SOUTHERN HEMISPHERE mining limited

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29 September 2011

Australian Securities Exchange
Level 8
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sir/Madam

Audited Financial Statements for the year ended 30 June 2011

Please refer below for Audited Financial Statements of Southern Hemisphere Mining Limited for the year ended 30 June 2011, as issued in Canada.

Please note the Financial Statements are presented in United States dollars and should be read in conjunction with the 2011 Annual Management Discussion and Analysis and the 2011 Annual Information Form.

Yours faithfully

DHall

Derek Hall
Company Secretary

Southern Hemisphere Mining Limited

(An Exploration Stage Company)

Consolidated Financial Statements
June 30, 2011 and 2010

CONTENTS

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

We have audited the accompanying consolidated financial statements of Southern Hemisphere Mining Limited, which comprise the consolidated balance sheets as at 30 June 2011 and 30 June 2010, and the consolidated statements of loss, comprehensive income and deficit, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Southern Hemisphere Mining Limited as at 30 June 2011 and 30 June 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 28 September 2011

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Consolidated balance sheets as at 30 June 2011 and 2010
(Expressed in U.S. Dollars)

	June 30, 2011	June 30, 2010
	$	$
Assets		
Current Assets		
Cash and cash equivalents	16,456,189	3,873,703
Prepaid assets	7,948	15,678
Receivables	100,001	3,170
	16,564,138	3,892,551
Capital Assets (Note 5)	694,009	76,348
Loans due from related parties (Note 6)	-	18,692
Other receivable	-	479,467
Mineral Properties (Note 4)	20,190,101	12,120,084
	20,884,110	12,694,591
Total Assets	37,448,248	16,587,142
Liabilities		
Current Liabilities		
Accounts payable	345,492	95,239
Accrued liabilities	48,294	37,119
Employee benefits	67,540	34,364
	461,326	166,722
Future Income Tax (Note 10)	-	-
Total Liabilities	461,326	166,722
Shareholders' Equity		
Common Shares (Note 7)	38,285,976	17,366,830
Contributed Surplus	4,147,242	3,532,769
Accumulated other comprehensive income	2,145,569	(436,714)
Deficit	(7,591,865)	(4,042,464)
Accumulated other comprehensive income and deficit	(5,446,296)	(3,980,541)
Total Equity	36,986,922	16,420,420
	37,448,248	16,587,142

Basis of Preparation (Note 1)

Approved on behalf of the Board of Directors:

David Craig, Chairman
28 September 2011

Anthony James Pearson, Director
28 September 2011

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Consolidated statements of shareholders' equity for the years ended 30 June 2011 and 2010
(Expressed in U.S. Dollars)

