TREVOR 5, 1/300	CHITIGUA 30, 1 AL 45	MANTOS 10, 1 AL 300
SAN TREVOR 6, 1/250	CHITIGUA 27 1 AL 60	MANTOS 11, 1 AL 130
SAN TREVOR 7, 1/60	CHITIGUA 26, 1 AL 60	MANTOS 12, 1 AL 300
SAN TREVOR 8, 1/60	CHITIGUA 25, 46 AL 90	MANTOS 13, 1 AL 100
SAN TREVOR 9, 1/60	CHITIGUA 25, 1 AL 45	MANTOS 21 1/20
SANTA ANA 1 AL 60	CHITIGUA 19, 1 AL 40	MANTOS 21, 21/ 30
SANTA CAMILA 1 AL 27	CHITIGUA 18, 1 AL 200	MANTOS 22, 1/ 20
SANTA CECILIA 1 AL 20	CHITIGUA 16, 1 AL 6	MANTOS CHICOS 1 AL 20
SANTA CLARITA 1 AL 40	CHITIGUA 14, 1 AL 36	LA ESCONDIDA 1 AL 20
SANTA EMA 1 AL 27	CHITIGUA 13, 1 AL 36	MANTOS GRANDES 1 AL 11
SANTA GUADALUPE 1 AL 39	CHACAY 6, 1 AL 40	DANIELA 1 AL 6
SANTA INES 1 AL 40	CHACAY 37, 1/ 10	SANDRA 1
SANTA MACARENA 1 AL 40	CHACAY 31, 1/ 60	SANDRA 2
SANTA MARIA 1 AL 60	CHACAY 18, 1/ 10	JOYA 2, 1 AL 60
SANTA MARIELA 1 AL 40	CHACAY 16, 1/ 60	MANGANESO 4 1 AL 10
SANTA NATALIA 1 AL 40	CHACAY 13, 1/ 40	MANGANESO 5 1 AL 60
SANTA NORMA 1 AL 40	AGUILA 11 1 AL 10	OXIN 1 1 AL 60
SANTA PAULINA 1 AL 40	AGUILA 16 1 AL 200	SERGIO 1 AL 5
SANTA ROMINA 1 AL 40	CUNLAGUA 1 1/ 30	MANTOS 1, 1 AL 10
SANTA SANDRA 1 AL 40	CUNLAGUA 2 1/ 30	IRON 5, 1 AL 60
SANTA XIMENA 1 AL 60	CUNLAGUA 3 1/ 20	JOYA 1, 1 AL 60
SUSAN 1 1/ 60	CUNLAGUA 4 1/ 30	LA COIPA 4 1/ 20
SUSAN 2 1/ 60	CUNLAGUA 5 1/ 30	LA COIPA 3 1/ 30
SUSAN 3 1/ 25	TERESA 1 AL 60	SAN SEBASTIAN 1 AL 5
SUSAN 4 1/ 40	SANTA GRACIA 12 1/300	LA COIPA 6 1/ 30

(1) All of the concessions listed above are located in Chile.

(2) All of the concessions listed above are 100% owned by MHS, Minera America del Sur SCM, Minera Panamericana SCM and Servicios e Inversiones Futuro Ltda respectively.

Southern Hemisphere holds downstream interests of 99.99% in MHS, Minera America del Sur SCM and Minera Panamericana SCM and a downstream interest of 99.90% in Servicios e Inversiones Futuro Ltda (refer to Item 1.2)

All of the concessions listed are designated in Chile either as “Pedimento” (a); “Manifestación” (a); an Exploration Mining Concession; or an Exploitation Mining Concession (b).

- a) “Pedimento” and “Manifestación” are the request for exploration and exploitation mining concessions respectively. The validity of a “Pedimento” and of a “Manifestación” is subject to the compliance by their petitioner with all the requirements that for the constitution of an exploration or exploitation concessions, respectively, are contemplated in the mining concession.
- b) The exploitation mining concession has an indefinite effective period and to maintain its validity the concessionaire only has to pay the annual mining patent.