



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

Dear Sir/Madam

### Quarterly Financial Statements

Please refer below for the unaudited condensed consolidated interim financial statements of Southern Hemisphere Mining Limited for the three and nine month periods ended March 31, 2013 and 2012, as issued in Canada.

Please note the financial statements are presented in United States dollars and should be read in conjunction with the corresponding Management Discussion and Analysis.

Yours faithfully

A handwritten signature in blue ink that reads "D Hall".

**Derek Hall**  
**Company Secretary**



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# **Southern Hemisphere Mining Limited**

(An Exploration Stage Company)

## **Condensed Consolidated Interim Financial Statements For the Three and Nine Month Periods Ended March 31, 2013 and 2012 (Unaudited)**

### **CONTENTS**

Management's comments	2
Condensed consolidated interim statements of financial position	3
Condensed consolidated interim statements of changes in equity	4
Condensed consolidated interim statements of comprehensive income	5
Condensed consolidated interim statements of cash flows	6
Notes to the condensed consolidated interim financial statements	7 – 24

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**MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Southern Hemisphere Mining Limited for the three and nine month periods ended March 31, 2013 have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed by the Company's external auditors.

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Condensed consolidated interim statements of financial position (unaudited)**

(Expressed in U.S. Dollars)

As at	March 31, 2013 \$	June 30, 2012 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,012,753	4,172,987
Other assets	182,607	88,844
	<u>3,195,360</u>	<u>4,261,831</u>
<b>Non-current Assets</b>		
Property, plant and equipment (Note 4)	105,819	104,794
Exploration and evaluation assets (Note 5)	33,510,638	29,198,441
	<u>33,616,457</u>	<u>29,303,235</u>
<b>Total Assets</b>	<b><u>36,811,817</u></b>	<b><u>33,565,066</u></b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables	105,617	113,636
Other liabilities	466,233	392,579
Employee benefits	94,748	92,407
	<u>666,598</u>	<u>598,622</u>
<b>Total Liabilities</b>	<b><u>666,598</u></b>	<b><u>598,622</u></b>
<b>Equity</b>		
Common shares (Note 7)	43,371,912	38,458,476
Share based payments reserve	3,310,074	2,821,307
Foreign currency translation reserve	3,861,576	3,505,354
Accumulated deficit	(14,398,343)	(11,818,693)
<b>Total Equity</b>	<b><u>36,145,219</u></b>	<b><u>32,966,444</u></b>
<b>Total Liabilities and Equity</b>	<b><u>36,811,817</u></b>	<b><u>33,565,066</u></b>

**Going Concern** (Note 2)

**Basis of Preparation** (Note 2)

Approved on behalf of the Board of Directors:

Signed "David A. Craig"

\_\_\_\_\_  
David A. Craig, Chairman

Signed "James Pearson"

\_\_\_\_\_  
James Pearson, Director

*See accompanying Notes to the condensed consolidated interim financial statements (unaudited)*

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Condensed consolidated interim statements of changes in equity (unaudited)**  
(Expressed in U.S. Dollars)

	Common shares #	Common shares \$	Share based payments reserve \$	Foreign currency translation reserve \$	Accumulated deficit \$	Total \$
<b>Balance – June 30, 2011</b>	<b>152,525,821</b>	<b>38,285,976</b>	<b>2,826,106</b>	<b>4,157,851</b>	<b>(8,514,917)</b>	<b>36,755,016</b>
Options exercised (Note 7)	566,666	172,500	-	-	-	172,500
Options forfeited	-	-	(22,626)	-	-	(22,626)
Share based payments	-	-	41,723	-	-	41,723
Foreign currency translation	-	-	-	(320,065)	-	(320,065)
Net loss for the period	-	-	-	-	(1,127,591)	(1,127,591)
<b>Balance – March 31, 2012</b>	<b>153,092,487</b>	<b>38,458,476</b>	<b>2,845,203</b>	<b>3,837,786</b>	<b>(9,642,508)</b>	<b>35,498,957</b>
Options forfeited	-	-	(23,896)	-	-	(23,896)
Foreign currency translation	-	-	-	(332,432)	-	(332,432)
Net loss for the period	-	-	-	-	(2,176,185)	(2,176,185)
<b>Balance – June 30, 2012</b>	<b>153,092,487</b>	<b>38,458,476</b>	<b>2,821,307</b>	<b>3,505,354</b>	<b>(11,818,693)</b>	<b>32,966,444</b>
Shares issued pursuant to private placement (Note 7)	19,800,000	5,000,000	-	-	-	5,000,000
Issue costs – private placement	-	(86,564)	-	-	-	(86,564)
Share based payments	-	-	488,767	-	-	488,767
Foreign currency translation	-	-	-	356,222	-	356,222
Net loss for the period	-	-	-	-	(2,579,650)	(2,579,650)
<b>Balance – March 31, 2013</b>	<b>172,892,487</b>	<b>43,371,912</b>	<b>3,310,074</b>	<b>3,861,576</b>	<b>(14,398,343)</b>	<b>36,145,219</b>