	Common Shares	Common Shares	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Shareholders' Equity
	#	$	$	$	$	$
Balance - June 30, 2009	**42,685,687**	**6,712,532**	**2,846,710**	**-**	**(2,549,121)**	**7,010,121**
Shares issued pursuant to a private placement (Note 7)	**15,000,000**	**2,843,079**	**-**	**-**	**-**	**2,843,079**
Fair value attributed to warrants	**-**	**(370,836)**	**370,836**	**-**	**-**	**-**
Shares issued pursuant to acquisition (Note 7)	**10,000,000**	**1,914,465**	**-**	**-**	**-**	**1,914,465**
Shares issued pursuant to listing - ASX (Note 7)	**32,000,000**	**6,850,720**	**-**	**-**	**-**	**6,850,720**
Issue Costs - ASX	**-**	**(662,674)**	**-**	**-**	**-**	**(662,674)**
Options granted	**-**	**-**	**315,222**	**-**	**-**	**315,222**
Warrants exercised (Note 7)	**450,000**	**79,544**	**-**	**-**	**-**	**79,544**
Cumulative translation adjustment	**-**	**-**	**-**	**(436,714)**	**-**	**(436,714)**
Net loss for the year	**-**	**-**	**-**	**-**	**(1,493,343)**	**(1,493,343)**
Balance – June 30, 2010	**100,135,687**	**17,366,830**	**3,532,768**	**(436,714)**	**(4,042,464)**	**16,420,420**
Options exercised (Note 7)	**83,334**	**26,488**	**-**	**-**	**-**	**26,488**
Warrants exercised (Note 7)	**3,385,000**	**753,301**	**-**	**-**	**-**	**753,301**
Shares issued pursuant to private placement (Note 7)	**47,620,100**	**21,147,080**	**-**	**-**	**-**	**21,147,080**
Issue costs – Private Placement (Note 7)	**-**	**(1,742,817)**	**-**	**-**	**-**	**(1,742,817)**
Shares issued pursuant to acquisition (Note 7)	**1,301,700**	**735,094**	**-**	**-**	**-**	**735,094**
Options granted	**-**	**-**	**722,616**	**-**	**-**	**722,616**
Options forfeited	**-**	**-**	**(108,142)**	**-**	**-**	**(108,142)**
Cumulative translation adjustment	**-**	**-**	**-**	**2,582,283**	**-**	**2,582,283**
Net loss for the year	**-**	**-**	**-**	**-**	**(3,549,401)**	**(3,549,401)**
Balance – June 30, 2011	**152,525,821**	**38,285,976**	**4,147,242**	**2,145,569**	**(7,591,865)**	**36,986,922**

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Consolidated statements of operations, comprehensive income (loss) for the years ended 30 June 2011 and 2010
(Expressed in U.S. Dollars)

	June 30, 2011 $	June 30, 2010 $
Expenses		
Amortization	18,661	11,772
Investor relations	72,054	43,873
Insurance	48,486	14,617
Legal fees	60,689	237,130
Office and administration	128,951	68,861
Professional fees	560,966	440,243
Rent and utilities	77,523	51,207
Salaries and wages	1,172,332	679,289
Travel and accommodation	142,354	84,079
Transfer agent and filing fees	101,261	57,085
Write off Chilean VAT tax receivable	828,954	-
Stock based compensation	614,472	315,222
Operating loss	(3,826,703)	(2,003,378)
Interest income	665,429	153,996
Other income	4,747	-
Foreign exchange gain (loss)	(392,874)	356,039
Loss before taxes	(3,549,401)	(1,493,343)
Income tax expense	-	-
Net loss for the year	(3,549,401)	(1,493,343)
Translation adjustment (Note 2(b))	2,582,283	(436,714)
Other comprehensive income for the year	2,582,283	(436,714)
Comprehensive loss for the year	(967,118)	(1,930,057)
Deficit, beginning of year	(4,042,464)	(2,549,121)
Deficit, end of year	(7,591,865)	(4,042,464)
Basic and diluted loss per share (Note 11)	(0.028)	(0.020)

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Consolidated statements of cash flows for the years ended 30 June 2011 and 2010
(Expressed in U.S. Dollars)

	June 30, 2011	June 30, 2010
	$	$
Cash provided by (used in):		
Operating activities:		
Net loss for the year	(3,549,401)	(1,493,343)
Adjustments for non-cash items:		
Amortization	18,661	11,772
Foreign exchange loss (gain)	392,874	(356,039)
Stock based compensation	614,472	315,222
Write off of Chilean VAT tax receivable	828,952	-
Accrued interest	(33,036)	-
Changes in non-cash working capital items:		
Receivables	(63,795)	39,336
Prepaid assets	7,732	(15,567)
Accounts payable	250,253	4,719
Accrued liabilities	44,351	10,679
Net cash used in operating activities	(1,488,937)	(1,483,221)
Investing activities:		
Mineral properties	(5,965,977)	(4,602,488)
Purchase of capital assets	(636,323)	(68,264)
Net cash used in investing activities	(6,602,300)	(4,670,752)
Financing activities:		
Repayments from related parties	18,693	95,924
Warrants and options exercised	779,789	79,544
Issuance of common shares	21,147,080	9,693,799
Costs of share issuance	(1,742,817)	(662,674)
Net cash provided by financing activities	20,202,745	9,206,593
Increase in cash and cash equivalents	12,111,508	3,052,620
Cash and cash equivalents, beginning of year	3,873,703	481,659
Effect of exchange rate changes on cash and cash equivalents	470,978	339,424
Cash and cash equivalents, end of year	16,456,189	3,873,703
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	3,283,052	540,183
Cash held on term deposit	13,173,137	3,333,520
	16,456,189	3,873,703
Supplementary cash flow information:		
Interest received	632,393	153,996
Non cash transaction:		
Centralian transaction (Note 4(a))	735,094	-

