

Annual Report

Southern Hemisphere Mining Limited

ACN 140 494 784

June 30, 2013



ASX: SUH
TSX-V: SH
www.shmining.com.au

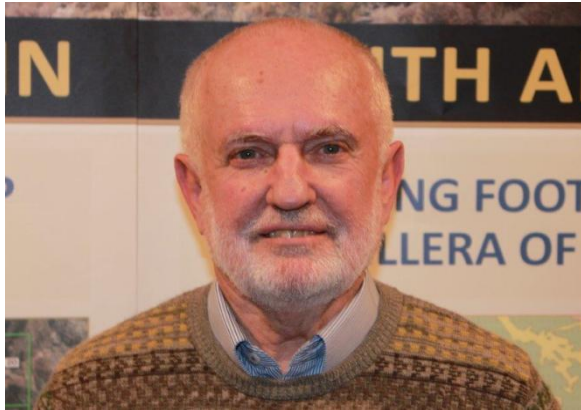
AUSTRALIAN OFFICE
Suite 7, 1200 Hay Street
West Perth WA 6005
TEL: +61 8 9481 2122

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

Index

Managing Director's Letter to Shareholders	3.
Corporate Governance Statement	4.
Directors' Report including Remuneration Report (audited)	9.
Directors' Declaration	23.
Auditor's Independence Declaration	24.
Independent Auditor's Opinion	25.
Consolidated Statements of Financial Position (audited)	27.
Consolidated Statements of Comprehensive Income (audited)	28.
Consolidated Statements of Changes in Equity (audited)	29.
Consolidated Statements of Cash flows (audited)	30.
Notes to the Consolidated Financial Statements (audited)	31.
Shareholder Information	52.

In this Annual Report all amounts are stated in United States dollars unless otherwise indicated.



Dear Shareholder,

On behalf of the Board of Southern Hemisphere Mining Limited ("Southern Hemisphere" or the "Company") I am pleased to present the 2013 Annual Report and to reflect on what has been a year of considerable achievement for your Company, notwithstanding the challenging market conditions which confronted the resource sector.

During the year, Southern Hemisphere achieved a number of significant milestones in advancing our extensive portfolio of high quality resource projects in Chile. Given the current scarcity of capital in the market to fund exploration activities, our focus has been to secure partnerships and joint ventures with major mining companies to progress our key assets.

This strategy has been extremely successful, resulting in the completion of two major farm-in option arrangements – one with global base metals miner Lundin Mining Corporation ("Lundin Mining") for the Llahuin Copper-Gold Project ("Llahuin Project") and the other with Anglo American, one of the world's largest mining companies, for three Northern Chile copper projects including the Chitigua Porphyry Copper Project. Both of these projects are now sole funded by our respective joint venture partners.

The farm-in deal and strategic alliance with Lundin Mining was a major milestone for your Company, with Lundin Mining agreeing to spend up to \$35 million on exploration at the Llahuin Project to earn a direct stake of up to 75% over a six-year period.

In addition, Lundin Mining injected \$5 million into the Company through a share placement at a significant premium to market, resulting in its acquisition of a cornerstone 11.5% stake in Southern Hemisphere.

Lundin Mining is a diversified Canadian-based miner with significant base metal operations producing copper, zinc, lead and nickel. Its investment in and involvement with Southern Hemisphere represents a significant vote of confidence in our technical capabilities and the quality of our projects.

We have been working extremely well with Lundin Mining to progress the Llahuin Project, with major drilling programs completed during the year resulting in the completion of a revised Measured and Indicated JORC compliant Mineral Resource estimate.

At the time of finalising this Report, we are collaborating with Lundin Mining on other project acquisitions and business development opportunities in the region of central Chile where the Llahuin Project is located.

Anglo American has committed to spend up to \$25 million to earn up to a 75% interest in three of our copper projects in northern Chile, including the Chitigua Porphyry Copper Project located on the Western Fault. At the time of writing this Report, Anglo had completed a six month exploration program and just commenced its first drilling program at Chitigua.

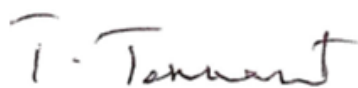
The successful conclusion of these farm-in agreements reflects the practical consideration that progressing two or more potentially large-scale porphyry copper-gold projects of this nature is normally well beyond the scope of a junior exploration company.

Southern Hemisphere has an impressive track record of identifying, securing and progressing quality mineral project opportunities in Chile, drawing on the Company's strong understanding of the Chilean exploration environment and its extensive contact network. Our ability to secure major partners to add value to these assets has completed the picture and provides a very strong foundation from which to generate value for shareholders.

I am very excited by the future outlook for the Company – with a substantial and growing asset at Llahuin, the potential for exploration success at Chitigua and the possibility of expanding the scope of our relationship with Lundin Mining by making further joint acquisitions in the vicinity of the Llahuin Project.

Our strategy of bringing in competent partners at our large-scale targets and seeking out higher grade prospects that we can develop ourselves will ultimately yield good results for our shareholders.

In conclusion, I would like to thank our hard-working staff and consultants, both in Chile and Australia and our shareholders for their continued support.



Trevor Tennant, Managing Director

Corporate Governance Statement

Board of Directors

The Board of Directors (“Board”) of Southern Hemisphere consider that the essential responsibility of Directors is to oversee the Company’s activities for the benefit of shareholders, employees and other stakeholders and to protect and enhance shareholder value. In this Annual Report the Company and its subsidiaries are referred to as the “Group” or “Consolidated Entity”.

Roles and responsibilities of the Board

The primary role of the Board is to efficiently operate the Company’s mining and exploration operations to create long-term sustainable value for shareholders.

The Board is responsible for the overall direction, management and corporate governance of the Company. The Board is also responsible for:

1. Overseeing the management and corporate governance of the Company including its strategic direction.
2. Adopting a strategic planning process, contributing to the development of, and approving, a strategic plan that reflects the opportunities and risks of the Company’s business.
3. Monitoring the Company’s organisational performance and the achievement of strategic goals and objectives.
4. Appointing and removing senior management including the Chief Executive Officer and Chief Financial Officer.
5. Assessing the performance of senior management against the Company’s strategic plan, ensuring appropriate resources are available to senior management and that they are adequately experienced and trained.
6. Reviewing and approving the Company’s business plans, annual budget and financial plans including major capital expenditure initiatives.

Details of the Board’s Charter are located on the Company’s website (www.shmining.com.au).

The Board has delegated responsibility for operation and administration of the Group to the Chief Executive Officer and executive management. Responsibilities are delineated by formal authority delegations

Board processes

To assist in the execution of its responsibilities, the Board has established Board Committees, specifically an Audit Committee. Committees have written mandates and operating procedures, which are reviewed on a regular basis. The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds monthly scheduled meetings, plus any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman, Chief Executive Officer and company secretary. Standing items include the Chief Executive Officer’s report, financial reports, strategic matters and regulatory compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities, for contact with other Company employees.

Director and executive education

The Company has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Company, and the expectations of the Company concerning performance of Directors. In addition Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit Company projects and meet with management to gain a better understanding of business operations. Directors have access to continuing education opportunities to update and enhance their skills and knowledge.

Corporate Governance Statement

Independent professional advice and access to Company information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The Director must consult with an adviser suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The names of the Directors of the Company in office at the date of this Report, specifying which are independent, are set out in the Directors' Report.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate industry expertise in the Group's operating segments.

The Board considers the diversity of existing and potential Directors to ensure they are in line with the geographical and operational segments of the Group. The Board's policy is to seek a diverse range of Directors who have a range of ages, genders and ethnicity which mirrors the environment in which the Group operates.

An independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

1. holds less than 5% of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than 5% of the voting shares of the Company;
2. has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
3. within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or its subsidiaries;
4. is not a material* supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
5. has no material* contractual relationship with the Company or its subsidiaries other than as a Director of the Company; and
6. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

* The Board considers, 'material', in this context, to be where any Director-related business relationship has represented, or is likely in future to represent the lesser of at least 10% of the relevant segment's or the Director-related business's revenue. The Board considered the nature of the relevant industries' competition and the size and nature of each Director-related business relationship, in arriving at this threshold.

Risk Management

The Company has established a risk management policy, the purpose of which is to provide reasonable assurance that:

1. Established corporate and business strategies and objectives are met.
2. Risks are identified, assessed and adequately monitored and managed.
3. Significant financial, managerial and operating information is accurate, relevant, timely and reliable.
4. Material changes to the Company's risk management profile are promptly identified.
5. Policies, standards, procedures and applicable laws, regulations and licences are complied with.

Corporate Governance Statement

Risk management is a core function of the Board. The Board is responsible for reviewing and approving processes for the identification, assessment, reporting and management of risks and reviewing and approving procedures for the maintenance and monitoring of these processes.

The Board will assess the significant business risks applicable to the Company and its ongoing operations. Additionally, the Board will review the Company's risk profile and the effectiveness of the implementation of the risk management and internal control system.

The Chief Executive Officer and the Chief Financial Officer have provided assurance, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Further details of the Company's risk management policy and internal compliance and control system are available on the Company's website.