See accompanying Notes to the condensed consolidated interim financial statements (unaudited)

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Condensed consolidated interim statements of comprehensive income (unaudited)**  
(Expressed in U.S. Dollars)

	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	\$	\$	\$	\$
	(3 Months)	(3 Months)	(9 months)	(9 months)
<b>Expenses</b>				
Depreciation	7,296	12,772	21,905	18,372
Investor relations	23,077	42,532	97,325	83,149
Legal fees	16,885	16,157	40,061	119,774
Office and administration	42,830	49,531	100,235	123,263
Professional fees	61,589	26,226	142,601	151,700
Rent and utilities	30,171	25,775	84,801	71,891
Salaries and wages	439,149	465,382	1,283,103	1,231,536
Travel and accommodation	17,008	23,074	82,538	84,871
Transfer agent and filing fees	8,484	25,832	74,218	94,442
Impairment expense (Note 5)	336,123	221,960	657,292	659,641
Warrant liabilities adjustment	-	-	-	(214,310)
Share based compensation	-	(23,896)	488,767	(4,799)
<b>Operating loss</b>	<b>(982,612)</b>	<b>(885,346)</b>	<b>(3,072,846)</b>	<b>(2,419,531)</b>
Interest income	16,635	101,323	68,871	485,534
Other income	361,552	-	422,552	-
Foreign exchange gain (loss)	30,908	(9,910)	1,773	12,474
<b>Loss before taxes</b>	<b>(573,517)</b>	<b>(793,933)</b>	<b>(2,579,650)</b>	<b>(1,921,524)</b>
Income taxes	-	-	-	-
<b>Net loss for the period</b>	<b>(573,517)</b>	<b>(793,933)</b>	<b>(2,579,650)</b>	<b>(1,921,524)</b>
Foreign currency translation adjustment	(310,472)	436,598	356,223	116,533
<b>Other comprehensive (loss) income for the period</b>	<b>(883,989)</b>	<b>(357,335)</b>	<b>(2,223,427)</b>	<b>(1,804,991)</b>
<b>Comprehensive (loss) income for the period</b>	<b>(883,989)</b>	<b>(357,335)</b>	<b>(2,223,427)</b>	<b>(1,804,991)</b>
<b>Deficit, beginning of period</b>	<b>(13,824,826)</b>	<b>(9,642,508)</b>	<b>(11,818,693)</b>	<b>(8,514,917)</b>
<b>Deficit, end of period</b>	<b>(14,398,343)</b>	<b>(10,436,441)</b>	<b>(14,398,343)</b>	<b>(10,436,441)</b>
Basic and diluted loss per share (Note 11)	0.003	0.005	0.016	0.013

See accompanying Notes to the condensed consolidated interim financial statements (unaudited)

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Condensed consolidated interim statements of cash flows (unaudited)**

(Expressed in U.S. Dollars)

