



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

Dear Sir or Madam:

Quarterly Financial Statements

Please refer below for the unaudited condensed consolidated interim financial statements of Southern Hemisphere Mining Limited for the three and six month periods ended December 31, 2013 and 2012, as issued in Canada. The Company intends to lodge a Half Year Report for ASX purposes no later than March 14, 2014.

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, appearing to read 'D. Hall', is written over a white background.

Derek Hall
Company Secretary



ASX: SUH
ABN: 17 140 494 784
www.shmining.com.au

AUSTRALIAN OFFICE
Suite 7, 1200 Hay Street
West Perth WA 6005
TEL: +61 8 9481 2122

CHILEAN OFFICE
Minera Hemisferio Sur SCM
Office 41, Zurich 255
Las Condes, Santiago
TEL: +56 2 474 5071

Southern Hemisphere Mining Limited

ABN: 17 140 494 784

(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

For the Three and Six Month Periods Ended December 31, 2013 and 2012

(unaudited)

CONTENTS

Management's comments	2
Condensed consolidated interim statements of financial position	3
Condensed consolidated interim statements of comprehensive income	4
Condensed consolidated interim statements of changes in equity	5
Condensed consolidated interim statements of cash flows	6
Notes to the condensed consolidated interim financial statements	7 – 26

Southern Hemisphere Mining Limited

Suite 7, 1200 Hay Street

West Perth, Western Australia 6005

Tel: +61(8) 9481-2122 / Fax: +61(8) 9481-2322

Website: www.shmining.com.au

Australian Securities Exchange: SUH

**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 six month periods ended December 31, 2013 and 2012 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		December 31, 2013	June 30, 2013
	Note	\$	\$
Assets			
Current Assets			
Cash and cash equivalents		531,789	1,627,077
Other assets		313,798	95,783
		<u>845,587</u>	<u>1,722,860</u>
Non-current Assets			
Property, plant and equipment	4	95,712	77,881
Exploration and evaluation assets	5	29,620,463	29,636,657
		<u>29,716,175</u>	<u>29,714,538</u>
Total Assets		<u>30,561,762</u>	<u>31,437,399</u>
Liabilities			
Current Liabilities			
Trade and other payables		108,528	159,776
Other liabilities		50,657	54,060
Employee benefits		61,376	63,176
		<u>220,561</u>	<u>277,012</u>
Total Liabilities		<u>220,561</u>	<u>277,012</u>
Net Assets		<u>30,341,201</u>	<u>31,160,387</u>
Equity			
Common shares	6	43,371,912	43,371,912
Share based payments reserve		3,459,041	3,459,041
Foreign currency translation reserve		3,347,234	3,339,256
Accumulated losses		(19,836,986)	(19,009,822)
Total Equity		<u>30,341,201</u>	<u>31,160,387</u>

See accompanying Notes to the condensed consolidated interim financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Condensed consolidated interim statements of loss and other comprehensive income
(unaudited)

(Expressed in U.S. Dollars)

For the periods ended		December 31, 2013 \$ (3 months)	December 31, 2012 \$ (3 months)	December 31, 2013 \$ (6 months)	December 31, 2012 \$ (6 months)
	Note				
Continuing operations					
Interest income		4,602	26,665	13,372	52,236
Other income	3	242,885	61,000	350,634	61,000
Depreciation		(3,983)	(7,248)	(11,075)	(14,609)
Office and administration		(146,545)	(127,357)	(270,561)	(317,545)
Professional fees		(71,470)	(63,875)	(202,083)	(104,190)
Employee benefits expense	3	(389,111)	(532,728)	(770,634)	(1,332,721)
Impairment expense (mineral properties)	5	-	(38,754)	(7,963)	(321,169)
Foreign exchange gain (loss)		158,182	(101,842)	71,146	(29,135)
Loss before tax		(205,440)	(784,139)	(827,164)	(2,006,133)
Income taxes		-	-	-	-
Loss from continuing operations		(205,440)	(784,139)	(827,164)	(2,006,133)
Loss for the period		(205,440)	(784,139)	(827,164)	(2,006,133)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(226,252)	592,331	7,978	666,696
Comprehensive (loss) income for the period		(431,692)	(191,808)	(819,186)	(1,339,437)
Basic and diluted loss per share	8	0.001	0.005	0.005	0.013