Audit Committee

The Audit Committee has a documented Charter, approved by the Board. All members must be Non-Executive Directors with a majority being independent. The Chairman of the Audit Committee may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

The members of the Audit Committee during the year were:

- Dr John Tarrant (Chairman) - Independent Non-Executive
- Mr David Craig - Independent Non-Executive
- Mr Andrés Hevia - Independent Non-Executive

The external auditors, the Chief Executive Officer and the Chief Finance Officer, are invited to Audit Committee meetings at the discretion of the Committee. The Committee met three times during the year and Committee members' attendance record is disclosed in the table of Directors' meetings in the Directors' Report.

The Chief Executive Officer and the Chief Financial Officer declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended June 30, 2013 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The external auditor met with the Audit Committee and the Board of Directors once during the year without management being present. The Audit Committee's Charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The responsibilities of the Audit Committee include:

1. Reviewing quarterly, half-yearly and yearly financial reports and statements with management and, as required with the external auditor.
2. Reviewing and making recommendations to the Board on significant financial and reporting issues.
3. Considering the appointment of the external auditor each year. Any subsequent recommendation on the appointment of the external auditor is put to the Board. If a change is approved it will be put forward to shareholders for their approval.
4. Considering and reviewing the scope of work, reports and activities of the external auditor.
5. Reviewing the findings of the audit with the external auditor.
6. Reviewing the performance of the external auditors taking into account the opinions of management.
7. Reviewing the Company's risk framework for identifying, monitoring and managing key business risks.
8. Considering the effectiveness of the Company's internal control systems.

Corporate Governance Statement

Ethical standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Conflict of Interest

In accordance with the Corporations Act 2001 and the Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned will not receive the relevant papers and will not be present at the Board meeting whilst the matter is being considered.

Share Trading Policy

The Company has instituted a share trading policy which sets out clear restrictions in relation to dealings in the Company's shares, options, warrants and other securities ("Company Securities") so that Directors and employees do not trade in Company Securities in a way that breaches insider trading laws or compromises confidence in the Company's investor practises. Specifically set out in this policy are:-

1. when Directors and employees may not deal in Company Securities and further what is required if they wish to deal in Company Securities;
2. when Directors and employees may deal in listed securities of another entity (because they may obtain inside information about that entity's securities while performing their duties for the Company); and
3. procedures to reduce the risk of insider trading.

Directors and employees of the Company have a personal responsibility to ensure they comply with the law and this policy.

Code of conduct

The Company has advised each Director, manager and employee that they must comply with the Company's Corporate Code of Conduct. The Code of Conduct may be viewed on the Company's website, and covers various matters including the following:

1. Employees must act honestly and with integrity in dealings on behalf of the Company, and always act in good faith and in the best interests of the Company.
2. All employees accept and comply with the spirit, as well as the letter, of the laws and regulations, customs and business practices wherever the Company operates.
3. Employees must ensure that confidential information contained in Company records is strictly maintained and not disclosed to any other party within the Company or otherwise without the approval of management.

Diversity

The Board has established a policy regarding gender, age, ethnic and cultural diversity, details of the policy are available on the Company's website

The Company provides the following statistics on gender diversity as at the date of this Annual Report:

1. Proportion of women employees in whole organisation: 8%
2. Proportion of women in management positions: 0%
3. Proportion of women in senior management positions: 0%
4. Proportion of women on the Board: 0%

Shareholder Communication Policy

The Company has adopted a shareholder communication policy which outlines the processes through which the Company will endeavour to ensure timely and accurate information is provided equally to all Shareholders and the broader market.

Corporate Governance Statement

The Company commits to communicating effectively with its shareholders by giving them access to balanced and understandable information about the Company and its activities. The Company encourages participation by shareholders at general meetings and commits to dealing promptly with shareholder enquiries.

Disclosure Policy

The Company provides shareholders with information using a disclosure policy which includes identifying matters that may have a material effect on the price of the Company Securities, notifying them to the market, posting them on the Company's website, and issuing media releases. The policy is available on the Company's website.

Statement of Compliance with ASX Corporate Governance Principles and Recommendations

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

Recommendations 1.2 and 2.5 (Process for evaluation)

The Company does not have in place a formal process for evaluation of the Board, its Committees, individual Directors and key executives.

The small size of the Board and the nature of the Company's activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of the management, Directors and the Board as a whole.

Recommendation 2.1 (Independent Directors)

At present, the Board does not comprise a majority of independent Directors. Given the size and scope of the Company's operations, the Board considers that it has the relevant experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its Shareholders from both a long-term strategic and operational perspective.

The Board intends to appoint further independent non-executive Directors as suitably qualified candidates are identified, and the size and scale of the Company's operations warrant.

Recommendation 2.4 (Nomination Committee)

There is no Nomination Committee. The full Board considers the matters and issues that would fall to the Nomination Committee. The Board considers that, given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. The Board intends to re-evaluate the requirement for, and benefits of, a separate Nomination Committee as the Company's operations increase in size and scale.

Recommendation 3.4 (Diversity Policy measurable goals)

The Board supports workplace diversity but considers that the Company is not of a size or maturity to justify setting measurable goals as envisaged on the Company's Diversity Policy. To date, the Board's priority has been to ensure that its members have the appropriate level of experience and skills to manage the Company at its early stages of operation rather than focussing on gender and other diversity factors.

Recommendation 8.1 (Remuneration Committee)

The Company has not established a separate Remuneration Committee and does not have a formal remuneration policy in place. The role of the Remuneration Committee is undertaken by the full Board. The Board considers that, given the Company's current size, no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. As the Company's operations increase in size and scale, the Board will re-evaluate the appropriateness of forming a separate Remuneration Committee.

Directors' Report

For the year ended June 30, 2013, the Directors present their Report together with the consolidated financial statements of the Group comprising of Southern Hemisphere Mining Limited and its subsidiaries for the financial year ended June 30, 2013 and the auditor's report thereon.

1. Director information

The details of the Directors of Southern Hemisphere Mining Limited during the financial year and to the date of this Annual Report are as follows:

Director name, role, location and independence status	Qualifications, Experience and Other Directorships
<p>Mr David Craig</p> <p>Independent Non-Executive Chairman appointed June 1, 2011</p> <p>Audit Committee member</p> <p>Perth, Western Australia, Australia</p> <p>Director since November 20, 2009</p>	<p>David Craig is a lawyer who has held and holds executive and board positions in the fields of law, mining, construction, financial services and the oil and gas industry. As a partner of a major Perth law firm, he specialised in resources and commercial legal advice, which included work on resources joint ventures, the acquisition and disposal of interests in companies and projects, and capital raisings by companies. This was followed by ten years in the financial services industry as a stockbroker and an executive director in a national stockbroking and investment banking company. Mr Craig then spent five years working with Woodside Petroleum Ltd in an executive position in the field of public and government affairs. He brings to the Board expertise in law, financial markets, stakeholder engagement, relationship management, strategic planning and risk management. In terms of ASX listed companies he is Non-Executive Chairman of Forge Group Limited and Gunson Resources Limited as well as a Non-Executive Director of Moly Mines Limited.</p>
<p>Mr Trevor Tennant</p> <p>Managing Director and Chief Executive Officer</p> <p>Santiago, Chile</p> <p>Director since December 17, 2007</p>	<p>Mr Trevor Tennant is a mining engineer with over 40 years' experience in the mining industry. Much of this experience has been gained in the base metals and industrial minerals sectors of the industry. He has been an executive director of Portman Mining Limited, OM Holdings Limited and Territory Iron Limited. All these companies have developed and gone on to operate mines during Mr Tennant's tenure on their boards. Portman developed manganese and iron ore operations, OM Holdings developed a manganese mining operation at Bootu Creek in the Northern Territory and Territory Iron developed the Frances Creek iron ore mine.</p> <p>Mr Tennant's earlier work experience has included positions as underground manager of a tin mine in Indonesia, an engineer involved in the feasibility study for the OK Tedi mine, and manager of an iron ore mine and General Manager of the Groote Eylandt manganese mine.</p>