For the three months ended	March 31, 2013 \$ (3 months)	March 31, 2012 \$ (3 months)	March 31, 2013 \$ (9 months)	March 31, 2012 \$ (9 months)
<b>Cash provided by (used in)</b>				
<b>Operating activities:</b>				
Net loss for the period	(573,517)	(793,933)	(2,579,650)	(1,921,524)
<i>Adjustments for non-cash items:</i>				
Depreciation	7,296	12,772	21,905	18,372
Foreign exchange (gain) loss	(30,908)	33,805	(1,773)	(7,675)
Impairment expense	336,123	221,960	657,292	659,641
Warrant liability adjustment	-	-	-	(214,310)
Share based compensation	-	(23,896)	488,767	(4,799)
Accrued revenue	29,619	-	(31,381)	-
<i>Changes in non-cash working capital items:</i>				
Other assets	(106,571)	(24,543)	(93,762)	(269,554)
Trade and other payables	(578,750)	710,721	(8,019)	405,171
Other liabilities and employee benefits	413	5,296	2,340	(34,860)
	<b>(916,296)</b>	142,182	<b>(1,544,281)</b>	(1,369,537)
<b>Investing activities:</b>				
Exploration and evaluation assets	(1,343,666)	(3,793,803)	(4,312,197)	(7,363,312)
Property, plant and equipment	(3,887)	(18,356)	(22,930)	(18,372)
	<b>(1,347,553)</b>	(3,812,159)	<b>(4,335,127)</b>	(7,381,684)
<b>Financing activities:</b>				
Issuance of common shares	-	-	5,000,000	-
Costs of share issuance	-	-	(86,565)	-
Options exercised	-	-	-	172,501
Effect of exchange rates on cash and cash equivalents	(249,842)	410,164	(194,261)	(323,700)
<b>(Decrease) Increase in cash and equivalents</b>	<b>(2,513,691)</b>	(3,259,813)	<b>(1,160,234)</b>	(8,902,420)
Cash and cash equivalents, beginning of period	5,526,444	10,813,582	4,172,987	16,456,189
Cash and cash equivalents, end of period	<b>3,012,753</b>	7,553,769	<b>3,012,753</b>	7,553,769
<b>Cash and cash equivalents consist of:</b>				
Cash on hand and balances with banks			3,012,753	2,768,839
Cash held on term deposit			-	4,784,930
			<b>3,012,753</b>	<b>7,553,769</b>

See accompanying Notes to the condensed consolidated interim financial statements (unaudited)

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**1. GENERAL INFORMATION**

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

The Company was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) and is domiciled in Canada. The Company's Registered Office is located at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, Canada V6E 4E6. Operations are managed from the Company's office located at Suite 7, 1200 Hay Street, West Perth, Western Australia, Australia. The Group also maintains an office in Santiago, Chile.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

a) Statement of compliance

These condensed consolidated interim financial statements as at and for the three and nine month periods ended March 31, 2013 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with IFRS, has been omitted or condensed.

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended June 30, 2012. The disclosure contained in these condensed consolidated interim financial statements does not include all the requirements in IAS 1 Presentation of Financial Statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended June 30, 2012.

b) Basis of preparation and going concern

These condensed consolidated interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information. The condensed consolidated interim financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the 9 month period ended March 31, 2013, the Group has incurred a net loss of \$2,579,650 (March 31, 2012 - \$1,921,524) and had net cash outflows from operating and investing activities of \$5,879,408 (March 31, 2012 - \$8,751,221). As at March 31, 2013, the Group had no source of operating cash inflow and an accumulated deficit of \$14,398,344. Operations for the period ended March 31, 2013 have been funded by the issuance of capital. The Group'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, whether such financing will be available on acceptable terms, or whether the Group will achieve profitable levels of operations.

In addition, the recovery of amounts capitalized for mineral exploration properties in the condensed consolidated interim statements of financial position 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, all of which is uncertain.



**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

b) Basis of preparation and going concern (cont'd)

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realize its assets and discharge its liabilities in the normal course of business. While the condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions may cast substantial doubt upon the validity of this assumption.

These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

c) Basis of consolidation

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

*Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This control is evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. Consolidation accounting is applied for all of the Company's wholly owned subsidiaries.

d) Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars ("USD"). In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Canadian parent and its Australian subsidiaries is the Australian Dollar ("AUD"); and the functional currency of the Chilean subsidiaries is USD. Prior to June 30, 2011, the Company had presented its results in Canadian Dollars ("CAD").