See accompanying Notes to the consolidated financial statements

1. NATURE OF BUSINESS AND BASIS OF PREPARATION

Southern Hemisphere Mining Limited ("the Company") is an exploration stage company, incorporated in Canada, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The following outlines the significant accounting policies under which these consolidated financial statements have been prepared for the years ended June 30, 2011 and June 30, 2010.

a) Basis of consolidation

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

b) Basis of presentation and change in presentation currency

The consolidated financial statements of the Company have been prepared in accordance with GAAP. Effective 30 June 2011, the Company changed its presentation currency to United States of America dollars ("USD"). The change in presentation currency is to better reflect the Company's business activities and to improve an investor's ability to compare the Company's results with other publically traded businesses in the mining industry. Prior to 30 June 2011, the Company reported its quarterly and annual financial statements in Canadian dollars.

In making this change in reporting currency, the Company has followed the recommendations of the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA"), set out in EIC-130, "Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency".

Based on EIC-130, the financial statements for all periods presented have been translated into the new reporting currency using the current rate method. Under this method, the statements of comprehensive loss and cash flow statement items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets, liabilities and Shareholders' equity have been translated using the exchange rate prevailing at the consolidated balance sheet dates.

All of the resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. For the year ended June 30, 2011, translation differences arising from the translation of the parent and Australian subsidiaries resulted in a comprehensive income amount of $2,582,283 and a Comprehensive loss for the year of $967,118. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in USD. The functional currency; for the parent entity is AUD, for the Australian subsidiaries is AUD and for the Chilean subsidiaries is USD.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All monetary references expressed in these Notes are references to USD, except occasional references to Canadian Dollars ("CAD"), Australian Dollars ("AUD") or Chilean Pesos ("CLP") amounts.

c) Cash and cash equivalents

Cash and cash equivalents include cash 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.

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. Transaction costs with respect to instruments not classified as held-for-trading are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

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

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Fair value measurement for financial instruments and liquidity risk disclosures require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements.

Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data.

$ as at 30 June 2011	**Hierarchy Level (if applicable)**
Financial assets:	
Held for trading, measured at fair value	
Cash and cash equivalents	1

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Income taxes

The Company uses the liability method of accounting for income taxes. 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.

g) 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 year, 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.

h) Stock based compensation

The Company accounts for stock based compensation using the fair value method. The fair value of stock based awards is determined by using 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 credit 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 estimates that all options will vest over time and forfeitures are recognized as they occur.

The Company's stock based compensation plan is described in Note 9.

i) 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. 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, at least on an 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 each property, or from the sale of the relevant property.

(Expressed in U.S. Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i) Mineral properties (cont'd)

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.

j) 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.

k) Capital assets

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

Equipment	10 - 15%
Computer equipment and software	40%

l) 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.

m) Revenue recognition

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests.* These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3, *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

(Expressed in U.S. Dollars unless otherwise stated)

3. RECENT ACCOUNTING PRONOUNCEMENTS (cont'd)

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Accounting Standards ("IAS") 27, *Consolidated and Separate Financial Statements*, and applies to interim and annual financial consolidated financial statements relating to fiscal years from January 1, 2011.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The specific implementation is set 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 developed an IFRS changeover plan which addresses key areas such as accounting policies, financial reporting, information systems, disclosure controls and procedures and other business activities. As part of this changeover plan, the Company has identified differences in accounting policies as compared to choices that are in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. Please refer to the Company's Management Discussion and Analysis for further discussion of the IFRS changeover.