Directors' Report

Director name, role, location and independence status	Qualifications, Experience and Other Directorships
<p>Mr James Pearson</p> <p>Executive Director</p> <p>Perth, Western Australia, Australia</p> <p>Director since December 17, 2007</p>	<p>Mr James Pearson is a mining engineer with nearly 30 years' experience in the mining and civil engineering construction industries. He is a past director of OM Holdings Limited and Haddington Resources Limited. Mr Pearson is also the principal of Featly Pty Limited, a private company that provides consulting services to the mining industry. Mr Pearson has had experience in the development and operation of a variety of mining operations. He has held positions as planning engineer, mine manager, and operations manager in coal, gold, manganese and iron ore operations.</p>
<p>Dr John Tarrant</p> <p>Independent Non-Executive Director</p> <p>Audit Committee Chairman</p> <p>Sydney, New South Wales, Australia</p> <p>Director since June 1, 2011</p>	<p>Dr John Tarrant is a Professor of Law at the University of Western Australia. Dr Tarrant has a distinguished academic career including a doctorate of Juridical Science, two Master's degrees, four Bachelor Degrees and six Postgraduate qualifications. Dr Tarrant has significant experience gained over 20 years from multiple disciplines including accounting, financial services and mining entrepreneurial roles.</p>
<p>Mr Andrés Hevia</p> <p>Independent Non-Executive Director</p> <p>Audit Committee member</p> <p>Santiago, Chile</p> <p>Director since January 1, 2012</p>	<p>Mr Andrés Hevia has over 30 years' experience within the South American mining industry, with much of this time focused on copper mine development and technical activities for major Chilean copper mining companies. Senior positions held include Head of Resource Planning and Development at Escondida, the world's largest copper mine, and Latin America Business Development Manager for Billiton (now BHP Billiton). Mr Hevia holds a Civil Mining Engineer degree from Universidad de Chile and an MBA from Universidad del Desarrollo.</p>
<p>Mr Paul McRae</p> <p>Non-Executive Director (Lundin Mining Corporation Nominee)</p> <p>West Sussex, United Kingdom</p> <p>Director since December 1, 2012</p>	<p>Mr McRae has more than 35 years' of international experience in engineering, construction and management roles in mining and other industrial projects. He has managed complex projects with capital exceeding \$1 billion for both owners and contractors. Mr McRae is nominee director for Lundin Mining Corporation, where he holds the position of Senior Vice President, Projects.</p>
<p>Mr Richard Billingsley</p> <p>Independent Non-Executive Director</p> <p>Surrey, British Columbia, Canada</p> <p>Appointed December 23, 2005 (Retired November 27, 2012)</p>	<p>Mr Richard Billingsley is a company director and mineral explorationist who acquired extensive experience in geochemical sampling and geophysical field work early in his career. During the late 1990s, Mr Billingsley specialised in restructuring failed mining companies and built up the largest mineral land management system in the Province of British Columbia.</p>

Directors' Report

2. Principal Activities

During the year, the Consolidated Entity was involved in mineral exploration in Chile, South America.

3. Results of Operations

The following selected financial information is derived from the current and previous Financial Statements.

	June 30, 2013 12 Months \$	June 30, 2012 12 Months \$	June 30, 2011 12 Months \$
Income	654,844	616,228	670,176
Expenses (1)	7,845,973	3,920,004	4,109,984
Net loss	(7,191,129)	(3,303,776)	(3,439,808)
Dividends	Nil	Nil	Nil
Basic and diluted loss per share	(0.043)	(0.022)	(0.027)

(1) Expenses are shown net of foreign exchange differences.

During the year ended June 30, 2013 the Company reported a net loss of \$7,191,129 compared to a net loss of \$3,303,776 in the year ended June 30, 2012.

Specific items of note during the year ended June 30, 2013 include: -

1. Impairment expense (FY2013 \$5,017,808, FY2012: \$1,311,299): The bulk of this expense relates to an assessment of the carrying value of the Los Pumas Manganese Project. Due to the current conditions in the manganese market, the Los Pumas Manganese Project has been reduced in priority within the Company's plans. To this end, an impairment expense of \$4,555,469 has been recognised.

The Company will continue to retain this Project as it will be of value once conditions in the manganese market improve. The Company has obtained an environmental approval from the relevant Chilean authorities making the Project more marketable in improved conditions.

The balance of the impairment expense (\$462,339) is the write off of a tax credit recognised within the Chilean subsidiaries as a result of exploration activities. Recoverability of such a credit is only possible against profitable operations, which the Company is yet to achieve. If in the future the credit is recovered, then this write off would be reversed.

2. Salaries and wages (FY2013: \$2,310,615, FY2012: \$1,678,212): These costs are largely consistent between the years however in the current period, a share based payments expense for the issuance of options to Directors and employees was recognised. This share based payments expense amounted to \$637,734.
3. During the current period, the Company received \$572,147 as other income. The bulk of this (\$524,351) was received in management fees for acting as operator of the Llahuin Copper/Gold Project in joint operations with the Company's partner Lundin Mining, see further details below. Additionally, the Company received interest income of \$82,697.

In the prior period, the Company received no management fees but earned interest income of \$616,228 from its comparatively larger bank balance.

Directors' Report

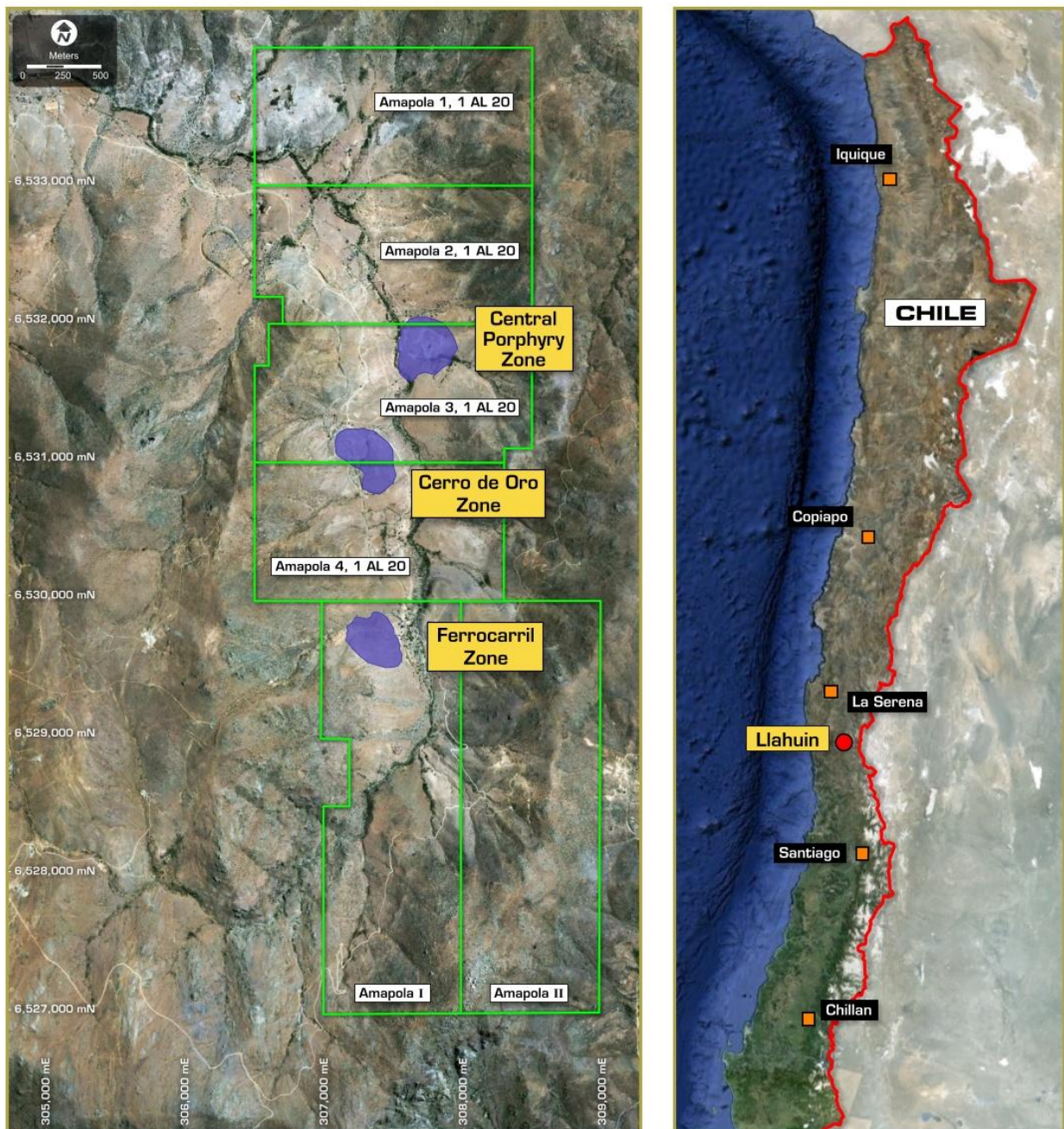
4. Review of Operations

The Company holds numerous prospective copper/gold project areas. Priority has been given to the Llahuin Copper/Gold Project ("Llahuin Project") situated 250 km north of Santiago, Chile and a stand-alone copper project at Chitigua ("Chitigua Project") located 90 km north of Calama, Chile.

4.1. Llahuin Project

The Llahuin Project is Southern Hemisphere Mining's current focus in Chile. The Llahuin Project is located 250km north of Santiago, 17km south of established mining town of Combarbala and 56km from the coast and Pan American Highway, at low altitude (1,300m elevation).

Figure: Llahuin Project Location Map with identified porphyry zones.



The Company commenced drilling in June 2011 and identified three distinct zones of mineralisation, namely the Central Porphyry Zone, the Cerro de Oro Zone and the Ferrocarril Zone. The main target has been the Central Porphyry, which contains the bulk of the currently defined Llahuin Project Resources.

Directors' Report

Llahuin Project Resources

On July 3, 2013, the Company announced an updated resource estimate for the Llahuin Project which was based on 54,520m of drilling. The estimate was prepared by independent consultants and is reported in accordance with the JORC Code (2004) and National Instrument 43-101. As shown in the table below the Measured and Indicated Resource totals **149 million tonnes with a grade of 0.41% Cu equivalent**. Inferred Resources of 20 million tonnes with a grade of 0.36% Cu equivalent were also identified.