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

e) 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.

f) Use of estimates and judgements

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

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

f) Use of estimates and judgements (cont'd)

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

*Critical accounting estimates*

*Exploration and Evaluation Assets*

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

*Impairment*

Assets, including property, plant and equipment and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

*Fair value of share-based compensation and warrants issued*

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

*Provisions and contingencies*

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

*Decommissioning and environmental provisions*

The Company's operations are subject to environmental regulations in Chile. Upon any establishment of commercial viability of a site, the Company estimates the cost to restore the site following the completion of commercial activities and depletion of reserves. These future obligations are estimated by taking into consideration closure plans, known environmental impacts, and internal and external studies which estimate the activities and costs that will be carried out to meet the decommissioning and environmental provisions obligations. Amounts recorded for decommissioning and environmental provisions are based on estimates of costs which may not be incurred for several years or decades. The decommissioning and environmental cost estimates could change due to amendments in laws and regulations in Chile. Actual decommissioning and reclamation costs may differ from those projected as a result of an increase over time of actual remediation costs, a change in the timing for utilisation of reserves and changes in environmental regulatory requirements. The Company is currently in the exploration stage and as such, there are no decommissioning and environmental reclamation costs recognized at March 31, 2013.

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

f) Use of estimates and judgements (cont'd)

*Critical accounting judgements*

*Exploration and Evaluation Assets*

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

*Income taxes*

Judgement is required in determining whether deferred tax assets are recognized in the statements of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. As the Company is seeking to generate non-assessable, non-exempt income in Chile, for the purposes of the Canadian head entity, a record of prior tax losses is kept but no tax balances have been recognized.

*Going Concern*

As described in Note 2(b), management uses its judgement in determining whether the Company is able to continue as a going concern.

g) Financial instruments

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

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instrument was acquired.

*Financial assets*

*Fair value through profit or loss*

A financial asset can be classified as fair value through profit or loss only if it is designated at fair value through profit or loss or held-for-trading. The Company's financial assets are held at fair value through profit or loss.

*Loans and receivables*

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

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

g) Financial instruments (cont'd)

*Available-for-sale financial assets*

These assets are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired.

*Impairment of financial assets*

All financial assets except for those at fair value through profit or loss are subject to review for impairment at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets are impaired. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

*Effective interest method*

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

*Financial liabilities*

*Fair value through profit or loss*

These liabilities are comprised of derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value with changes in fair value included in profit or loss.

*Other financial liabilities*

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

*Fair values*

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

The Company has made the following classifications:

Other assets	Loans and receivables
Loans due from related parties	Loans and receivables
Trade and other payables	Other liabilities
Other liabilities	Other liabilities
Loans due to related parties	Other liabilities

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

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

h) Income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the condensed consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period of the relevant tax jurisdiction.

The Company is subject to income taxes in various jurisdictions and subject to various rates and rules of taxation. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all deductible temporary differences to the extent that it is probable taxable profits will be available against which those deductible temporary differences can be utilised.

i) 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 period. The computation of diluted loss per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive share 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.

j) Share based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company estimates the number of forfeitures likely to occur on grant date and reflects this in the share-based payment expense revising for actual experiences in subsequent periods.

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

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

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

k) Exploration and evaluation assets

Exploration and evaluation expenditures are measured using the cost model. 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 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.

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.

l) Long-lived asset impairment

Long-lived assets, which comprise exploration and evaluation assets and property, plant and equipment, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

The Company's property, plant and equipment is assessed for indication of impairment at each financial position date. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Internal factors, such as budgets and forecasts, as well as external factors, such as future prices, costs and other market factors are also monitored to determine if indicators of impairment exist. If any indication of impairment exists, an estimate of the assets' recoverable amount is calculated. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGU's represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less cost to sell and fair value in use). Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

m) Property, plant and equipment

Property, plant and equipment are carried at cost less any recognised impairment loss and accumulated depreciation. Items are depreciated using the declining balance method at the following rates per annum:

Equipment	10 - 15%
Computer equipment and software	40%

n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

o) Decommissioning and environmental provisions

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

Decommissioning and environmental costs are estimated based on the Company's interpretation of current regulatory and operating license requirements. Initially, a liability for a decommissioning and environmental provision is recognized as its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding decommissioning and environmental provision is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit of production method or the straight line method, as appropriate. Following the initial recognition of the decommissioning and environmental provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation and accreted over time to its present value, (accretion charge is included in the statement of operations within cost of sales). The Company does not currently have any legal obligations relating to the reclamation of its exploration and evaluation assets.

p) Revenue recognition

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

q) Related party transactions

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

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

*IFRS 9 – Financial Instruments– expected application date June 30, 2015*

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for financial instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss.

IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive loss. Where such equity instruments are measured at fair value through other comprehensive loss, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive loss indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive loss.

IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt it early.

*IFRS 10 – Consolidation – expected application date June 30, 2013*

IFRS 10 was issued in May 2011. It requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 10 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 10 must be adopted in conjunction with IFRS 11,12, IAS 27 and 28. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

*IFRS 11 – Joint Arrangements – expected application date June 30, 2013*

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

*IFRS 12 Disclosure of Interests in Other Entities – expected application date June 30, 2013*

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.



**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (cont'd)**

*IFRS 13 – Fair Value Measurement – expected application date June 30, 2013*

IFRS 13 was issued in May 2011. It is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The transition date for IFRS 13 is January 1, 2013. The Company has not yet assessed the potential impact of the standard.

*IAS 1, Presentation of Items of Other Comprehensive Income (“OCI”): Amendments to IAS 1 – expected application date June 30, 2013*

IAS 1 was issued in June 2011. The amendments stipulate the presentation of net earnings and OCI and also require the grouping of items within OCI based on whether the items may be subsequently reclassified to profit or loss. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

*IAS 19, Employee Benefits: Amendment to IAS 19 – expected application date June 30, 2013*

An amendment to IAS 19 was issued by the IASB in June 2011. The amendment requires recognition of changes in the defined benefit obligations and in fair value of plan assets when they occur, hence accelerating the recognition of past service costs. The amendment also modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits. The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

*IAS 27, Separate financial statements – expected application date June 30, 2013*

IAS 27 was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The consolidation guidance will now be included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

*IAS 28, Investments in associates and joint ventures – expected application date June 30, 2013*

IAS 28 was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

*IFRIC Interpretation 20 – expected application date June 30, 2013*

In October 2011, IFRIC published IFRIC Interpretation 20. The Interpretation requires stripping activity costs, which provide improved access to ore, to be recognized as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate. The requirements of IFRIC 20 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**

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

**4. PROPERTY, PLANT AND EQUIPMENT**

	March 31, 2013	June 30, 2012
	\$	\$
Computer software – cost	71,736	71,736
Additions	9,437	-
Accumulated depreciation	(42,348)	(21,279)
Depreciation	(18,735)	(21,069)
Net book value	<u>20,089</u>	<u>29,388</u>
Equipment – cost	114,015	667,430
Additions	13,494	5,585
Asset write off*	-	(559,000)
Accumulated depreciation	(38,609)	(23,878)
Depreciation	(3,170)	(14,731)
Net book value	<u>85,730</u>	<u>75,406</u>
<b>Total net book value</b>	<u>105,819</u>	<u>104,794</u>

\* The Company held an option to purchase an accommodation structure situated close to the Los Pumas Project. The Company decided to allow this option to lapse during the 2012 financial year and the value attributed to this asset (\$559,000) was written off as an impairment expense.

**5. EXPLORATION AND EVALUATION ASSETS**

Project	Opening balance July 1, 2012	Additions	Closing balance March 31, 2013
	\$	\$	\$
El Arrayan	2,329,967	-	2,329,967
Las Santas	2,912,246	-	2,912,246
San Jose	803,336	9,615	812,951
Los Pumas	9,297,793	235,846	9,533,639
Llahuin (a)	6,299,201	3,755,268	10,054,469
Minera Panamericana**	1,552,345	68,902	1,621,247
Chitigua**	2,888,680	124,124	3,012,804
Minera America del Sur	1,368,459	97,661	1,466,120
Mantos Grandes	965,150	19,780	984,930
Iron Sands	781,264	1,001	782,265
<b>Total</b>	<u>29,198,441</u>	<u>4,312,197</u>	<u>33,510,638</u>

\* Chilean Value Added Tax (VAT) credits are derived from exploration expenditure. During the 9 months to March 2013, a Chilean VAT receivable balance was written off as an impairment expense to the value of \$657,292 as recovery of this asset is uncertain.

