Southern Hemisphere Mining Limited

Consolidated interim financial statements
December 31, 2009

(Unaudited)

CONTENTS

Southern Hemisphere Mining Limited
Consolidated interim balance sheets
(Unaudited)

	December 31, 2009	December 31, 2008
	$	$
Assets		
Current Assets		
Cash and cash equivalents	**8,928,437**	2,023,595
Prepaid Assets	**2,881**	3,532
Receivables	**141,064**	41,502
	9,072,382	2,068,629
Capital Assets (Note 6)	**24,097**	23,350
Loans due from related parties (Note 7)	**18,363**	57,442
Mineral Properties (Note 5)	**10,084,773**	5,519,611
	19,199,615	7,669,032
Liabilities		
Current Liabilities		
Accounts payable	**233,327**	271,432
Accrued liabilities	**48,727**	188,063
Loans due to related parties (Note 7)	**-**	11,898
	282,054	471,393
Future Income Tax (Note 12)	**517,600**	496,100
	799,654	967,493
Shareholders' Equity		
Common Shares (Note 8)	**19,079,490**	7,021,240
Warrants and Agents Options (Note 9)	**1,530,918**	1,328,115
Contributed Surplus (Note 10)	**936,161**	936,161
Accumulated Deficit	**(3,146,608)**	(2,583,977)
	18,399,961	6,701,539
	19,199,615	7,669,032

Approved on behalf of the Board of Directors:

Signed "Trevor Tennant"
Trevor Tennant, Director

Signed "Anthony James Pearson"
Anthony James Pearson, Director

See accompanying notes to the unaudited consolidated interim financial statements

Southern Hemisphere Mining Limited
Consolidated interim statements of shareholders' equity
(Unaudited)

	Common Shares Number	Common Shares $	Warrants & Options $	Surplus $	Deficit $	Shareholders' Equity $
Balance – June 30, 2008	34,915,687	5,979,980	815,375	936,161	(1,875,763)	5,855,753
Agent options exercised	100,000	20,000	-	-	-	20,000
Shares issued pursuant to a private placement	7,670,000	1,534,000	-	-	-	1,534,000
Fair value attributed to warrants on private placement	-	(324,239)	324,239	-	-	-
Net loss for the period	-	-	-	-	(796,860)	(796,860)
Balance - June 30, 2009	**42,685,687**	**7,209,741**	**1,139,614**	**936,161**	**(2,672,623)**	**6,612,893**
Shares issued pursuant to a private placement	**15,000,000**	**3,000,000**	**-**	**-**	**-**	**3,000,000**
Fair value attributed to warrants on private placement	**-**	**(391,304)**	**391,304**	**-**	**-**	**-**
Shares issued pursuant to acquisition	**10,000,000**	**2,000,000**	**-**	**-**	**-**	**2,000,000**
Shares issued pursuant to listing - Australian Stock Exchange	**32,000,000**	**7,497,600**	**-**	**-**	**-**	**7,497,600**
Costs of listing - Australian Stock Exchange	**-**	**(236,547)**	**-**	**-**	**-**	**(236,547)**
Net loss for the period	**-**	**-**	**-**	**-**	**(473,985)**	**(473,985)**
Balance – December 31, 2009	**99,685,687**	**19,079,490**	**1,530,918**	**936,161**	**(3,146,608)**	**18,399,961**

See accompanying notes to the unaudited consolidated interim financial statements

Southern Hemisphere Mining Limited
Consolidated interim statements of operations and deficit
(Unaudited)

	December 31, 2009	December 31, 2008	**December 31, 2009**	December 31, 2008
	$	$	**$**	$
	(3 months)	(3 months)	**(6 months)**	(6 months)
Expenses				
Amortization	**2,436**	1,713	**4,446**	3,301
Donations	**-**	1,000	**-**	1,000
Investor relations	**9,723**	13,500	**31,983**	27,000
Legal fees	**75,801**	41,336	**100,333**	67,020
Office and administration	**12,592**	24,302	**22,547**	42,951
Professional fees	**34,035**	229,090	**84,656**	268,989
Rent & utilities	**11,703**	23,307	**23,303**	35,462
Salaries & wages	**160,400**	66,781	**283,632**	201,951
Travel and accommodation	**3,193**	44,675	**26,180**	64,511
Transfer agent & filing fees	**53,196**	15,806	**53,196**	18,115
Operating loss	**(363,079)**	(461,510)	**(630,276)**	(730,300)
Interest income	**18,911**	8,743	**30,644**	22,086
Foreign exchange gain	**2,686**	-	**125,647**	-
Loss before taxes	**(341,482)**	(452,767)	**(473,985)**	(708,214)
Income taxes	**-**	-	**-**	-
Net loss for the period	**(341,482)**	(452,767)	**(473,985)**	(708,214)
Deficit, beginning of period	**(2,805,126)**	(2,131,210)	**(2,672,623)**	(1,875,763)
Deficit, end of period	**(3,146,608)**	(2,583,977)	**(3,146,608)**	(2,583,977)
Basic and diluted loss per share (Note 12)	0.005	0.012	0.008	0.020