Total Measured and Indicated Resources					
JORC / NI 43-101 Compliant					
Resource (at 0.28% Cu Equiv cutoff)	Tonnes million	Cu %	Au g/t	Mo %	Cu Equiv*
<i>Measured</i>	112	0.31	0.12	0.008	0.42
<i>Indicated</i>	37	0.23	0.14	0.007	0.37
<i>Measured plus Indicated</i>	149	0.29	0.12	0.008	0.41
<i>Inferred</i>	20	0.20	0.19	0.005	0.36

*Copper Equivalent ("Cu Equiv")

The copper equivalent calculations represent the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. It is the Company's opinion that elements considered have a reasonable potential to be recovered as evidenced in similar multi-commodity natured mines. Copper equivalent conversion factors and long-term price assumptions used are stated below:

Copper Equivalent Formula= $\text{Cu \%} + \text{Au (g/t)} \times 0.72662 + \text{Mo \%} \times 4.412$

Price Assumptions- Cu (\$3.40/lb), Au (\$1,700/oz), Mo (\$15/lb)

A total of 33,732m of Reverse Circulation ("RC") drilling in 188 holes and 20,788m of diamond core drilling in 59 holes were used for the above resource estimation.

Llahuin Project Farm-in with Lundin Mining Corporation ("Lundin Mining")

On November 1, 2012 the Company executed to a farm-in agreement with global base metals miner Lundin Mining. Per the agreement, Lundin Mining will spend up to \$35 million in stages on exploration at the Llahuin Project to earn a direct stake of up to 75% over a maximum six-year period.

Additionally, Lundin Mining subscribed for 19,800,000 fully paid Southern Hemisphere shares at a price of C\$0.25 per share for a total investment of \$5 million (Agreed rate of USD\$1.00 : CAD\$0.99). \$3 million of the placement was to be spent by the Company on the Llahuin Project.

To date, Lundin Mining has funded its initial expenditure commitment stage amount of \$3 million. This is in addition to the \$3 million from the proceeds of the placement to Lundin Mining which have also been expended by the Company on the Llahuin Project, providing the total initial committed expenditure of \$6 million.

Lundin Mining has the option to sole fund a further \$10 million towards Llahuin Project expenditures within three years from 1 November 2012 to earn a cumulative undivided 51% interest in the Llahuin Project. The Llahuin Project is currently in this Lundin Mining sole funding option period.

After completing this earn-in, Lundin Mining has the option to sole fund an additional \$10 million within one year to earn a further 14% interest for a total undivided 65% interest in the Llahuin Project.

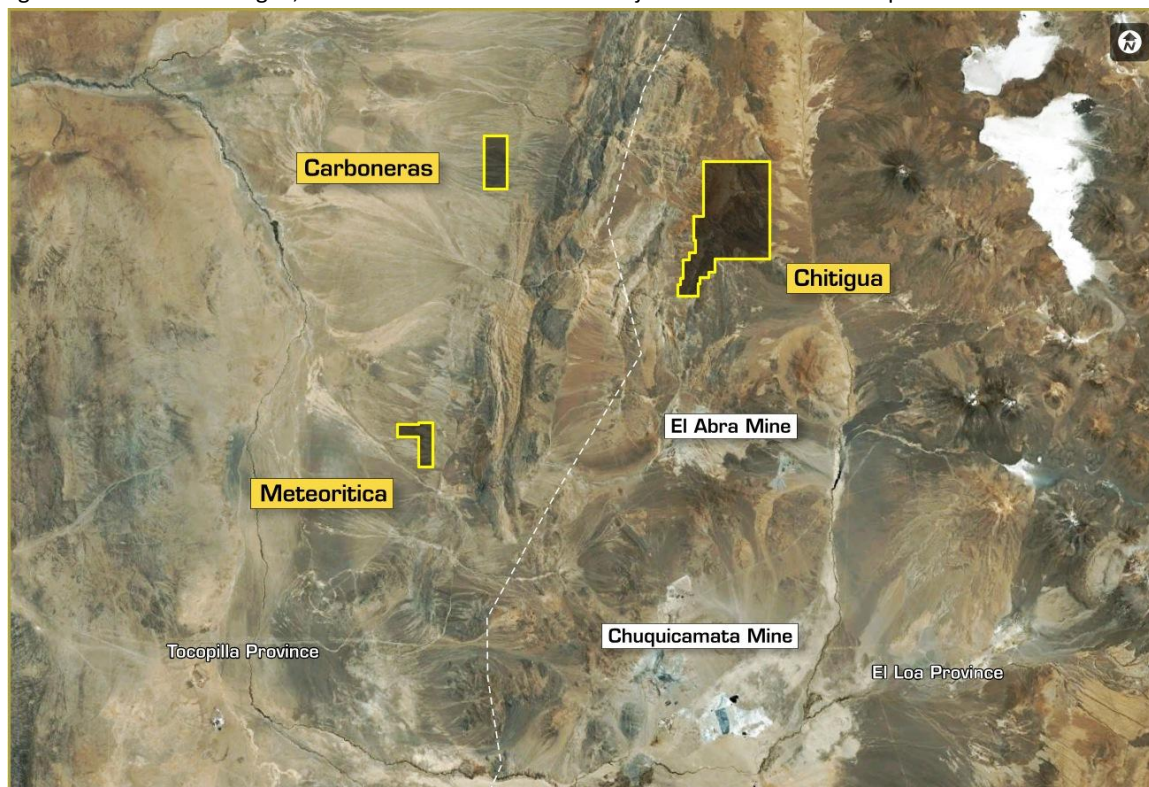
Directors' Report

Following this earn-in, Lundin Mining has the option to sole fund the last additional earn-in by spending a further \$12 million, within three years of obtaining a 51% interest, to earn an additional 10% interest in the Project for a total undivided 75% interest in the Llahuin Project. Refer to the news release lodged on SEDAR dated November 5, 2012 for full details of the farm-in arrangement.

4.2. Chitigua Project

The Chitigua Project is located on the highly prospective western fault, north of Chuquicamata between the El Abra mine and the Quebrada Blanca Mine. This metallogenic zone includes the Escondida mine.

Figure – Location of Chitigua, Carboneras and Meteoritica Projects relative to the Chuquicamata and El Abra mines



The Chitigua concessions cover an area of approximately 172km² and are located 270km north-east of the Antofagasta city and port and 90km north of the city of Calama, an established mining town.

Due to the size of the Chitigua Project and the associated high exploration costs, the Company sought expressions of interest from major companies for a joint venture or farm-in. On February 6, 2013, the Company announced that it had entered into a farm-in option agreement with Anglo American Mining plc ("Anglo American") with respect to the Chitigua, Carboneras and Meteoritica exploration projects.

Under the agreement terms, Anglo American may spend up to \$25 million on exploration at the Chitigua, Carboneras and Meteoritica exploration projects to earn a direct stake of up to 75% over a maximum five-year period. Refer to the news release lodged on SEDAR dated February 6, 2013 for full details of agreement.

To date, Anglo American have established a field camp on site and conducted airborne magnetic surveys and a geochemical sampling program. Drilling works are expected to commence during the September quarter.

Dividends

No dividends were paid or declared since the end of the previous year. The Directors do not recommend the payment of a dividend.

Directors' Report

Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Mr D Craig	11	11	3	3
Mr T Tennant	11	11	N/A	N/A
Mr J Pearson	11	11	N/A	N/A
Dr J Tarrant	11	11	3	3
Mr A Hevia	11	11	1	1
Mr P McRae	6	6	N/A	N/A
Mr R Billingsley	3	4	2	2

A - Number of meetings attended

B - Number of meetings held during the time the Director held office during the year

Directors' Interests

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this Report is as follows:

Director	Ordinary shares	Options over ordinary shares
Mr D Craig	80,000	400,000
Mr T Tennant	19,712,489	700,000
Mr J Pearson	9,401,314	400,000
Dr J Tarrant	-	150,000
Mr A Hevia	100,000	150,000
Mr P McRae	-	-
Total	29,293,803	1,800,000

Director Benefits

Since 30 June 2013, no Director of the Consolidated Entity has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) by reason of a contract made by the Consolidated Entity with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Report

Unissued shares under option

At the date of this Report unissued shares of the Group under option are:

Expiry Date	Exercise Price	Options over ordinary shares
December 31, 2014	AUD\$0.21	4,200,000

All options expire on the earlier of their expiry date or a three month period after termination of the employee's employment.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Options granted to Directors and executives of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company as per the details in the Remuneration Report below.

Shares Issued on the Exercise of Options

No shares were issued on the exercise of options during the year.

Indemnification and Insurance of Directors and Officers

During the financial year, the Consolidated Entity maintained an insurance policy which indemnifies the Directors and officers of Southern Hemisphere in respect of any liability incurred in connection with the performance of their duties as Directors or officers of the Consolidated Entity. The Consolidated Entity's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

Company Secretary

Mr Derek Hall was appointed to the position of company secretary in October 2010. Mr Hall previously worked as a business restructuring specialist and prior to that as an auditor at a major accounting firm. Mr Hall is a Chartered Accountant, Fellow of the Financial Services Institute and Member of Chartered Secretaries Australia.