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**5. EXPLORATION AND EVALUATION ASSETS (cont'd)**

<b>Project</b>	<b>Opening balance July 1, 2011</b>	<b>Additions</b>	<b>Re-allocation</b>	<b>Closing balance June 30, 2012</b>
	\$	\$	\$	\$
El Arrayan	2,282,841	47,126	-	2,329,967
Las Santas	2,874,206	38,040	-	2,912,246
San Jose	767,168	36,168	-	803,336
Los Pumas	8,254,139	1,026,654	17,000	9,297,793
Llahuin (a)	-	6,299,201	-	6,299,201
Minera Panamericana**	1,552,345	-	-	1,552,345
Chitigua**	1,400,680	1,488,000	-	2,888,680
Minera America del Sur	1,351,308	17,151	-	1,368,459
Mantos Grandes	909,150	56,000	-	965,150
Iron Sands	798,264	-	(17,000)	781,264
<b>Total</b>	<b>20,190,101</b>	<b>9,008,340</b>	<b>-</b>	<b>29,198,441</b>

\*\*In the prior period, the Chitigua Project was reported as part of the Minera Panamericana balance.

(a) Acquisition – Llahuin copper concessions

In February 2012, the Company signed an Option Agreement to purchase a 100% interest in the Llahuin satellite Mina San Francisco project licenses (“San Francisco Option Agreement”). Under the terms of the San Francisco Option Agreement, the Company will acquire the licenses by making staged cash payments of \$505,000 over the course of 24 months from the date of the San Francisco Option Agreement. An amendment to the San Francisco Option Agreement was executed on May 31, 2012 whereby the consideration payable was reduced to \$300,000 over a 24 month period. As at March 31, 2013, \$250,000 remains unpaid of the \$300,000 being paid over the 24 month period.

The Company continues to focus on the Llahuin Project however, should the amounts outstanding in relation to these concessions not be settled in accordance with the terms outlined above the recoverability of costs capitalized to date will need to be assessed.

**6. RELATED PARTY TRANSACTIONS AND BALANCES**

For the periods ended March 31, 2013 and 2012, the Company had certain arrangements in place with related parties to provide management services that the Company requires in the normal course of business.

	March 31, 2013	March 31, 2012
	\$	\$
Plough Lane Superannuation Pty Ltd (a)	-	11,250

(a) 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.

As at March 31, 2013, there were no related party loan balances.

*Compensation of key management personnel*

The remuneration of directors and other members of key management personnel during the periods ended March 31, 2013 and 2012 are as follows:

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

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

	March 31, 2013 \$	March 31, 2012 \$
Short term benefits	251,184	271,149
Post employment benefits	16,637	18,470
Share based payments*	-	-
	<u>267,821</u>	<u>289,619</u>

\*Based on vesting dates.

**7. SHARE CAPITAL**

Unlimited number of authorized common shares with no par value

	Number of shares	\$
<b>Balance, June 30, 2011</b>	<b>152,525,821</b>	<b>38,285,976</b>
Options exercised (a)	500,000	159,510
Options exercised (b)	66,666	12,990
<b>Balance, March 31, 2012</b>	<b>153,092,487</b>	<b>38,458,476</b>
<b>Balance, June 30, 2012</b>	<b>153,092,487</b>	<b>38,458,476</b>
Share issued pursuant to private placement (c)	19,800,000	5,000,000
Costs of private placement	-	(86,564)
<b>Balance, March 31, 2013</b>	<b>172,892,487</b>	<b>43,371,912</b>