4. MINERAL PROPERTIES

Project	Opening balance July 1, 2010	Additions	Foreign exchange	Closing balance June 30, 2011
	$	$	$	$
El Arrayan	1,392,619	649,000	241,222	2,282,841
Las Santas	2,352,523	168,000	353,683	2,874,206
San Jose	638,079	77,000	52,089	767,168
Los Pumas	4,107,904	3,296,812	849,423	8,254,139
Minera Panamericana **(1)**	1,804,025	873,000	276,000	2,953,025
Minera America	1,075,033	139,000	137,275	1,351,308
Mantos Grandes	749,901	23,000	136,249	909,150
Iron Sands (a)	-	775,094	23,170	798,264
Total	12,120,084	6,000,906	2,069,111	20,190,101

Project	Opening balance July 1, 2009	Additions	Foreign exchange	Closing balance June 30, 2010
	$	$	$	$
El Arrayan	1,182,571	112,705	97,343	1,392,619
Las Santas	2,168,265	43,290	140,968	2,352,523
San Jose	557,075	59,404	21,600	638,079
Los Pumas	796,850	3,641,326	(330,272)	4,107,904
Minera Panamericana **(1)**	-	1,750,896	53,129	1,804,025
Minera America	-	1,043,373	31,660	1,075,033
Mantos Grandes	635,127	59,893	54,881	749,901
Total	5,339,888	6,710,887	69,309	12,120,084

(1) Includes the material property, Chitigua. At June 30, 2011, the value attributable to Chitigua was $1,400,680.

(Expressed in U.S. Dollars unless otherwise stated)

4. MINERAL PROPERTIES (cont'd)

a) Acquisition – Iron Sands Concessions

In July 2010 the Company nominally obtained beneficial ownership of iron sands concessions which were held by a related party; Centralian Mining Pty Ltd ("Centralian"). The transfer of the beneficial ownership was formalized in November 2010 between Centralian and the Company to recognize the pre July 2010 ownership of the concessions by Centralian.

Pursuant to this agreement, payment to Centralian of $735,094 was made in the form of the Company's common shares to confirm that the Company had beneficial ownership of the Centralian concessions. The beneficial acquisition (and issue of the shares and subsequent re-issuance as Chess Depositary Interests ("CDIs") on the Australian Securities Exchange ("ASX"), was completed May 2, 2011) has been approved by shareholders. These CDIs totalling 1,301,700 are subject to a 12 month escrow with respect to trading on the ASX.

5. CAPITAL ASSETS

	June 30, 2011 $	June 30, 2010 $
Computer software - cost	71,736	14,292
Accumulated amortization	(21,279)	(12,539)
Net book value	50,457	1,753
Equipment - cost	667,430	84,858
Accumulated amortization	(23,878)	(10,263)
Net book value	643,552	74,595
Total net book value	694,009	76,348

6. RELATED PARTY TRANSACTIONS AND BALANCES

For the year ended June 30, 2011, 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.

	June 30, 2011 $	June 30, 2010 $
Andes Consulting Pty Ltd - (a)	38,073	47,203
Featly Pty Ltd – (b)	-	48,032
Plough Lane Superannuation Pty Ltd (c)	3,593	-

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

	June 30, 2011 $	June 30, 2010 $
Loans due from related parties	-	18,692

(a) Andes Consulting Pty Ltd is an Australian incorporated company controlled by a previous director of the Company to which director's fees were paid on a monthly basis.

(Expressed in U.S. Dollars unless otherwise stated)

6. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(b) Featly Pty Ltd is an Australian incorporated company controlled by a director and shareholder of the Company to which director's fees were paid on a monthly basis.