Significant Changes in the State of Affairs

During the year, the Company changed its domicile from Canada to Australia and Australian Securities Exchange is now the primary listing.

There were no other significant changes to the state of affairs, subsequent to the end of the reporting period, other than what has been reported in other parts of this Report.

Matters Subsequent to the End of the Financial Year

On July 4, 2013, the Company announced an updated Mineral Resource for its Llahuin Copper/Gold Project.

On August 19, 2013, the Company received approval of an Environmental Impact Statement lodged with Chilean regulators for its Los Pumas Manganese Project.

Directors' Report

Likely Developments and Expected Results of Operations

The main focus of the Company will continue to be the operator for the Llahuin Project and work with Lundin Mining to advance the Llahuin Project towards pre-feasibility study stage.

The Company will look to identify higher grade material and additional tonnage both in the existing Ferrocarril and Cerro De Oro Zones within the Llahuin Project as well as acquiring and exploring new surrounding concession areas.

The Company will work with Anglo American to progress the Chitigua Project exploration works, as well as the Carboneras and Meteoritica reconnaissance works.

Environmental Issues

The Consolidated Entity's exploration and mining operations are subject to environment regulation under the law of Chile. The Consolidated Entity, via its subsidiaries holds exploration/mining concessions and permits in Chile thus is subject to the Mining Acts of that country each with specific conditions relating to environmental management.

During the year ended June 30, 2013 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached, and no claim has been made for increase of bond.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period, July 1, 2012 to June 30, 2013, the Directors have assessed that there are no current reporting requirements but may be required to do so in the future.

Non-Audit Services

During the year Deloitte Touche Tohmatsu, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- i) all non-audit services are reviewed and approved by the Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- ii) the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, Deloitte Touche Tohmatsu, and its network firms for audit and non-audit services provided during the year are set out in the Notes to the consolidated financial statements.

Directors' Report

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings.

The Consolidated Entity was not a party to any such proceedings during the year.

Auditors Independence Declaration

The lead auditor's independence declaration for the year ended June 30, 2013 has been received and forms part of the Directors' Report for the financial year ended June 30, 2013.

Directors' Report: Remuneration Report (Audited)

Principles of Remuneration - audited

In assessing the remuneration of its executive officers, the Company does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on Board discussion. All Director fees are periodically recommended for approval by shareholders. The Company's policy regarding executives' remuneration is that the executives are paid a commercial salary and benefits based on the market rate and experience.

The Company's executive compensation program has three principal components: base salary, incentive bonus plan and share options. Base salaries for all employees of the Company are established for each position based on individual and corporate performances.

Incentive bonuses are designed to add a variable component of compensation based on corporate and individual performances. No bonuses were paid during the most recently completed financial year.

Executive officers are entitled to participate in the Company's Share Option Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value. Such grants are determined by an informal assessment of an individual's performance, level of responsibilities and the importance of his/her position and contribution to the Company.

Company performance, shareholder wealth and Director and executive remuneration

The Company's remuneration policy seeks to align Directors' and executives' objectives with shareholders and business, whilst recognising the exploration stage of the Company.

The following table shows some key performance data of the group for the last 4 years since listing on the Australian Securities Exchange ("ASX"), together with the share price at the end of the respective financial years.

	Exploration & evaluation expenditure \$	Net Assets \$	\$AUD Share Price at Year End (ASX)
2013	4,993,685	31,160,387	0.08
2012	9,008,340	32,966,444	0.12
2011	7,680,246	36,755,016	0.28
2010	4,602,488	14,503,354	0.29

Directors' and executive officers' remuneration - audited

Details of the nature and amount of each major element of remuneration of each Director of the Company, and other key management personnel ("KMP") of the Consolidated Entity are:

KMP (A)(B)		Short-term Salary and fees \$	Post Employment Superannuation \$	Share-based Payment Options and Rights \$ (C)	Total \$	Options Value As % of Total remuneration
Directors						
Non-executive directors						
Mr D Craig (Chairman)	2013	61,475	5,533	77,989	144,997	54%
	2012	61,964	5,577	-	67,541	-

Directors' Report: Remuneration Report (Audited)

KMP (A)(B)		Short-term Salary and fees \$	Post Employment Superannuation \$	Share-based Payment Options and Rights \$ (C)	Total \$	Options Value As % of Total remuneration
Dr J Tarrant	2013	40,984	3,689	8,867	53,540	17%
	2012	41,310	3,718	-	45,028	-
Mr A Hevia	2013	40,984	-	8,867	49,851	18%
	2012	20,655	-	-	20,655	-
Mr P McRae	2013	17,930	-	-	17,930	-
Mr R Billingsley	2013	17,930	-	31,510	49,440	64%
	2012	30,982	-	-	30,982	-
Executive Directors						
Mr T Tennant, CEO	2013	328,995	29,612	131,952	490,559	27%
	2012	331,611	29,847	-	361,458	-
Mr J Pearson, ED	2013	241,064	21,150	77,989	340,202	23%
	2012	244,789	21,318	-	266,107	-
Executives						
Mr D Hall, CFO/CoSec	2013	170,564	14,805	77,989	263,358	30%
	2012	156,627	14,096	-	170,723	-
Total	2013	919,926	74,789	415,163	1,409,877	
	2012	887,938	74,556	-	962,494	

A - During the reporting periods, none of the totals had a proportion of remuneration specifically related to performance.

B - The Australian dollar remuneration paid during the year ended June 30, 2013 was converted to USD at the average exchange rate of AUD\$0.9760, and valuation of options at September 10, 2012 was converted to USD at the spot rate of AUD\$0.9642. The Australian dollar remuneration paid during the year ended June 30, 2012 was converted to USD at the average exchange rate of AUD\$0.9683.

C - The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as an expense in each reporting period.

Service Contracts

The details of service agreements between the Company and its KMP are as follows:

Mr T Tennant

- Term of agreement: in effect until terminated in accordance with the agreement.
- Termination notice period: 6 months by either party. The Company may elect to pay 6 months base salary and superannuation in lieu of notice.
- Additional termination benefits: statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Directors' Report: Remuneration Report (Audited)

Mr J Pearson

- Term of agreement: in effect until terminated in accordance with the agreement.
- Termination notice period: 6 months by either party. The Company may elect to pay 6 months base salary and superannuation in lieu of notice. Effective August 1, 2013 the notice period and base salary payout election were each changed to 3 months to reflect a part-time arrangement.
- Additional termination benefits: statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Mr D Hall

- Term of agreement: in effect until terminated in accordance with the agreement.
- Termination notice period: 3 months by either party. The Company may elect to pay 3 months base salary and superannuation in lieu of notice.
- Additional termination benefits: statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Non-Executive Directors

- Term of agreement: in effect until terminated in accordance with the agreement.
- Contracted on annual fixed remuneration plus statutory superannuation.
- Non-Executive Directors are not entitled to a retirement allowance.
- Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2011 AGM, is not to exceed AUD\$500,000 per annum.

Fair value of options issued

All options refer to options over ordinary shares of Southern Hemisphere Mining Limited, which are exercisable on a one-for-one basis under the Share Option Plan.

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

The model inputs for options granted during the year ended 30 June 2013 included:

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 11,881,730 options expired during the year.

Directors' Report: Remuneration Report (Audited)

Options and rights over equity instruments granted as remuneration – audited

Details on options over ordinary shares in the Company that were granted as remuneration to each key management person during the reporting period and details on options that vested or lapsed during the reporting period are as follows:

	Options Granted Number	Options Granted \$ (A)(B)	% vested in year	Financial years in which balance vests
Directors				
Mr D Craig	400,000	23,647	50%	50% - June 30, 2014
Dr J Tarrant	150,000	8,867	50%	50% - June 30, 2014
Mr A Hevia	150,000	8,867	50%	50% - June 30, 2014
Mr R Billingsley	150,000	8,867	50%	50% - June 30, 2014
Mr T Tennant	700,000	41,381	50%	50% - June 30, 2014
Mr J Pearson	400,000	23,647	50%	50% - June 30, 2014
Executives				
Mr D Hall	400,000	23,647	50%	50% - June 30, 2014

A - The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period

B – Valuation of equity awards at September 10, 2012 was converted to USD at the spot rate of USD\$1:AUD\$0.9642.

This Directors' Report is made out in accordance with a resolution of the Directors:



David A. Craig, Chairman
September 19, 2013

Directors' Declaration

The Directors of the Company declare that:

1. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2(a) to the financial statements;
3. in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and
4. the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D. Craig', is written over a horizontal line.

David A. Craig, Chairman
September 19, 2013

The Board of Directors
Southern Hemisphere Mining Limited
Suite 7, 1200 Hay Street
West Perth WA 6005

19 September 2013

Dear Board Members

Southern Hemisphere Mining Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Southern Hemisphere Mining Limited.