- a) On September 5, 2011 option holders exercised 500,000 options at an exercise price of AUD\$0.30 per share to acquire 500,000 common shares of the Company. On that date, the Company traded at AUD\$0.35 on the ASX and CAD\$0.42 on the TSX-V.
- b) On November 4, 2011, option holders exercised 66,666 options at an exercise price of CAD\$0.20 per share to acquire 66,666 common shares of the Company. On that date, the Company traded at AUD\$0.32 on the ASX and CAD\$0.30 on the TSX-V.
- c) On November 1, 2012, the Company conducted a private placement to Lundin Mining Corporation of 19,800,000 common shares of the Company. Total gross proceeds raised from the private placement were \$5,000,000. Transaction costs incurred for the placement totalled \$86,564.

**8. WARRANTS**

As at March 31, 2013, the Company had no outstanding and exercisable warrants.

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**

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

**9. SHARE BASED COMPENSATION**

Under the terms of a share option plan initially approved by shareholders on November 1, 2006, and re-approved on November 26, 2012, the Company may grant incentive share 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. Share 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 share based compensation expense over the vesting period of the options granted.

During the year ended June 30, 2011, the Company granted 5,050,000 options, which have been recorded as a share based compensation expense and added to the Share based payments reserve in Shareholder's Equity. These options, with an expiry date of June 30, 2013 and vesting dates of October 1, 2011 as to 50% and July 1, 2012 as to 50%, were valued on the grant date of April 29, 2011 using the Black-Scholes option pricing model. A fair value of \$0.177 per option was determined 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.

The expected volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

During the year ended June 30, 2012, no additional options were granted. 566,666 options were exercised of which 66,666 were exercised by directors. 1,374,849 options were forfeited in accordance with the terms of their issue as requisite service periods were not met. All 1,374,849 options forfeited were held by former directors.

During the 9 month period ended March 31, 2013, the Company granted 4,200,000 options, which have been recorded as a share based compensation expense and added to the Share based payments reserve in Shareholder's Equity. These options, with an expiry date of December 31, 2014 and vesting dates of December 31, 2012 as to 50% and July 1, 2013 as to 50%, were valued on the grant date of September 10, 2012 using the Black-Scholes option pricing model. A fair value of \$0.057 per option was determined with the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk free interest rate of 2.67%, estimated forfeiture rate of 20% and an expected life of 1.5 years. Of these 4,200,000 options, 1,950,000 were issued to directors. Additionally, 7,531,730 options expired in accordance with the terms of their issue.

	Number of Options	Weighted Average Exercise Price \$AUD
<b>Balance at June 30, 2011</b>	<b>13,823,245</b>	<b>0.40</b>
Options exercised – Note 7 (a)	(500,000)	0.40
Options forfeited September 8, 2011	(874,849)	0.40
Options exercised – Note 7 (b)	(66,666)	0.40
Options forfeited – December 2, 2011	(250,000)	0.40
Options forfeited – March 1, 2012	(250,000)	0.40
<b>Balance at June 30, 2012</b>	<b>11,881,730</b>	<b>0.40</b>
Options issued – September 10, 2012	4,200,000	0.21
Options expired – December 29, 2012	(5,050,000)	0.29
Options expired – January 13, 2013	(2,481,730)	0.42
<b>Balance at March 31, 2013</b>	<b>8,550,000</b>	<b>0.38</b>

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

**9. SHARE BASED COMPENSATION (cont'd)**

The following table summarizes the outstanding and exercisable options at March 31, 2013:

<b>Options exercisable</b>	<b>Exercise price \$AUD</b>	<b>Remaining contractual life (years)</b>	<b>Expiry date</b>
4,350,000	0.54	0.25	June 30, 2013
4,200,000	0.21	1.75	December 31, 2014
<b>8,550,000</b>	<b>0.38</b>	<b>0.99</b>	