(c) Plough Lane Superannuation Pty Ltd is an Australian incorporated company controlled by a director of the Company to which superannuation contributions are paid on a monthly basis.

7. SHARE CAPITAL

Unlimited number of authorized common shares with no par value

	Number of shares	$
Balance, June 30, 2009	**42,685,687**	**6,712,532**
Shares issued pursuant to a private placement – (a)	15,000,000	2,472,243
Shares issued on acquisition of PAM and SAM – (b)	10,000,000	1,914,465
Shares issued pursuant to listing - Australian Securities Exchange – (c)	32,000,000	6,850,720
Costs of listing - Australian Securities Exchange – (c)	-	(662,674)
Warrants exercised – (d)	450,000	79,544
Balance, June 30, 2010	**100,135,687**	**17,366,830**
Warrants exercised – (e)	3,385,000	753,301
Options exercised – (f)	83,334	26,488
Shares issued pursuant to a private placement – (g)	47,620,100	21,147,080
Costs of private placement	-	(1,742,817)
Shares issued on acquisition of iron sands concessions (Note 4(a))	1,301,700	735,094
Balance, June 30, 2011	**152,525,821**	**38,285,976**

a) On August 6, 2009, the Company issued 15,000,000 units at a price of $0.20 per unit for gross proceeds of $2,843,079. 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 ($2,472,243) and warrants ($370,836) 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 assumptions: estimated life of 2 years, estimated volatility 100%, risk free interest rate of 1.5%, and estimated dividend yield of nil.

(Expressed in U.S. Dollars unless otherwise stated)

7. SHARE CAPITAL (cont'd)

b) The Company received unanimous approval from its shareholders at the Shareholders Meeting held on July 29, 2009 for the acquisition of all the issued and outstanding shares of two Australian exploration companies, namely Pan American Mining Pty Ltd ("PAM") and South American Mining Pty Ltd ("SAM") for a total consideration of $1,914,465 payable by issuing a total of 10,000,000 common shares in the Company. PAM and SAM were 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 was completed on the December 31, 2009.

c) On December 30, 2009, the Company was admitted to the official list of 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 $6,850,720. Transaction costs incurred totalled $662,674. Official quotation of the Company's common shares commenced on January 5, 2010.

d) During the year ended June 30, 2010, warrant holders exercised 450,000 share purchase warrants at an exercise price of CAD$0.20 per share to acquire 450,000 common shares of the Company, resulting in USD equivalent proceeds of $79,544.

e) During the year ended June 30, 2011, warrant holders exercised 3,385,000 share purchase warrants at an exercise price of CAD $0.20 per share to acquire 3,385,000 common shares of the Company, resulting in USD equivalent proceeds of $753,301.

f) During the year ended June 30, 2011, option holders exercised 83,334 options at an exercise price of AUD$0.30 per share to acquire 83,334 common shares of the Company, resulting in USD equivalent proceeds of $26,488.

g) During November 2010, the Company conducted an offering consisting of the issue of 47,620,100 shares over 3 tranches ("Offering"), with the final tranche settling in February 2011. Total gross proceeds raised from the placement were $21,147,080. Transaction costs incurred across the complete Offering totalled $1,742,817.

8. WARRANTS AND AGENTS OPTIONS

As at June 30, 2011, the following warrants and agent options were issued and outstanding. This Note should be read in conjunction with Note 9:

	Warrants Number	Weighted Average Exercise Price $CAD	Agent Warrants Number	Weighted Average Exercise Price $CAD	Agent Options Number	Weighted Average Exercise Price $CAD
Balance at June 30, 2009	**9,292,844**	**0.43**	**171,250**	**0.40**	**100,000**	**0.40**
Warrants issued in private placement – Note 7 (a)	7,500,000	0.40	-	-	-	-
Warrants expired	(5,457,844)	0.60	(171,250)	0.40	(100,000)	0.40
Warrants exercised – Note 7 (d)	(450,000)	0.20	-	-	-	-
Balance at June 30, 2010	**10,885,000**	**0.39**	**-**	**-**	**-**	**-**
Warrants exercised – Note 7 (e)	(3,385,000)	0.20	-	-	-	-
Balance at June 30, 2011	**7,500,000**	**0.40**	**-**	**-**	**-**	**-**