See accompanying Notes to the condensed consolidated interim financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Condensed consolidated interim statements of changes in equity (unaudited)

(Expressed in U.S. Dollars)

	Common shares \$	Share based payments reserve \$	Foreign currency translation reserve \$	Accumulated deficit \$	Total \$
Balance – June 30, 2012	38,458,476	2,821,307	3,505,354	(11,818,693)	32,966,444
Shares issued pursuant to private placement (Note 6a)	5,000,000	-	-	-	5,000,000
Issue costs – private placement	(86,564)	-	-	-	(86,564)
Net loss for the period	-	-	-	(2,006,133)	(2,006,133)
Foreign currency translation	-	-	666,696	-	666,696
Total Comprehensive (loss) income	-	-	666,696	(2,006,133)	(1,339,437)
Share based payments	-	488,767	-	-	488,767
Balance – December 31, 2012	43,371,912	3,310,074	4,172,050	(13,824,826)	37,029,209
Net loss for the period	-	-	-	(5,184,996)	(5,184,996)
Foreign currency translation	-	-	(832,794)	-	(832,794)
Total Comprehensive (loss) income	-	-	(832,794)	(5,184,996)	(6,017,790)
Share based payments	-	148,968	-	-	148,968
Balance – June 30, 2013	43,371,912	3,459,041	3,339,256	(19,009,822)	31,160,387
Net loss for the period	-	-	-	(827,164)	(827,164)
Foreign currency translation	-	-	7,978	-	7,978
Total Comprehensive (loss) income	-	-	7,978	(827,164)	(819,186)
Balance – December 31, 2013	43,371,912	3,459,041	3,347,234	(19,836,986)	30,341,201

See accompanying Notes to the condensed consolidated interim financial statements

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

For the periods ended	December 31, 2013 \$ (3 months)	December 31, 2012 \$ (3 months)	December 31, 2013 \$ (6 months)	December 31, 2012 \$ (6 months)
Cash provided by (used in)				
Operating activities:				
Net loss for the period	(205,440)	(784,139)	(827,164)	(2,006,133)
<i>Adjustments for non-cash items:</i>				
Depreciation	3,983	7,248	11,075	14,609
Foreign exchange (gain) loss	(158,182)	101,842	(71,146)	29,135
Impairment expenses	-	38,754	7,963	321,169
Accrued revenue	-	(61,000)	-	(61,000)
Share based compensation	-	99,312	-	488,767
<i>Changes in non-cash working capital items:</i>				
Other assets	(166,593)	5,532	(186,975)	12,809
Trade and other payables	(116,751)	443,984	(51,248)	570,731
Other liabilities and employee benefits	8,708	350,134	(1,799)	1,927
	(634,275)	201,668	(1,119,294)	(627,986)
Investing activities:				
Exploration and evaluation assets	(97,383)	(1,826,047)	16,195	(2,968,531)
Property, plant and equipment	(13,873)	(9,607)	(28,907)	(19,043)
	(111,256)	(1,835,653)	(12,712)	(2,987,573)
Financing activities:				
Issuance of common shares	-	5,000,000	-	5,000,000
Costs of share issuance	-	(86,565)	-	(86,565)
	-	4,913,435	-	4,913,435
Effect of exchange rates on cash and cash equivalents	(50,838)	224,860	36,718	55,580
(Decrease) Increase in cash and equivalents	(796,369)	3,504,310	(1,095,288)	1,353,457
Cash and cash equivalents, beginning of period	1,328,158	2,022,134	1,627,077	4,172,987
Cash and cash equivalents, end of period	531,789	5,526,444	531,789	5,526,444
Cash and cash equivalents consist of:				
Cash on hand and balances with banks			531,789	5,526,444
Cash held on term deposit			-	-
			531,789	5,526,444

See accompanying Notes to the condensed consolidated interim financial statements

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

1. GENERAL INFORMATION

Southern Hemisphere Mining Limited ("Southern Hemisphere" or 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 ("Consolidated Entity" or "Group") have not yet determined whether its mineral properties contain mineral reserves that are economically recoverable.