As lead audit partner for the audit of the consolidated financial statements of Southern Hemisphere Mining Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Southern Hemisphere Mining Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 27 to 51

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Southern Hemisphere Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Southern Hemisphere Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial report which indicates that the Consolidated Entity incurred a net loss of \$7,191,129 and had net cash outflows from operating and investing activities of \$7,103,927 during the year ended 30 June 2013. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity's and the Company's ability to continue as going concerns and therefore the Consolidated Entity and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 22 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Southern Hemisphere Mining Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Smith

Partner

Chartered Accountants

Perth, 20 September 2013

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Consolidated statements of financial position

(Expressed in U.S. Dollars)

As at		June 30, 2013	June 30, 2012	July 1, 2011
	Note	\$	\$	\$
				(Note 20)
Assets				
Current Assets				
Cash and cash equivalents		1,627,077	4,172,987	16,456,189
Other assets		95,783	88,844	107,949
		1,722,860	4,261,831	16,564,138
Non-current Assets				
Property, plant and equipment	4	77,881	104,794	694,009
Exploration and evaluation assets	5	29,636,657	29,198,441	20,190,101
		29,714,538	29,303,235	20,884,110
Total Assets		31,437,399	33,565,066	37,448,248
Liabilities				
Current Liabilities				
Trade and other payables		159,776	113,636	345,492
Other liabilities		54,060	392,579	48,294
Employee benefits		63,176	92,407	67,540
Warrant liabilities		-	-	231,906
		277,012	598,622	693,232
Total Liabilities		277,012	598,622	693,232
Net Assets		31,160,387	32,966,444	36,755,016
Equity				
Common shares	6	43,371,912	38,458,476	38,285,976
Share based payments reserve		3,459,041	2,821,307	2,826,106
Foreign currency translation reserve		3,339,256	3,505,354	4,157,851
Accumulated losses		(19,009,822)	(11,818,693)	(8,514,917)
Total Equity		31,160,387	32,966,444	36,755,016

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Consolidated statements of loss and other comprehensive income

(Expressed in U.S. Dollars)

For the year ended

	Note	June 30, 2013 \$	June 30, 2012 \$
Continuing operations			
Interest income		82,697	616,228
Other income	3	572,147	-
Depreciation		(43,459)	(35,801)
Office and administration		(600,953)	(788,039)
Professional fees		(306,455)	(426,228)
Employee benefits expense	3	(2,310,615)	(1,673,413)
Impairment expense (mineral properties)	5	(4,555,469)	-
Impairment expense (other assets)	4,5	(462,339)	(1,311,299)
Warrant liabilities adjustment		-	231,906
Foreign exchange gain (loss)		433,318	82,870
Loss before tax		(7,191,129)	(3,303,776)
Income taxes		-	-
Loss from continuing operations		(7,191,129)	(3,303,776)
Loss for the year		(7,191,129)	(3,303,776)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(166,098)	(652,497)
Comprehensive (loss) income for the year		(7,357,227)	(3,956,273)
Basic and diluted loss per share	8	0.043	0.022

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Consolidated statements of changes in equity

(Expressed in U.S. Dollars)

	Common shares \$	Share based payments reserve \$	Foreign currency translation reserve \$	Accumulated deficit \$	Total \$
Balance – June 30, 2011	38,285,976	2,826,106	4,157,851	(8,514,917)	36,755,016
Net loss for the year	-	-	-	(3,303,776)	(3,303,776)
Foreign currency translation	-	-	(652,497)	-	(652,497)
Total Comprehensive (loss) income	-	-	(652,497)	(3,303,776)	(3,956,273)
Options exercised	172,500	-	-	-	172,500
Options forfeited	-	(46,522)	-	-	(46,522)
Share based payments	-	41,723	-	-	41,723
Balance – June 30, 2012	38,458,476	2,821,307	3,505,354	(11,818,693)	32,966,444
Net loss for the year	-	-	-	(7,191,129)	(7,191,129)
Foreign currency translation	-	-	(166,098)	-	(166,098)
Total Comprehensive (loss) income	-	-	(166,098)	(7,191,129)	(7,357,227)
Shares issued pursuant to private placement (Note 6c)	5,000,000	-	-	-	5,000,000
Issue costs – private placement	(86,564)	-	-	-	(86,564)
Share based payments	-	637,734	-	-	637,734
Balance – June 30, 2013	43,371,912	3,459,041	3,339,256	(19,009,822)	31,160,387

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Consolidated statements of cash flows

(Expressed in U.S. Dollars)

For the years ended	June 30, 2013 \$	June 30, 2012 \$
Cash provided by (used in)		
Operating activities:		
Net loss for the year	(7,191,129)	(3,303,776)
<i>Adjustments for non-cash items:</i>		
Depreciation	43,459	35,801
Foreign exchange (gain) loss	(433,318)	(82,870)
Impairment expenses	5,017,808	1,311,299
Warrant liability adjustment	-	(231,906)
Share based compensation	637,734	(4,799)
Accrued interest	-	(26,844)
<i>Changes in non-cash working capital items:</i>		
Other assets	(6,939)	19,105
Trade and other payables	46,140	(231,856)
Other liabilities and employee benefits	(207,450)	38,311
	(2,093,696)	(2,477,535)
Investing activities:		
Exploration and evaluation assets	(4,993,685)	(9,043,340)
Property, plant and equipment	(16,546)	(41,387)
	(5,010,231)	(9,084,727)
Financing activities:		
Repayments from related parties	-	-
Warrants exercised	-	-
Options exercised	-	172,500
Issuance of common shares	5,000,000	-
Costs of share issuance	(86,565)	-
	4,913,435	172,500
Effect of exchange rates on cash and cash equivalents	(355,418)	(893,440)
(Decrease) Increase in cash and equivalents	(2,545,910)	(12,283,202)
Cash and cash equivalents, beginning of year	4,172,987	16,456,189
Cash and cash equivalents, end of year	1,627,077	4,172,987
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	1,627,077	2,649,137
Cash held on term deposit	-	1,523,850
	1,627,077	4,172,987

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

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") and the Toronto Stock Exchange – Venture ("TSXV"). 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. During the year, the Company changed its domicile from Canada to Australia.

The financial report of the Group for the year ended June 30, 2013 was authorised for issue in accordance with a resolution of the Directors on September 19, 2013.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements as at and for the year ended June 30, 2013 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. The Statement of Financial Position at July 1, 2011 has been presented for comparative purposes. Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the financial statements of the Company with International Financial Reporting Standards.

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 June 30, 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 consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

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 consolidated financial statements

For the years ended June 30, 2013 and June 30, 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

These consolidated 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 report has 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 year ended June 30, 2013, the Consolidated Entity has incurred a net loss of \$7,191,129 (June 30, 2012 - \$3,303,776) and had net cash outflows from operating and investing activities of \$7,103,927 (June 30, 2012 - \$11,562,262). As at June 30, 2013, the Consolidated Entity had no source of operating cash inflow and accumulated losses of \$19,009,822. Operations for the year ended June 30, 2013 have been funded by the issuance of capital, farm-out 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 reserves 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. The next capital raising is to be undertaken within the next 12 months. 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 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 consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

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

c) Basis of consolidation

The Company's consolidated financial statements include Southern Hemisphere Mining Limited and its subsidiaries, all of which are wholly owned. 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 consolidated 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. References are also made to Canadian Dollars ("CAD").

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 consolidated financial statements

For the years ended June 30, 2013 and June 30, 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 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

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 June 30, 2013.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 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

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 consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

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 consolidated financial statements

For the years ended June 30, 2013 and June 30, 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 consolidated statements of comprehensive income due to 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 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.

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 year. 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 year, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share reflects the potential dilution of securities. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the results would be anti-dilutive.

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 consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

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 consolidated financial statements

For the years ended June 30, 2013 and June 30, 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) 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 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 consolidated financial statements****For the years ended June 30, 2013 and June 30, 2012**

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

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

	June 30, 2013	June 30, 2012
	\$	\$
Other income		
Management fee for Llahuin Project operations	524,351	-
Option payments for mineral properties	47,796	-
	<u>572,147</u>	<u>-</u>
Employee benefits expenses		
Salary and wages	1,586,568	1,576,088
Superannuation and post employment benefits	86,313	102,124
Share based payments expense*	637,734	(4,799)
	<u>2,310,615</u>	<u>1,673,413</u>

*Based on vesting dates

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

4. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$	\$
Computer software – cost	71,736	71,736	17,571
Additions	8,306	-	54,165
Accumulated depreciation	(42,348)	(21,279)	(15,831)
Depreciation	(24,640)	(21,069)	(5,448)
Net book value	13,054	29,388	50,457
Equipment – cost	114,015	667,430	84,729
Additions	8,241	5,585	582,701
Asset write off*	-	(559,000)	-
Accumulated depreciation	(38,609)	(23,878)	(10,665)
Depreciation	(18,820)	(14,731)	(13,213)
Net book value	64,827	75,406	643,552
Total net book value	77,881	104,794	694,009

* 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	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 (a)(b)	6,299,201	4,343,699	-	10,642,900
Minera Panamericana	1,552,345	41,189	-	1,593,534
Chitigua (c)	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

* The Board assessed the value of the Los Pumas Project and with due consideration to the current 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.