See accompanying notes to the unaudited consolidated interim financial statements

Southern Hemisphere Mining Limited
Consolidated interim statements of cash flows
(Unaudited)

	December 31, 2009	December 31, 2008	**December 31, 2009**	December 31, 2008
	$	$	**$**	$
	(3 months)	(3 months)	**(6 months)**	(6 months)
Cash provided by (used in)				
Operating activities:				
Net loss for the period	**(341,422)**	(452,767)	**(473,925)**	(708,214)
Adjustments for non-cash items:				
Amortization	**2,436**	1,713	**4,446**	3,301
Foreign exchange adjustment	**(62)**	1,396	**(30,600)**	-
Changes in non-cash working capital items:				
Receivables	**(73,261)**	(2,679)	**(96,203)**	72,718
Prepaid deposits	**(37)**	(3,532)	**(37)**	(3,532)
Accounts payable	**204,067**	197,523	**138,457**	177,984
Accrued liabilities	**(6,225)**	(4,596)	**2,492**	131,081
	(214,504)	(262,942)	**(455,370)**	(326,662)
Investing activities:				
Loans due from related parties	**-**	(18,880)	**4,967**	(39,684)
Mineral properties	**(1,230,172)**	(308,827)	**(1,422,554)**	(741,192)
Capital assets	**(4,328)**	(2,943)	**(10,992)**	(2,943)
	(1,234,500)	(330,650)	**(1,428,579)**	(783,819)
Financing activities:				
Loans due to related parties	**(6,014)**	(111)	**(6,014)**	(1,797)
Issuance of common shares	**7,497,600**	1,534,000	**10,497,600**	1,554,000
Costs of share issuance	**(236,547)**	-	**(236,547)**	-
	7,255,039	1,522,889	**10,255,039**	1,552,203
Increase (Decrease) in cash and equivalents	**5,806,035**	940,297	**8,371,090**	441,722
Cash and cash equivalents, beginning of period	**3,122,402**	1,083,298	**557,347**	1,581,873
Cash and cash equivalents, end of period	**8,928,437**	2,023,595	**8,928,437**	2,023,595

See accompanying notes to the unaudited consolidated interim financial statements

1. NATURE OF BUSINESS

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties, principally located in Chile, and has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The recovery of amounts capitalized for mineral exploration properties on the balance sheet is dependent upon the existence of economically recoverable mineral deposits, the ability of the Company to obtain the necessary financing to complete exploration and/or development of the properties, and upon future profitable production or proceeds from the disposition of the properties.

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes that the Company will be able to continue its operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

As at December 31, 2009 the Company had no source of operating cash flow and an accumulated deficit of $3,146,608 (December 31, 2008 - $2,583,977) operations for the period ended December 31, 2009 have been funded by the issuance of capital. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and achievement of profitable operations. The Company is planning to meet its future expenditures and obligations by raising funds through public offerings, private placements or by optioning of mineral properties. Although the Company has been successful in obtaining financing in the past, it is not possible to predict whether future efforts will be successful or whether the Company will attain profitable levels of operation.

2. SIGNIFICANT ACCOUNTING POLICIES

The following outlines the significant accounting policies under which these financial statements have been prepared for the periods ended December 31, 2009 and 2008.

a) Principals of consolidation

The Company's consolidated financial statements include Southern Hemisphere Mining Limited and its subsidiaries, all of which are wholly owned. All significant inter-company transactions and balances have been eliminated on consolidation.

b) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with GAAP. All monetary references expressed in these notes are references to Canadian dollars, except occasional references to United States of America Dollars ("US"), Australian Dollars ("AUD") or Chilean Pesos ("CLP") amounts.

c) Cash and equivalents

Cash and equivalents include cash on account and highly liquid investments with a term to maturity of three months or less at the date of purchase.

d) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting period.