Southern Hemisphere is a Company limited by shares incorporated and domiciled in Australia whose ordinary shares are publicly traded on the Australian Securities Exchange ("ASX"). The address of the registered office is Suite 7, 1200 Hay Street, West Perth, Western Australia. The Group also maintains an office in Santiago, Chile.

The financial report of the Group for the three and six month periods ended December 31, 2013 and 2012 was authorised for issue in accordance with a resolution of the Directors on February 17, 2014.

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 six month periods ended December 31, 2013 and 2012 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Australian Accounting Interpretations and the Corporations Act 2001.

The Company's date of transition to the AASBs was July 1, 2011. The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the financial statements of the Company with International Financial Reporting Standards ("IFRS") and specifically International Accounting Standard 34 Interim Financial Reporting.

Australian Accounting Standards and Interpretations, including those issued by the IASB where an Australian equivalent has not yet been made by the AASB, that have recently been issued or amended but are not yet effective that have not been adopted for the reporting period ended December 31, 2013, but would be relevant to its operations, are:

New/revised pronouncement	Application date (financial years beginning after)	Summary	Expected impact
AASB 9 <i>Financial Instruments</i>	January 1, 2015	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	None
AASB 12 <i>Disclosure of Interests in Other Entities</i>	January 1, 2013	Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities.	None

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

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

a) Statement of compliance (cont'd)

New/revised pronouncement	Application date (financial years beginning after)	Summary	Expected impact
AASB 127 <i>Separate Financial Statements</i>	January 1, 2013	Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	None
AASB 128 <i>Investments in Associates and Joint Ventures</i>	January 1, 2013	Prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	None
AASB 13 <i>Fair Value Measurement</i>	January 1, 2013	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	None
AASB 119 <i>Employee Benefits</i>	January 1, 2013	Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.	None
IFRIC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	January 1, 2013	This Interpretation clarifies the requirements for accounting for stripping costs in the production phase of a surface mine, such as when such costs can be recognised as an asset and how that asset should be measured, both initially and subsequently.	None
AASB 2012-2 <i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2013	Amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities on the entity's finance position.	None
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2014	Adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	None
AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	January 1, 2013	Amends the mandatory effective date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. It also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition from AASB 139 to AASB 9 in some circumstances.	None
AASB 2012-10 <i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments</i>	January 1, 2013	Clarifies the transition guidance in AASB 10 <i>Consolidated Financial Statements</i> . It also provides additional transition relief in AASB 10, AASB 11 <i>Joint Arrangements</i> and AASB 12 <i>Disclosure of Interests in Other Entities</i> by limiting the requirement to provide adjusted comparative information only to the immediately preceding comparative period.	None

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

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

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 consolidated financial statements have been prepared using AIFRS 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.

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

For the six month period ended December 31, 2013, the Consolidated Entity has incurred a net loss of \$827,164 (December 31, 2012 - \$2,006,133) and had net cash outflows from operating and investing activities of \$1,132,006 (December 31, 2012 - \$3,615,559). As at December 31, 2013, the Consolidated Entity had no source of operating cash inflow and accumulated losses of \$19,836,986. Operations for the period ended December 31, 2013 have been funded by the issuance of capital, optioning of mineral properties and acting as operator in mineral property farm-in arrangements.

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

The Consolidated Entity's and the Company's ability to meet their obligations and continue as going concerns is dependent upon their ability to obtain additional financing, the discovery, development, sale or joint venture farm-in of mining projects and achievement of profitable operations.