In addition, a Chilean VAT receivable balance was written off as an impairment expense to the value of \$462,339 as recovery of this asset is uncertain. Chilean Value Added Tax (VAT) credits are derived from exploration expenditure.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Project	Opening balance July 1, 2011 \$	Additions \$	Re-allocation \$	Closing balance June 30, 2012 \$
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
Total	20,190,101	9,008,340	-	29,198,441

*In the 2011 period, the Chitigua Project was reported as part of the Minera Panamericana balance.

(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.

(c) Farm-in arrangement, Chitigua Project – Anglo American plc

On February 6, 2013, the Company announced that it had entered into a farm-in arrangement with Anglo American plc (“Anglo”) for the Chitigua Project. Also covered by this arrangement are the Carboneras and Meteoritica exploration projects (together with Chitigua Project, “the Projects”). Under this arrangement, Anglo may earn up to a 75% interest in the Projects by spending up to \$25 million on exploration on the Projects over a 5 year period. 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.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

6. SHARE CAPITAL

Unlimited number of authorized common shares with no par value

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

- 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 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.

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 year ended June 30, 2013 was 165,948,925 (2012: 152,977,824) for the purpose of calculating the basic and diluted loss per share. As a result of the net losses for the years ended June 30, 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 June 30, 2013, the Company had no shares in escrow on the TSXV or the ASX.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

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 five 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 period 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 11,881,730 options expired during the year in accordance with the terms of their issue.

	Number of Options	Weighted Average Exercise Price \$AUD
Balance at June 30, 2011	13,823,245	0.40
Options exercised – Note 6 (a)	(500,000)	0.40
Options forfeited September 8, 2011	(874,849)	0.40
Options exercised – Note 6 (b)	(66,666)	0.40
Options forfeited – December 2, 2011	(250,000)	0.40
Options forfeited – March 1, 2012	(250,000)	0.40
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
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

The following table summarises the outstanding and exercisable options at June 30, 2013:

Options exercisable	Exercise price \$AUD	Remaining contractual life (years)	Expiry date
4,200,000	0.21	1.50	December 31, 2014
4,200,000	0.21	1.50	

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

11. INCOME TAXES

	June 30, 2013	June 30, 2012
	\$	\$
Net loss for accounting	(7,191,129)	(3,303,776)
Expected tax rate	20.0%	33.0%
Expected tax recovery at statutory rates	(1,438,226)	(1,090,246)
Share based compensation	637,734	(4,799)
Unrecognised benefit of revenue losses	800,492	1,095,045
Deferred income tax expense (recovery)	-	-
Revenue losses carried forward	3,207,567	2,407,075
Share issuance costs	25,969	-
Unrecognised deferred tax asset	(3,233,536)	(2,407,075)
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. PARENT ENTITY DISCLOSURES

Financial Position	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$	\$
Current assets	-	-	-
Total assets	37,020,331	37,978,532	40,675,878
Current liabilities	-	-	231,908
Total liabilities	5,859,943	5,012,088	3,920,862
Equity			
Issued capital	43,371,912	38,458,476	38,285,976
Reserves	(174,223)	4,474,149	7,162,388
Accumulated losses	(12,037,301)	(9,966,181)	(8,693,348)
Total equity	31,160,387	32,966,444	36,755,016
Financial Performance	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$	\$
Loss for the year	(2,071,120)	(1,272,832)	(1,929,674)
Other comprehensive income (loss)	224,746	20,221	(137,784)
Total comprehensive income (loss)	(1,846,374)	(1,252,611)	(2,067,458)

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at June 30 2013, 2012 or July 1, 2011.

Contractual commitments for the acquisition of property, plant and equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at June 30 2013, 2012 or July 1, 2011.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

13. WARRANTS

As at June 30, 2013, the Company had no outstanding and exercisable warrants.

14. RELATED PARTIES

Key management personnel compensation

The remuneration of Directors and other members of key management personnel during the years ended June 30, 2013 and 2012 are as follows:

	June 30, 2013	June 30, 2012
	\$	\$
Short term benefits	915,027	898,975
Post employment benefits	64,643	102,124
Share based payments*	413,486	-
	1,393,156	1,001,099

*Based on vesting dates.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Southern Hemisphere held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at June 30, 2012	Granted as compensation	Exercised	Lapsed during period	Held at June 30, 2013	Vested during year	Vested and exercisable June 30, 2013
Directors							
Mr D Craig	700,000	400,000	-	700,000	400,000	200,000	200,000
Mr T Tennant	3,013,441	700,000	-	3,013,441	700,000	350,000	350,000
Mr J Pearson	2,435,969	400,000	-	2,435,969	400,000	200,000	200,000
Dr J Tarrant	-	150,000	-	-	150,000	75,000	75,000
Mr A Hevia	-	150,000	-	-	150,000	75,000	75,000
Mr P McRae	-	-	-	-	-	-	-
Mr R Billingsley	350,000	150,000	-	350,000	150,000	75,000	75,000
Executives							
Mr D Hall	600,000	400,000	-	600,000	400,000	200,000	200,000
Total	7,099,410	2,350,000	-	7,099,410	2,350,000	1,175,000	1,175,000

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

14. RELATED PARTIES (cont'd)

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

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 year-end.

15. 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 30 June 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.

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.

Southern Hemisphere Mining Limited (An Exploration Stage Company)**Notes to the consolidated financial statements****For the years ended June 30, 2013 and June 30, 2012**

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

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**Interest rate risk**

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

Foreign currency risk

The Company operates in international markets, giving rise to exposure to market risks from changes in foreign exchange rates. As at June 30, 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	1,663,816	54,488,688
Receivables	-	21,676,007
Accounts payable	(59,914)	(70,367,468)
Total foreign currency net working capital	1,603,902	5,797,226
	USD \$	USD \$
June 30, 2013		
USD exchange rate at June 30, 2013	1.0934	506.65
Total foreign currency net working capital in USD	1,466,907	11,442
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)
June 30, 2012		
Impact of a 10% strengthening of the USD on net loss	402,909	5,198
Impact of a 10% weakening of the USD on net loss	(402,909)	(5,198)
July 1, 2011		
Impact of a 10% strengthening of the USD on net loss	1,616,543	6,890
Impact of a 10% weakening of the USD on net loss	(1,616,543)	(6,890)

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

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.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

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

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 the year.

As at June 30, 2013, the Company had a cash balance of \$1,627,077 (June 30, 2012 - \$2,649,137) and a short term deposit balance of \$nil (June 30, 2012 - \$1,523,850), and working capital of \$1,445,848 (June 30, 2012 - \$3,663,209). The Company is able to meet its current obligations and has minimal liquidity risk.

16. COMMITMENTS

In order to maintain its current concession holdings, the Company must make annual payments of approximately \$290,000 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:

	June 30, 2013	June 30, 2012
	\$	\$
Within one year	71,325	70,698

17. 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 June 30, 2013 amounted to \$31,160,387 (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 current year.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Notes to the consolidated financial statements

For the years ended June 30, 2013 and June 30, 2012

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

18. AUDITORS REMUNERATION

Remuneration of the auditor Deloitte Touche Tohmatsu for:

	June 30, 2013	June 30, 2012
	\$	\$
Audit and review services		
Auditing and reviewing of financial reports	34,836	36,131
Other regulatory audit services	-	11,923
	<hr/> 34,836	<hr/> 48,054
Remuneration to Deloitte, Canada		
Other Services – taxation and compliance	14,600	13,248
Remuneration to PKF, Chile		
Audit of subsidiaries	14,261	15,101

19. SUBSEQUENT EVENTS

On July 4, 2013, the Company announced an updated Mineral Resource for its Llahuin Copper/Gold Project.

On August 19, 2013, the Company received approval of an Environmental Impact Statement lodged with Chilean regulators for its Los Pumas Manganese Project.

20. 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.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Shareholder Information

The following is information required under the ASX Listing Rules and the Corporations Act 2001.

Distribution of Shareholders and their Holdings as at August 29, 2013 (Combined TSXV/ASX)

The Company's common shares trade on the TSXV and also trade on the ASX. The spread of the combined shareholders is as follows:

Ordinary Shares held	Total Number of Holders	Number of Shares
1 to 1,000	7	2,230
1,001 to 5,000	50	152,846
5,001 to 10,000	77	651,214
10,001 to 100,000	238	11,134,260
100,001 and over	141	160,951,937
Total	513	172,892,487

- a) All shares rank equally.
b) The number of shareholders with a holding less than a marketable parcel (AUD\$500) based on a market price of AUD \$0.065 as at August 29, 2013 was 77.