Significant areas where management judgment is applied include those related to the recoverability of resource properties, valuation of options and warrants and the ability to continue as a going concern. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Financial instruments and comprehensive income (loss)

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income or loss in the period in which they arise. Transactions are recorded on the trade date. .

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash and equivalents	Held for trading
Receivables	Loans and receivables
Loans due from related parties	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Loans due to related parties	Other liabilities

The Company had no other comprehensive income or loss transactions during the periods ended December 31, 2009 and 2008. Accordingly, a statement of comprehensive income has not been prepared.

f) Functional currency

The Canadian dollar is the Company's reporting and functional currency. The accounts of foreign subsidiaries are maintained in the local currency where the subsidiary is incorporated. The Company has determined that SHM and Minera Hemisferio Sur SCM ("MHS"), a wholly owned subsidiary, are integrated foreign operations as defined in CICA Handbook Section 1651 and as a result, the Company has used the temporal method to translate the financial statements of these foreign operations into Canadian dollars.

g) Income taxes

Income taxes are calculated using the asset and liability method of accounting. Temporary differences arise from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet. These temporary differences are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using the substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Loss per common share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share reflects the potential dilution of securities. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the results would be anti-dilutive.

i) Stock based compensation

The Company accounts for stock based compensation using the fair value based method. The fair value of stock based compensation is determined by using an appropriate option pricing model, including the Black-Scholes option pricing model. The fair value of stock options is recognized as stock based compensation expense over the option vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when the stock options are exercised. Any consideration paid on the exercise of stock options is credited to capital stock.

The Company's stock based compensation plan is described in note 10.

j) Other stock based payments

The Company accounts for other stock-based payments based on the fair value of the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date or the fair value of the services provided, whichever is considered more reliable.

k) Mineral properties

Direct property acquisition costs, field exploration and field supervisory costs relating to specific properties are deferred until the properties to which they relate are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are abandoned, sold or allowed to lapse, at which time they will be written off.

Costs include the cash consideration paid and the fair value of the shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year. Costs incurred for administration and general exploration that are not project specific, are charged to operations. The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic, or at least annual basis and will recognize an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future profitability of profitable revenues from each property, or from the sale of the relevant property.

The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds of disposition of such properties.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l) Long-lived asset impairment

Long-lived assets, which comprise mineral properties and capital assets, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

For capital assets, if the sum of the undiscounted future cash flows expected from use and residual value is less than carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the long-lived assets exceeds its fair value.

m) Capital assets

Capital assets are amortized on the declining balance method at the following rates per annum:

Equipment	10 - 15%
Computer software	40%

n) Asset retirement obligations

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

Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory and operating license requirements and measured at fair value. Fair value is determined based on the net present value of future cash expenditures expected upon reclamation and closure and subsequent annual recognition of an accretion amount on the discounted liability. Reclamation and closure costs are capitalized as mine development costs and amortized over the life of the mine on a unit-of-production basis.

The Company does not currently have any legal obligations relating to the reclamation of its mineral properties.

o) Revenue recognition

Interest income is recorded on an accrual basis, as earned.

3. CHANGES IN ACCOUNTING POLICY

Effective for the Company's fiscal year beginning July 1, 2008, the Company adopted the following new accounting standards.

Section 1400 has been amended for new requirements relating to the assessment of an entity's ability to continue as a going concern. The Company has determined that this new standard will have no material impact on the Company's consolidated financial statements for the period ended December 31, 2009.

Section 1535, Capital Disclosures, establishes disclosure requirements relating to an entity's objectives, policies and processes for managing capital. Along with summary qualitative data about what it manages as capital. In addition, disclosures are to include whether the company has complied with any externally imposed capital requirements and when a company has not complied with capital requirements, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 19 to these financial statements.