The Consolidated Entity and the Company are planning to meet their future expenditures and obligations by raising funds through public offerings, private placements or by farming-out 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 Consolidated Entity and the Company will achieve profitable levels of operations.

Should the Consolidated Entity and the Company be unable to achieve the matters referred to above, there is a material uncertainty whether the Consolidated Entity and the Company will be able to continue as going concerns and therefore, whether they will realise their assets and discharge their liabilities in the normal course of business. These consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity and the Company be unable to continue as going concerns.

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

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

c) Basis of consolidation

The Company's condensed consolidated interim financial statements include Southern Hemisphere Mining Limited and its subsidiaries, all of which, apart from Minera Los Rulos SCM, are wholly owned. Minera Los Rulos SCM has been reflected on the basis of the Company's 50% shareholding. Minera Llahuin SCM, the Chilean domiciled entity set up to reflect the farm-in arrangement into the Llahuin Project with Lundin Mining Corporation has been consolidated on a line by line basis.

All inter-company transactions, balances, income and expenses have been eliminated on consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Company. Consolidation accounting is applied for all of the Company's wholly owned subsidiaries.

d) Functional and presentation currency

These condensed consolidated interim financial statements are presented in U.S. dollars ("USD"). In accordance with AASB 121, "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Australian parent and its Australian subsidiaries is the Australian Dollar ("AUD"); and the functional currency of the Chilean subsidiaries is USD.

For the purposes of presenting consolidated 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 consolidated financial statements in conformity with AIFRS 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.

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 affected.

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

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

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

Critical accounting estimates

Exploration and Evaluation Assets

Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is recognised 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

The fair value of share-based compensation 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 decommissioning and environmental 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. Additionally, actual estimated decommissioning and reclamation costs may differ from those projected. The Company is currently in the exploration stage and as such, there are no decommissioning and environmental reclamation costs at period end.

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

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

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

Critical accounting judgements

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 Australian head entity, a record of prior tax losses is kept but no tax balances have been recognized.

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.

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.

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.

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

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

g) Financial instruments (cont'd)

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.

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.

Financial liabilities

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 six month periods ended December 31, 2013 and December 31, 2012
(Expressed in U.S. Dollars)

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

h) Loss per common share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the 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 period, potentially dilutive common shares are excluded from the loss per share calculation as the results would be anti-dilutive.

i) Income taxes

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income due to items of income or expense that are taxable or deductible in other periods 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 period in 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.

j) 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.

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

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

k) 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 10.

l) 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 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 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.

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

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) Revenue recognition

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

o) 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 are 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 levels 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 of 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 of 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 six month periods ended December 31, 2013 and December 31, 2012
(Expressed in U.S. Dollars)

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

p) 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.

q) 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, the Company is expected to incur expenses 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 recognised 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 amortised 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.

3. REVENUE AND EXPENSES

	December 31, 2013	December 31, 2012
Other income*	\$	\$
Joint Venture and administration fees for Project operations under Company management	238,353	61,000
Los Rulos Joint Venture Execution Payment	112,281	-
	<u>350,634</u>	<u>61,000</u>

*During the six month period, a progress payment of AUD\$350,000 was received per the terms of a farm-in agreement on the Mantos Grandes Project. This amount was applied against the cost base of the said Project.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six month periods ended December 31, 2013 and December 31, 2012

(Expressed in U.S. Dollars)

3. REVENUE AND EXPENSES (cont'd)

Employee benefits expenses

	December 31, 2013	December 31, 2012
	\$	\$
Salary and wages	353,672	389,623
Superannuation and post employment benefits	35,439	43,793
Share based payments expense*	-	99,312
	389,111	532,728

*Based on vesting dates

4. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	June 30, 2013
	\$	\$
Computer software – cost	80,042	71,736
Additions	8,469	8,306
Accumulated depreciation	(66,988)	(42,348)
Depreciation	(9,576)	(24,640)
Net book value	11,947	13,054
Equipment – cost	122,255	114,015
Additions	20,437	8,241
Accumulated depreciation	(57,429)	(38,609)
Depreciation	(1,498)	(18,820)
Net book value	83,765	64,827
Total net book value	95,712	77,881