The following table summarizes information concerning outstanding and exercisable warrants at June 30, 2011:

(Expressed in U.S. Dollars unless otherwise stated)

8. WARRANTS AND AGENTS OPTIONS (cont'd)

Outstanding	Warrants exercisable	Exercise price $CAD	Remaining contractual life (years)	Expiry date
Warrants – refer Note 7 (a)	7,500,000	0.40	0.16	August 29, 2011
Balance at June 30, 2011	**7,500,000**	**0.40**	0.16	

9. 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.

During the year ended June 30, 2010, the Company granted 5,200,000 options, which have been recorded as a stock based compensation expense and added to Contributed Surplus in Shareholders' Equity. These options were valued on grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk free interest rate of 3.5% - 4.50%, estimated forfeiture rate of 0% and an expected life of between 1.0 – 2.5 years. Of these 5,200,000 options, 3,000,000 were issued pursuant to a Restriction Agreement, these options are not able to be exercised or transferred by the relevant holders until December 5, 2012.

The Company also granted 1,000,000 options to consultants assisting with the ASX listing. These options have been valued with reference to the value of the services provided, with the costs included in transaction costs associated with the ASX listing.

During the year ended June 30, 2011, the Company granted 5,050,000 options, which have been recorded as a stock based compensation expense and added to Contributed Surplus in Shareholders' Equity. These options were valued on grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk free interest rate of 4.64%, estimated forfeiture rate of 0% and an expected life of between 1.5 – 2.0 years. Of these 5,050,000 options, 2,700,000 were issued to directors.

Other than described above, no additional options were granted and 833,334 were forfeited in accordance with the terms of their issue during the period from July 1, 2010 to June 30, 2011.

9. STOCK BASED COMPENSATION (cont'd)

	Number of Options	Weighted Average Exercise Price $AUD
Balance at June 30, 2009	**3,489,913**	**0.39**[(a)]
Options issued January 5, 2010	6,200,000	0.30
Balance at June 30, 2010	**9,689,913**	0.32
Options exercised – Note 7 (f)	(83,334)	0.30
Options forfeited October 14, 2010	(166,666)	0.30
Options issued April 29, 2011	5,050,000	0.54
Options forfeited June 28, 2011	(666,668)	0.36
Balance at June 30, 2011	**13,823,245**	**0.40**

The following table summarizes information concerning outstanding and exercisable options at June 30, 2011:

Options exercisable	Exercise price $AUD	Remaining contractual life (years)	Expiry date
66,666	0.19[(a)]	0.34	November 1, 2011
3,356,579	0.39[(a)]	1.52	January 3, 2013
4,550,000	0.30	1.51	December 31, 2012
1,000,000	0.25	1.51	December 31, 2012
4,850,000	0.54	2.00	June 30, 2013
13,823,245	**0.40**[(b)]	**1.68** [(b)]	

(a) The actual exercise price of these options is denominated in CAD, all other options have an exercise price denominated in AUD. The exercise price has been converted as at the June 30, 2011 exchange rate of 0.966.

(b) The amounts shown are weighted averages of the 'Exercise price' and 'Remaining contractual life' respectively.

The options issued in prior periods totaling 3,489,913 all vested immediately upon issue.

In total, warrants and options to the value of $4,147,242 are reflected as a component of equity with a corresponding expense recognized in the relevant period as a stock based compensation expense.