Sections 3862, Financial Instruments – Disclosures and 3863, Financial Instruments – Presentation have replaced Section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements on the nature and extent of risks arising from financial instruments and how a company manages those risks. Additional disclosures have been provided in note 16 to the Company's consolidated financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2006, the Canadian Accounting Standards Board ("AcSB") formally adopted a new strategic plan that will significantly affect financial reporting requirements for Canadian public corporations. The AcSB strategic plan outlined the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The effective date for the Company will be July 1, 2011 however it will require the restatement for the June 30, 2011 financial information for comparative purposes. The Company has begun assessing the impact of adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. The Company shall apply this standard effective July 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under GAAP with IFRS. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

5. MINERAL PROPERTIES

Project Location	**Opening balance July 1, 2009**	**Additions (6 months)**	**Closing balance December 31, 2009**
	$	$	$
El Arrayan	1,368,400	25,788	**1,394,188**
Las Santas	2,508,985	2,180	**2,511,165**
San Jose	644,613	26,785	**671,398**
Los Pumas (a)	922,067	1,370,150	**2,292,217**
Minera Panamericana	-	1,299,886	**1,299,886**
Minera America	-	859,382	**859,382**
Mantos Grandes	734,930	29,872	**764,802**
Chilean VAT	291,735	-	**291,735**
Total	**6,470,730**	**3,614,043**	**10,084,773**

Project Location	Opening balance July 1, 2008	Additions (6 months)	Closing balance December 31, 2008
	$	$	$
El Arrayan	1,308,551	229,652	1,538,203
Las Santas	2,442,298	429,503	2,871,801
San Jose	166,220	28,905	195,125
Other	10,134	1,794	11,928
Futuro Projects	729,049	3,063	732,112
Chilean VAT	122,167	48,275	170,442
Total	4,778,419	741,192	5,519,611

5. MINERAL PROPERTIES (cont'd)

a) Kaiora Option Agreement

The Kaiora agreement is an agreement between MHS and Sociedad Minera Kaiora International Limitada ("Kaiora"). The agreement is an option to purchase mining tenements "Emanuel del 1 al 20" and "Awahou 1-20" which cover 132 square kilometers near Putre in northern Chile. The option is in two parts. Option A and Option B. To exercise Option A, MHS must pay to Kaiora the sum of US$1,050,000. To exercise Option B MHS must 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 tenements were to be transferred to a newly formed Chilean company. The shares in this company were to be held 50% held by Kaiora and 50% by MHS. Option B provided MHS the option to purchase the 50% of shares held by Kaiora, MHS were had until December 2010 to exercise Option B.

Following negotiations in the last quarter of calendar year 2009, it was agreed that if MHS paid Kaiora the 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 with the payment of US$700,000 to Kaiora being made in January 2010.

b) Acquisition – Pan American Mining Pty Ltd ("PAM") & South American Mining Pty Ltd ("SAM")

On June 15 2009 the Company entered into an agreement to purchase all the shares of two Australian companies, PAM, SAM and the outstanding shareholdings of their Chilean subsidiaries. The Chilean subsidiaries together have title to eight exploration projects in Chile.

A special meeting of shareholders was called for the 29th of July 2009 to approve the transaction, which was approved at this meeting. 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 SHM common shares. This figure was reached by independent 3rd party evaluations on the assets that each company held.

The purchase for all the shares has been allocated as follows:

	$
Cash & cash equivalents	30,020
Mineral properties	2,138,912
Accrued liabilities	(57)
Loans from related party	(168,875)
Net assets acquired	**2,000,000**

6. CAPITAL ASSETS

	2009 **$**	2008 $
Computer software at cost	**16,217**	16,217
Equipment at cost	**24,334**	10,770
Accumulated amortization	**(16,454)**	(3,279)
Net book value of capital assets	**24,097**	23,708

7. RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2009 and 2008 the Company had certain arrangements in place with related parties to provide administrative, accounting, and management services that the Company requires. These services are in the normal course of business and are measured at the exchange amount, which is the fair value as agreed between management and the related parties.

	December 31, 2009 $ (6 months)	December 31, 2008 $ (6 months)
Andes Consulting Pty Ltd - refer (a)	**25,716**	-
Featly Pty Ltd – refer (b)	**51,733**	-
Misape Management Inc - refer (c)	**12,979**	-

Loans due from and to related parties are non-interest bearing and have no specified terms of repayment. The following amounts are expected to be paid within the next year and have been classified as current liabilities in these financial statements.

	December 31, 2009 $	December 31, 2008 $
Loans due from related parties – refer (d)	**18,363**	57,442
Loans due to related parties	-	11,898

(a) Andes Consulting Pty Ltd is an Australian incorporated company controlled by a director and shareholder of the Company in which Directors fees' and consulting fees are paid on a monthly basis.