5. EXPLORATION AND EVALUATION ASSETS

Project	Opening balance July 1, 2013	Additions	Closing balance December 31, 2013
	\$	\$	\$
El Arrayan	2,389,511	-	2,389,511
Las Santas	2,949,788	-	2,949,788
San Jose	841,653	-	841,653
Los Pumas	5,068,865	51,594	5,120,459
Llahuin (a)(b)	10,642,900	-	10,642,900
Chitigua	2,909,753	(17,499)	2,892,254
Minera America del Sur	1,456,728	-	1,456,728
Mantos Grandes (c)	990,502	(301,970)	688,532
Minera Panamericana (d)	1,593,534	(35,110)	1,558,424
Los Rulos (d)	-	286,790	286,790
Iron Sands	793,424	-	793,424
Total	29,636,657	(16,194)	29,620,463

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six month periods ended December 31, 2013 and December 31, 2012

(Expressed in U.S. Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

A net Chilean VAT receivable balance was written off as an impairment expense to the value of \$7,963 (December 2012 period- \$321,169) as recovery of this asset is uncertain. Chilean Value Added Tax (VAT) credits are derived from exploration expenditure.

Project	Opening balance July 1, 2012	Additions	Impairment Expense*	Closing balance June 30, 2013
	\$	\$	\$	\$
El Arrayan	2,329,967	59,544	-	2,389,511
Las Santas	2,912,246	37,542	-	2,949,788
San Jose	803,336	38,317	-	841,653
Los Pumas	9,297,793	326,541	(4,555,469)	5,068,865
Llahuin	6,299,201	4,343,699	-	10,642,900
Minera Panamericana	1,552,345	41,189	-	1,593,534
Chitigua	2,888,680	21,073	-	2,909,753
Minera America del Sur	1,368,459	88,269	-	1,456,728
Mantos Grandes	965,150	25,352	-	990,502
Iron Sands	781,264	12,160	-	793,424
Total	29,198,441	4,993,685	(4,555,469)	29,636,657

* In Financial year 2013, the Board assessed the value of the Los Pumas Project and with due consideration to the manganese price and consistent with the Company's overall shift of focus to other projects, decided to write down the Los Pumas Project's carrying value. The Board will reassess this carrying value as the manganese market improves.

(a) Acquisition – Llahuin copper concessions

On January 14, 2013, the Company announced the completion of the purchase of the Llahuin Amapola 1-4 licences under the Option Agreement dated July 8, 2011 ("Llahuin Option Agreement"). Under the terms of the Llahuin Option Agreement, the Company made a final cash payment of \$1.285 million to the vendor and as a result is the legal owner of the licences. The total consideration paid under the Llahuin Option Agreement was \$1.875 million.

(b) Farm-in arrangement, Llahuin Project – Lundin Mining Corporation

On November 1, 2012, the Company formalised a farm-in arrangement with Lundin Mining Corporation ("Lundin Mining") for the Llahuin Project. Under this arrangement, Lundin Mining may earn up to a 75% interest in the Llahuin Project by spending up to \$35 million on exploration on the Llahuin Project over a 6 year period. A separate entity, Minera Llahuin SCM has been set up to hold the Llahuin Project. The Company consolidates this entity on a line by line basis. The Company does not recognise the contributions and related exploration spending of Lundin Mining in the carrying value of the Llahuin Project. A reassessment of this position will occur as the farm-in arrangement progresses.

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

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

(c) Farm-in arrangement, Mantos Grandes Project – Cobre Montana NL

On September 26, 2013, the Company formalised a farm-in arrangement with Cobre Montana NL (“Cobre”) for the Mantos Grandes Project. Under this arrangement, Cobre may earn up to a 65% interest in the Mantos Grandes Project for a total expenditure of AUD\$2.85 million, made up of AUD\$1.50 million in Project sole funding and AUD\$1.35 million in cash payments to Southern Hemisphere.