10. INCOME TAXES

	June 30, 2011 $	June 30, 2010 $
Net loss for accounting	(3,549,401)	(1,493,343)
Expected tax rate	33.0%	33.0%
Expected tax recovery at statutory rates	(1,171,302)	(492,803)
Stock based compensation	614,472	326,698
Unrecognized benefit of non capital losses	556,830	683,705
Adjustment to prior year temporary difference	-	(517,600)
Future income tax expense (recovery)	**-**	**-**

(Expressed in U.S. Dollars unless otherwise stated)

10. INCOME TAXES (cont'd)

Future income tax assets (liability)	**June 30, 2011** **$**	**June 30, 2010** **$**
Non capital losses carried forward	1,312,030	755,200
Foreign tax rate differences	-	13,800
Share issuance costs	499,457	53,800
Valuation allowance	(1,811,487)	(822,800)
Balance	**-**	**-**

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

The Company had available Canadian non-capital losses of CAD$1,223,600, which may be deducted in the calculation of taxable income in future years that will expire, if not utilized, as follows:

Origin	**Expiry**	**$CAD**
2006	2026	59,100
2007	2027	290,100
2008	2028	519,300
2009	2029	355,100
		1,223,600

11. 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 year ended June 30, 2011 was 128,928,686 (2010: 77,838,564) for the purpose of calculating the basic and diluted loss per share. As a result of the net losses for the year ended June 30, 2011 and 2010, the exercise of options and warrants has been excluded from the calculation of diluted loss per share given their anti-dilutive nature.

12. ESCROWED SHARES

At June 30, 2011, the Company had no shares in escrow on the Toronto Stock Exchange – Venture Exchange and 1,301,700 CDIs in escrow on the ASX in relation to the Centralian transaction, refer to Note 4.

13. 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 two geographical areas as follows:

Assets	June 30, 2011 $	June 30, 2010 $
Australia	69,009	20,266
Chile	20,815,101	12,176,166
Total	20,884,110	12,196,432

(Expressed in U.S. Dollars unless otherwise stated)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The carrying value of the Company's financial instruments, including cash and cash equivalents, receivables, accounts payable and 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.

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

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. As the Company has yet to commence mining operations, it has no significant exposure to customer credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset in the balance sheet.

The Company's cash is held in an Australian financial institution which is considered to have high creditability. The Company believes that it has no significant credit 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.

As at June 30, 2011, the Company had a cash balance of $3,283,052 (June 30, 2010 - $540,183) and a short term deposit balance of $13,173,137 (June 30, 2010 - $3,333,520), and working capital of $16,102,812 (June 30, 2010 -$3,725,830). Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk.

Foreign currency risk

The Company operates in international markets, giving rise to exposure to market risks from changes in foreign exchange rates. As at June 30, 2011, the table below details the foreign denominated financial instruments held by the Company which are recorded at the US dollar equivalent and are subject to foreign currency risk. The table also provides a sensitivity analysis of a 10% strengthening of the US Dollar against foreign currencies as identified which would have increased (decreased) the Company's net loss by the amounts shown.

Foreign currency risk	**AUD** **$**	**CLP** **$**
Cash and cash equivalents	15,365,772	85,212,303
Receivables	-	9,248,204
Accounts payable	(112,074)	(126,807,488)
Total foreign currency net working capital	15,253,698	(32,346,981)
	USD **$**	**USD** **$**
USD exchange rate at June 30, 2011	0.9436	469.5
Total foreign currency net working capital in USD	16,165,428	(68,896)
Impact of a 10% strengthening of the USD on net loss	(1,616,543)	(6,890)

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

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

Interest rate risk

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

Commodity price risk

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

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

15. 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 common shares, Contributed Surplus and deficit, which at June 30, 2011 amounted to $36,986,922 (June 30, 2010 - $16,420,420).

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 monitors its capital through monthly Board reporting including management accounts and forecasts combined with appropriate external financial, corporate and legal advice when required. The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended June 30, 2011.

16. COMMITMENT

In order to maintain its current concession holdings, the Company must make payments of approximately $350,000 during the next 12 months to Chilean mining authorities.