(b) Featly Pty Ltd is an Australian incorporated company controlled by a director, officer and shareholder of the Company in which directors fees are paid on a monthly basis.

(c) Misape Management Inc. is a Canadian incorporated company controlled by a director, officer and shareholder of the Company. Non-executive director's fees are paid to the company on a monthly basis.

(d) Amounts due from related parties in Chile, South America as at December 31, 2009 are as follows:

	December 31, 2009 $	December 31, 2008 $
Pan American Mining Pty Ltd (director related entity)	**-**	15,572
South American Mining Pty Ltd (director related entity)	**-**	30,453
Ferrifera (director related entity)	**18,363**	11,562
	18,363	57,442

8. SHARE CAPITAL

Unlimited number of authorized common shares with no par value

	Number of shares	$
Balance as at June 30, 2008	**34,915,687**	**5,979,980**
Agent options exercised – refer (a)	100,000	20,000
Shares issued pursuant to a private placement – refer (b)	7,670,000	1,534,000
Fair value of warrants issued with private placement – refer (b)	-	(324,239)
Balance, June 30, 2009	**42,685,687**	**7,209,741**
Shares issued pursuant to a private placement – refer (c)	15,000,000	2,608,696
Shares issued on acquisition of PAM and SAM – refer (d)	10,000,000	2,000,000
Shares issued pursuant to listing - Australian Stock Exchange – refer (e)	32,000,000	7,497,600
Costs of listing - Australian Stock Exchange – refer (e)	-	(236,547)
Balance, December 31, 2009	**99,685,687**	**19,079,490**

a) On August 19, 2008, Raymond James Ltd. exercised 100,000 agent's options to purchase 100,000 common shares at $0.20 per share, for gross proceeds of $20,000. These agent's options had been granted in part as remuneration for the IPO which transacted on November 1, 2006.

b) 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 ($1,209,761) and warrants ($324,239) based on their relative fair values. The fair value of each warrant was estimated on the day of grant using the Black-Scholes option pricing model with the following assumption: estimated life of 2 years, estimated volatility 100%, risk free interest rate of 3.25%, and estimated dividend yield of nil.

c) 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 will entitle 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 ($2,608,696) and warrants ($391,304) based on their relative fair values. The fair value of each warrant was estimated on the day of grant using the Black-Scholes option pricing model with the following assumption: estimated life of 2 years, estimated volatility 100%, risk free interest rate of 1.5%, and estimated dividend yield of nil.

8. SHARE CAPITAL (cont'd)

d) On July 29, 2009, the Company received unanimous approval from its shareholders at the Shareholders Meeting held on July 20th 2009 for the acquisition of all the issued and outstanding shares of two Australian exploration companies, namely PAM and SAM for a total consideration of $2,000,000 payable by issuing a total of 10,000,000 SHM common shares (the "Consideration Shares"). PAM and SAM are partly owned by three directors and shareholders of the Company. PAM and SAM through two Chilean subsidiary companies have a total of eight Chilean gold, base metal, uranium and iron exploration projects which complement the existing Company exploration project portfolio in Chile. PAM and SAM are comprised predominantly of mineral assets. The allotment of shares went through on the December 31, 2009.

e) On December 30, 2009, the Company was admitted to the official list of the Australian Stock Exchange (the "ASX"). The listing was completed through the issuance of 32,000,000 common shares at AUD$0.25 per share, total proceeds raised from the listing were $7,497,600. Transaction costs incurred to date total $236,547. Official quotation of the Company's common shares commenced on January 5, 2010.

9. WARRANTS AND AGENTS OPTIONS

As at December 31, 2009, the following warrants and agent options were issued and outstanding:

	Warrants Number	Weighted Average Exercise Price $	Agent Warrants Number	Weighted Average Exercise Price $	Agent Options Number	Weighted Average Exercise Price $
Balance at June 30, 2008	5,457,844	0.60	171,250	0.40	200,000	0.30
Agent's options exercised – refer note 8 (a)	-	-	-	-	(100,000)	0.20
Warrants issued pursuant to private placement – refer note 8 (b)	3,835,000	0.20	-	-	-	-
Balance at June 30, 2009	9,292,844	0.43	171,250	0.40	100,000	0.40
Warrants issued pursuant to private placement – refer note 8 (c)	7,500,000	0.40	-	-	-	-
Warrants expired and not exercised	(5,457,844)	0.60	(171,250)	0.40	(100,000)	0.40
Balance at December 31, 2009	**11,335,000**	**0.33**	**-**	**-**	**-**	**-**