The Company currently recognises all of its historical exploration and concession maintenance costs. A reassessment of this position will occur as the farm-in arrangement progresses. During the period, a progress payment of AUD\$350,000 was received per the terms of the arrangement and was applied against the cost base of the asset.

(d) Joint Venture arrangement, Los Rulos Project – Lundin Mining

On November 13, 2013 the Company entered into a 50/50 Joint Venture with Lundin Mining (“Los Rulos Joint Venture”) which subsequently acquired an interest in three prospects (Armandino, Guayacan and Polvareda 2) within the Los Rulos area. Under the Joint Venture arrangement, after two years Lundin Mining has the right to acquire a further 15% equity (65% in total) of the joint venture entity (Minera Los Rulos SCM) by paying Southern Hemisphere twice Southern Hemisphere’s expenditure to date. The Company reflects Minera Los Rulos SCM on the basis of a 50% holding of the entities shares.

The Company does not recognise the contributions and related exploration spending of Lundin Mining in the carrying value of the Los Rulos Project. A reassessment of this position will occur as the Los Rulos Joint Venture progresses. Spending incurred in the Los Rulos area prior to execution of the Los Rulos Joint Venture has been reallocated from Minera Panamericana to the Los Rulos Project.

6. SHARE CAPITAL

Unlimited number of authorized common shares with no par value

	Number of shares	\$
Balance, June 30, 2012	153,092,487	38,458,476
Share issued pursuant to private placement (a)	19,800,000	5,000,000
Costs of private placement	-	(86,564)
Balance, December 31, 2012	172,892,487	43,371,912
Balance, June 30, 2013	172,892,487	43,371,912
Balance, December 31, 2013	172,892,487	43,371,912

- a) On November 1, 2012, the Company conducted a private placement to Lundin Mining 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.

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

7. SEGMENT INFORMATION

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

8. 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 December 31, 2013 was 172,892,487 (2012: 159,118,574) for the purpose of calculating the basic and diluted loss per share. As a result of the net losses for the periods ended December 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.

9. ESCROWED SHARES

At December 31, 2013, the Company had no shares in escrow on the ASX.

10. 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 5 years and expire 90 days after the termination of employment or 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, 2013, the Company granted 4,200,000 options which were valued at \$0.057 per option using the Black-Scholes option pricing model with the following inputs:

1. options are granted for no consideration;
2. exercise price – AUD\$0.21;
3. issue date – September 10, 2012;
4. expiry date – December 31, 2014;
5. expected price volatility of the Company's shares – 100%;
6. risk-free interest rate – 2.63%; and
7. spot price at date of valuation – AUD\$0.15.

No options were exercised, no options lapsed and no options expired during the period ended December 31, 2013.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three and six month periods ended December 31, 2013 and December 31, 2012

(Expressed in U.S. Dollars)

10. SHARE BASED COMPENSATION (cont'd)

	Number of Options	Weighted Average Exercise Price \$AUD
Balance at June 30, 2012	11,881,730	0.40
Options issued – September 10, 2012	4,200,000	0.21
Options expired – December 29, 2012	(5,050,000)	0.29
Balance at December 31, 2012	11,031,730	0.35
Options expired – January 13, 2013	(2,481,730)	0.42
Options expired – June 30, 2013	(4,350,000)	0.54
Balance at June 30, 2013	4,200,000	0.21
Balance at December 31, 2013	4,200,000	0.21

The following table summarises the outstanding and exercisable options at December 31, 2013:

Options exercisable	Exercise price \$AUD	Remaining contractual life (years)	Expiry date
4,200,000	0.21	1.00	December 31, 2014
4,200,000	0.21	1.00	