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

**10. INCOME TAXES**

	<b>March 31, 2013</b>	<b>June 30, 2012</b>
	<b>\$</b>	<b>\$</b>
Net loss for accounting	(2,579,650)	(3,303,776)
Expected tax rate	33.0%	33.0%
Expected tax recovery at statutory rates	(851,285)	(1,090,246)
Share based compensation	488,767	(4,799)
Unrecognised benefit of revenue losses	362,518	1,095,045
<b>Deferred income tax expense (recovery)</b>	<b>-</b>	<b>-</b>
Revenue losses carried forward	2,769,593	2,407,075
Share issuance costs	25,969	-
Unrecognized deferred tax asset	(2,795,562)	(2,407,075)
<b>Deferred income tax assets (liability)</b>	<b>-</b>	<b>-</b>

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 revenue losses of CAD\$3,528,090, which may be deducted in the calculation of taxable income in future years that will expire, if not utilized, as follows:

<b>Origin</b>	<b>Expiry</b>	<b>\$CAD</b>
2008	2028	194,341
2009	2029	336,015
2010	2030	1,395,384
2011	2031	1,602,350
		<b>3,528,090</b>

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**

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

**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 period ended March 31, 2013 was 163,642,852 (March 2012: 152,939,881) for the purpose of calculating the basic and diluted loss per share. As a result of the net losses for the periods ended March 31, 2013 and 2012, the exercise of all outstanding options and warrants has been excluded from the calculation of diluted loss per share given their anti-dilutive nature.

**12. ESCROWED SHARES**

At March 31, 2013, the Company had no shares in escrow on the TSX-V or the ASX.

**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:

<b>Assets</b>	March 31, 2013	June 30, 2012
	\$	\$
Australia	29,721	39,794
Chile	33,586,736	29,263,441
<b>Total</b>	<b>33,616,457</b>	<b>29,303,235</b>

**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**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 statements of financial position.

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

**Fair value**

The carrying value of the Company's financial instruments, including cash and cash equivalents, other assets, other liabilities, employee benefits and trade and other payables 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.

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 March 31, 2013	<b>Hierarchy Level</b> <b>(if applicable)</b>
<b>Financial assets:</b>	
Held for trading, measured at fair value	
Cash and cash equivalent	1

**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**  
(Expressed in U.S. Dollars unless otherwise stated)

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

**Risk disclosures**

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

**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.

As at March 31, 2013, the Company had a cash balance of \$3,012,753 (June 30, 2012 - \$2,649,137) and a short term deposit balance of \$nil (June 30, 2012 - \$1,523,850), and working capital of \$2,528,762 (June 30, 2012 - \$3,663,209). Accordingly, the Company is able to meet its current obligations and has low liquidity risk.

**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 copper, gold and manganese. However, the Company is still in the exploration stage.

**Foreign currency risk**

The Company operates in international markets, giving rise to exposure to market risks from changes in foreign exchange rates. As at March 31, 2013, the table below details the foreign denominated (AUD and Chilean Peso ("CLP")) 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% movement of the US Dollar against foreign currencies as identified which would have increased (decreased) the Company's net loss by the amounts shown.

	<b>AUD</b>	<b>CLP</b>
	<b>\$</b>	<b>\$</b>
<b>Foreign currency risk</b>		
Cash and cash equivalents	2,079,596	154,495,584
Receivables	-	89,965,000
Accounts payable	(8,560)	(67,049,048)
Total foreign currency net working capital	2,071,036	177,411,536
	<b>USD</b>	<b>USD</b>
	<b>\$</b>	<b>\$</b>
USD exchange rate at March 31, 2013	0.9594	471.75
Total foreign currency net working capital in USD	2,158,610	376,071
Impact of a 10% strengthening of the USD on net loss	215,861	37,607
Impact of a 10% weakening of the USD on net loss	(215,861)	(37,607)

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



**Southern Hemisphere Mining Limited (An Exploration Stage Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three and nine month periods ended March 31, 2013 and March 31, 2012**

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

**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, share based payments reserve, foreign currency translation reserve and accumulated deficit, which at March 31, 2013 amounted to \$36,145,219 (June 30, 2012 - \$32,966,444).

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 period ended March 31, 2013.

**16. COMMITMENT**

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

The Company also has payment obligations under the option agreement detailed in Note 5(a).

**17. SUBSEQUENT EVENTS**

No events, which would materially alter the results of the Company, took place in the period April 1, 2013 to April 29, 2013.