The following table summarizes information concerning outstanding and exercisable warrants at December 31, 2009:

Outstanding	Warrants exercisable	Exercise price $	Remaining contractual life (years)	Expiry date
Warrants - refer note 8 (b)	3,835,000	0.20	0.94	December 8, 2010
Warrants – refer note 8 (c)	7,500,000	0.40	1.65	August 29, 2011

10. CONTRIBUTED SURPLUS – STOCK BASED COMPENSATION

Under the terms of a stock option plan initially approved by shareholders on November 1, 2006, and re-approved in November 2009, the Company may grant incentive stock options numbering up to 10% of the number of issued and outstanding common shares of the Company to its officers, directors, employees and consultants, for the purchase of common shares of the Company. Stock options are non-transferable. The Board of Directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant. Options have a maximum term of five years and expire 90 days after the termination of employment or other contracting arrangement of the option holder.

Vesting of options may be at the time of granting of the option, or over a period as set out in each option agreement. Once approved and vested, options are exercisable at any time until expiry, unless subject to a restriction agreement. The Company records the stock-based compensation expense over the vesting period of the options granted.

No additional options were granted during the period from July 1, 2009 to December 31, 2009.

	Number	**Weighted Average Exercise Price $**
Balance at June 30, 2008	3,489,913	0.39
Balance at June 30, 2009	3,489,913	0.39
Balance at December 31, 2009	**3,489,913**	**0.39**

The following table summarizes information concerning outstanding and exercisable options at December 31, 2009:

Outstanding	**Options exercisable**	**Exercise price $**	**Remaining contractual life (years)**	**Expiry date**
Options	133,334	0.20	1.82	November 1, 2011
Options	3,356,579	0.40	4.00	January 3, 2013

11. INCOME TAXES

	June 30, 2009 $	June 30, 2008 $
Net loss for accounting	(775,360)	(1,838,134)
Expected tax rate	33.0%	33.5%
Expected tax recovery at statutory rates	(255,900)	(615,775
Stock based compensation	-	320,351
Unrecognized benefit of capital losses	268,200	260,463
Foreign tax rate differences	76,200	60,772
Recognized benefit of non-capital losses	(54,000)	(41,336)
Foreign exchange translation adjustment and other non-deductible expenditures	13,400	(7,465)
Share issue costs charged to equity	(26,400)	(18,346)
Future income tax expense (recovery)	**21,500**	**(41,336)**

Future income tax assets (liability)	June 30, 2009 $	June 30, 2008 $
Non capital losses carried forward	555,300	344,700
Foreign tax rate differences	6,900	3,200
Share issuance costs	77,100	100,300
Mineral properties	(517,700)	(496,100)
Valuation allowance	(639,200)	(448,200)
Balance	**(517,600)**	**(496,100)**

As at December 31, 2009 the Company had available $577,500 (CLP $259,784,000) in Chilean tax losses and $705,200 (AUD $758,000) in Australian tax losses that may be carried forward indefinitely. In addition, the Company had available Canadian non-capital losses, which may be deducted in the calculation of taxable income in future years that will expire, if not utilized, as follows:

Origin	Expiry	$
2006	2026	59,100
2007	2027	290,100
2008	2028	519,300
2009	2029	355,900
		1,224,400

12. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding. The weighted average number of shares outstanding for the six month period ended December 31, 2009 was 56,071,557 (2008: 36,114,002) for the purpose of calculating the basic and diluted loss per share. As a result of the net losses for the period ended December 31, 2009 and 2008, the exercise of options and warrants has been excluded from the calculation of diluted loss per share given their anti-dilutive nature.