11. INCOME TAXES

	December 31, 2013	June 30, 2013
	\$	\$
Net loss for accounting	(827,164)	(7,191,129)
Expected tax rate	20.0%	20.0%
Expected tax recovery at statutory rates	(165,433)	(1,438,226)
Share based compensation	-	637,734
Unrecognised benefit of revenue losses	165,433	800,492
Deferred income tax expense (recovery)	-	-
Revenue losses carried forward	3,372,999	3,207,567
Share issuance costs	-	25,969
Unrecognised deferred tax asset	(3,372,999)	(3,233,536)
Deferred income tax assets (liability)	-	-

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

12. WARRANTS

As at December 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 six month periods ended December 31, 2013 and December 31, 2012
(Expressed in U.S. Dollars)

13. RELATED PARTIES

Key management personnel compensation

The remuneration of Directors and other members of key management personnel during the three month periods ended December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
	\$	\$
Short term benefits	178,521	235,375
Post employment benefits	12,247	16,382
Share based payments*	-	69,459
	190,768	321,216

*Based on vesting dates.

Apart from the details disclosed, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at period end.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 December 31, 2013	Hierarchy Level (if applicable)
Financial assets:	
Held for trading, measured at fair value	
Cash and cash equivalents	1

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.

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

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

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 major credit 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.

Foreign currency risk

The Company operates in international markets, giving rise to exposure to market risks from changes in foreign exchange rates. As at December 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.

Foreign currency risk	AUD \$	CLP \$
Cash and cash equivalents	432,936	77,540,994
Receivables	-	136,812,728
Accounts payable	(59,063)	(23,066,312)
Total foreign currency net working capital	373,873	191,287,410
December 31, 2013	USD \$	USD \$
USD exchange rate at December 31, 2013	1.1271	525.14
Total foreign currency net working capital in USD	331,726	364,259
Impact of a 10% strengthening of the USD on net loss	33,173	36,426
Impact of a 10% weakening of the USD on net loss	(33,173)	(36,426)
June 30, 2013		
Impact of a 10% strengthening of the USD on net loss	146,691	1,144
Impact of a 10% weakening of the USD on net loss	(146,691)	(1,144)

The Company has not entered into any agreements or used 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 six month periods ended December 31, 2013 and December 31, 2012
(Expressed in U.S. Dollars)

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

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.

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 apart from option payments and management fees 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 a year.

As at December 31, 2013, the Company had a cash balance of \$531,789 (June 30, 2013 - \$1,627,077) and working capital of \$625,026 (June 30, 2013 - \$1,445,848). The Company is able to meet its current obligations and has minimal liquidity risk.

15. COMMITMENTS

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 leases office premises in Australia and Chile under operating leases renewed each year and therefore has no lease commitments later than one year. Commitments for minimum lease payments in relation to operating leases are payable as follows:

	December 31, 2013	June 30, 2013
	\$	\$
Within one year	66,994	71,325

16. 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 December 31, 2013 amounted to \$30,341,201 (June 30, 2013 - \$31,160,387).

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

16. CAPITAL DISCLOSURES (cont'd)

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 current period.

17. SUBSEQUENT EVENTS

On February 3, 2014, the Company announced that it had successfully raised up to AUD\$1.2 million through a placement of shares to sophisticated and professional investors at AUD\$0.045 per new share.

The Company also announced an underwritten non-renounceable 1 for 4 entitlement issue at \$0.045 per new to raise approximately AUD\$2.2 million ("Rights Issue") amounting to a total capital raising of AUD\$3.4 million (before costs and expenses). The Rights Issue is expected to close on March 7, 2014.

18. FIRST TIME ADOPTION OF AIFRS

AASB 1, "First-time Adoption of Australian Accounting Standards", requires that comparative financial information be provided. Although the Company previously adopted IFRS, for this reporting period onwards, the Company will be reporting in accordance with the requirements of AIFRS, other authoritative pronouncements of the AASB, and the Corporations Act 2001.

AASB 1 requires first-time adopters to retrospectively apply all effective AIFRS standards as of the reporting date, which for the Company will be June 30, 2013. The adoption of AIFRS over IFRS has not resulted in any changes to the Company's financial statements and therefore no reconciliations were required. Accordingly, these consolidated financial statements have been prepared in accordance with IFRS.