13. ESCROWED SHARES

At December 31, 2009, the Company has the following common shares in escrow:

	Number
Note (1)	
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)
Balance of shares in escrow	450,000
Note (2)	
Original shares	22,000,000
Release effective April 22, 2008	(2,200,002)
Release effective July 4, 2008	(3,300,000)
Release effective January 4, 2009	(3,300,000)
Release effective July 4, 2009	(3,300,000)
Balance of shares in escrow	9,899,998
Note (3)	
Original shares	5,640,776
Balance of shares in escrow	5,640,776
Total escrowed shares	**15,990,774**

(1) 1,000,000 common shares issued during the period ended July 31, 2006, when the Company was a Capital Pool Corporation as defined under the policies of the TSX. These shares were subject to a Tier two value escrow arrangement as defined by the policies of the Exchange whereby 10% of the escrowed shares would be released upon issuance of the final notice of acceptance of a Qualifying Transaction by the Exchange, 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 convertible share securities, issued on completion of the RTO 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 convertible share securities 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 convertible share securities 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 convertible share securities 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, refer note 8 (e), 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.

14. SEGMENT INFORMATION

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties. The Company's mineral properties are located in Chile. The Company has one reportable segment operating in three geographical areas as follows:

Assets	**December 31, 2009**	December 31, 2008
	$	$
Australia	**8,925,103**	2,774,487
Chile	**10,249,084**	4,570,095
Canada	**25,428**	324,450
Total	**19,199,615**	7,669,032

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value
The carrying value of cash and equivalents, receivables, accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists. The fair value of loans due from/to related parties is not determinable as there are no specified terms of repayment.

Risk disclosures
The main risks the Company's financial instruments are exposed to are credit risk, foreign currency risk, interest rate risk and liquidity risk, each of which is discussed below.

Credit risk
The Company is exposed to credit risk on cash and the accounts receivable. The Company does not have significant exposure to any individual customer or counter-party.

Foreign currency risk
The Company operates in Canadian and international markets, giving rise to exposure to market risks from changes in foreign exchange rates. As at December 31, 2009, the Company has the following foreign denominated financial instruments which are recorded at the Canadian dollar equivalent and are subject to foreign currency risk:

	AUD	**CLP**
Foreign currency risk	**$**	**$**
Cash and cash equivalents	9,388,660	35,649,811
Receivables	35,224	208,634,410
Accounts payable	94,811	62,861,585

A 10% change in the foreign exchange rates will impact Australian assets by approximately $55,500. A 10% change in foreign exchange rates will impact Chilean assets by approximately $13,000.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Interest rate risk

Cash equivalents bear interest at floating rates based on the bank prime rate, and as such, are subject to interest rate cash flow risk resulting from market fluctuations in interest rates. The Company does not have significant exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has no income from operations and relies on equity fund raising to support its exploration program. Management prepares budgets and ensures funds are available prior to commencement of any such program. Should the need for further equity financing arise, there is a risk that the Company may not be able to sell new common shares at an acceptable price. All obligations are due within the year.

16. COMMODITY PRICE RISK

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

17. OTHER RISKS

The Company's mineral exploration activities in Chile, South America exposes the Company to different considerations and other risks not typically associated with companies in North America. Such risks are associated with the political, economic and legal environments. The Company's results may be adversely affected by changes in political and social conditions and by changes in government policies with respect to laws and regulations.

18. CAPITAL DISCLOSURES

The Company's objective when managing capital is to raise sufficient funds in order to maintain and execute the objectives identified in each mineral property project in the Company's exploration plan. There is no quantitative return of capital criteria set out for management, but instead the Company relies on the expertise of management to further develop and maintain its activities.

The Company considers its capital to be equity which comprises of common shares, warrants, agent's options and contributed surplus and deficit, which at December 31, 2009 amounted to $18,399,961 (2008: $6,701,539).

The mineral properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as required. The Company does not have any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the period ended December 31, 2009.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. The net loss previously reported has not been affected by this reclassification.

20. SUBSEQUENT EVENTS

No other events, other than those described below, took place in the period 1 January 2010 to 15 February 2010.

1. In January 2010 the Company completed the acquisition of mineral tenements from Kaiora following the payment of US$700,000. Refer note 5 (a).

2. On December 30, 2009, the Company was admitted to the official list of the Australian Stock Exchange (the “ASX”). The listing was completed through the issuance of 32,000,000 common shares at AUD$0.25 per share, total proceeds raised from the listing were $7,497,600 before transaction costs. Official quotation and trading of the the Company’s common shares commenced on January 5, 2010.

3. On January 5, 2010 the Company granted 6,200,000 options to employees and consultants of the Company in accordance with the Company stock option plan re-approved in November 2009. Refer note 10 for details of the stock option plan. From the options issued, 4,000,000 of the options are subject to a restriction agreement which expires on 5 January 2012.