Top Shareholders

The names of the twenty largest shareholders as at August 29, 2013, who between them held 72.30% of the issued capital are listed below:

	Name of individual or entity	Total Number of Securities	% of Issued Capital
1	Lundin Mining	19,800,000	11.45%
2	Mr T Tennant and related entities	19,712,489	11.40%
3	HSBC Custody Nominees (Aust) Ltd	17,696,015	10.24%
4	DMP Resources Class (Dundee Wealth)	13,412,376	7.76%
5	Mr J Pearson and related entities	9,401,314	5.44%
6	Ice Cold Investments Pty Ltd	7,000,000	4.05%
7	Mr E Valenzuela and related entities	5,566,144	3.22%
8	Zero Nominees Pty Ltd	5,027,354	2.91%
9	Nefco Nominees Pty Ltd	4,380,098	2.53%
10	Mr I Collado and related entities	4,034,078	2.33%
11	Mr G & Mrs B Waldon (Nodlaw Investment Acc)	1,950,000	1.13%
12	Mr S Kwok Weng and related entities	1,800,000	1.04%
13	LFR Pty Ltd	1,600,000	0.93%
14	Horseshoe Investments Pty Ltd	1,388,831	0.80%
15	Mr G and Mrs J Morgan	1,376,021	0.80%
16	JP Morgan Nominees Australia Ltd	1,366,937	0.79%
17	Ms Emma Waldon	1,300,000	0.75%
18	Citicorp Nominees Pty Ltd	1,234,197	0.71%
19	UOB Kay Hian Private Ltd	1,209,000	0.70%
20	Mr J Hughes and related entities	1,050,000	0.61%

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Shareholder Information

Unquoted Securities as at August 29, 2013

Class of Equity Security (a)	Total Number of Securities	Number of Security Holders	Holder and Number of Unquoted Securities(b)
AUD \$0.21 Options (c)	4,200,000	15	n/a

a) These unquoted securities do not have voting rights.

b) Disclosed if an individual or entity holds 20% or more of the equity securities in an unquoted class, unless issued under an employee share scheme as defined by the ASX listing rules.

c) These securities were issued under an employee share scheme as defined by the ASX listing rules.

On-market Buy-back

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

Quotation

The Company's common shares are quoted as 'SH' on TSXV and CDIs are quoted as 'SUH' on ASX.

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Shareholder Information

Concession Schedule

Name of Concession (1)(2)	Name of Concession (1)(2)	Name of Concession (1)(2)
PUMA NORTE B 1	AWAHOU 1 AL 20	SANTA ANA II 11
PUMA NORTE B 2	EMANUEL 1 AL 20	SANTA ANA II 12
PUMA NORTE B 3	LLUTA I 1 AL 54	SANTA ANA II 13
PUMA NORTE B 4	LLUTA II 1 AL 285	SANTA ANA II 14
PUMA NORTE B 5	PUTRE 5, 1 AL 10	SANTA ANA II 15
PUMA NORTE B 6	PUTRE 6, 1 AL 20	SANTA ANA II 16
PASCUALA 1 B	PUTRE I 1 AL 20	SANTA ANA II 17
PASCUALA 2 B	PUTRE II 1 AL 20	SANTA ANA II 18
PASCUALA B 3	PUMA NORTE 2, 1 al 30	SANTA ANA II 19
PASCUALA 4 B	MG 3, 1 al 30	SANTA ANA II 20
PASCUALA 5 B	CHANCO II 1	SANTA ANA II 21
PASCUALA 6 B	CHANCO II 2	SANTA ANA II 22
MATEO 3 B	CHANCO II 3	SANTA ANA II 23
MATEO 4 B	CHANCO II 4	SANTA ANA II 24
MG 15	CHANCO II 5	SANTA ANA II 25
MG 16	CHANCO II 6	SANTA ANA II 26
MG 17	CHANCO II 7	SANTA ANA II 27
MG 18	CHANCO II 8	SANTA ANA II 28
MG 19	CHANCO II 9	SANTA ANA 1
MG 20	CHANCO II 10	SANTA ANA 9
MG 21	CHANCO II 11	SANTA NATALIA 1 AL 40
MG 22	CHANCO II 12	SANTA CAMILA 1 AL 27
MG 23	CHANCO II 13	SANTA SANDRA 1 AL 40
LOS PUMAS 1	CHANCO II 14	SANTA CLARITA 1 AL 40
LOS PUMAS 2	CHANCO II 15	SANTA PAULINA 1 AL 40
LOS PUMAS 3	CHANCO II 16	SANTA MACARENA 1 AL 40
LOS PUMAS 4	CHANCO II 17	SANTA ANA 1 AL 60
LOS PUMAS 5	CHANCO II 18	SANTA MARÍA 1 AL 60
LOS PUMAS 6	CHANCO II 19	SANTA ROMINA 1 AL 40
LOS PUMAS 7	CHANCO II 20	SANTA CECILIA 1 AL 20
LOS PUMAS 8	LICANTEN I 1	SANTA NORMA 1 AL 40
LOS PUMAS 9	LICANTEN I 2	SANTA INES 1 AL 40
LOS PUMAS 10	LICANTEN I 3	SANTA XIMENA 1 AL 60
LOS PUMAS 11	SANTA ANA II 1	SANTA MARIELA 1 AL 40
LOS PUMAS 12	SANTA ANA II 2	SANTA EMA 1 AL 27
LOS PUMAS 13	SANTA ANA II 3	SANTA GUADALUPE 1 AL 39
LOS PUMAS 14	SANTA ANA II 4	SANTA ANA 1, 1 AL 10
LOS PUMAS 15	SANTA ANA II 5	SANTA ANA 9, 1 AL 10
LOS PUMAS 16	SANTA ANA II 6	SAN ALBERTO II
LOS PUMAS 17	SANTA ANA II 7 B	SAN CRISTIÁN II
LOS PUMAS 18	SANTA ANA II 8 B	PATRICIA II
LOS PUMAS 19	SANTA ANA II 9	STEPHEN I

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Shareholder Information

Concession Schedule (cont'd)

Name of Concession (1)(2)	Name of Concession (1)(2)	Name of Concession (1)(2)
LOS PUMAS 20	SANTA ANA II 10	SAN JOSE 1
SAN JOSE 2	PACITA 1 AL 60	AGUILA 11, 1 AL 10
SAN JOSE 3	DAVID 1 AL 60	AGUILA 16, 1 AL 158
SAN JOSE 4	BASILIO 1 AL 60	SERGIO 1 AL 5
SAN JOSE 5	RODOLFO 1 AL 60	SOLDADO 1
SAN JOSE 6	SAN GONZALO 1 AL 30	SOLDADO 2
SAN JOSE 7	SAN ALBERTO 1 AL 30	SOLDADO 3
SAN JOSE 8	SAN CRISTIÁN 1 AL 20	SOLDADO 4
SAN JOSE 9	RAMADILLA 2	SOLDADO II 1
SAN JOSE 10	RAMADILLA 3	SOLDADO II 2
SAN JOSE 11	RAMADILLA 4	SOLDADO II 3
SAN JOSE 12	RAMADILLA 8	SOLDADO II 4
SAN JOSE 13	CRUZ 1	SOLDADO 1, 1 al 20
SAN JOSE 14	CRUZ 2	CARBONERAS 10
SAN JOSE 15	CRUZ 3	CARBONERAS 11
SAN JOSE 16	CRUZ 4	CARBONERAS 12
SAN JOSE 17	CRUZ 5	CARBONERAS 19
SAN JOSE 18	CRUZ 6	CARBONERAS 20
SAN JOSE 19	CRUZ 7	CARBONERAS 21
SAN JOSE II 1	CRUZ 8	CARBONERAS 22
SAN JOSE II 2	CRUZ 9	CARBONERAS 23
SAN JOSE II 3	TRES CRUCES 1 II	CARBONERAS 24
SAN JOSE II 4	TRES CRUCES 7 II	CARBONERA 25
SAN JOSE II 5	CRUZ II 1	CARBONERA 26
SAN JOSE II 6	CRUZ II 2	CARBONERA 27
SAN JOSE II 7	CRUZ II 3	CARBONERA 28
SAN JOSE II 8	CRUZ II 4	CARBONERA 10, 1 al 10
SAN JOSE II 9	CRUZ II 5	CARBONERA 11, 1 al 10
SAN JOSE II 10	CRUZ II 7	CARBONERA 12, 1 al 10
SAN JOSE II 11	CRUZ II 8	CUNLAGUA II 1
SAN JOSE II 12	CRUZ II 9	CUNLAGUA II 2
SAN JOSE II 13	CRUZ II 10	CUNLAGUA II 3
SAN JOSE II 14	CRUZ II 11	CUNLAGUA II 4
SAN JOSE II 15	TRES CRUCES 2 1/ 30	CUNLAGUA II 5
SAN JOSE II 16	TRES CRUCES 3 1/ 30	CUNLAGUA 1, 1 AL 30
SAN JOSE II 17	TRES CRUCES 4 1/ 30	CUNLAGUA 2, 1 AL 30
SAN JOSE II 18	TRES CRUCES 5 1/ 30	CUNLAGUA 3, 1 AL 20
SAN JOSE II 19	TRES CRUCES 6, 1/30	CUNLAGUA 4, 1 AL 30
HEMISFERIO 1 AL 20	TRES CRUCES 8, 1/30	CUNLAGUA 5, 1 AL 30
LEYLA 1 AL 60	TRES CRUCES 9, 1/30	SAN JAMES 1, 1 AL 52
PATRICIA 1 AL 40	TRES CRUCES 12, 1 al 30	SAN JAMES 1, 101 AL 179
ANDREA 1 AL 60	TRES CRUCES 13, 1/20	SAN JAMES 2, 1 AL 26

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Shareholder Information

Concession Schedule (cont'd)

Name of Concession (1)(2)	Name of Concession (1)(2)	Name of Concession (1)(2)
EDUARDO 1 AL 60	TRES CRUCES 14, 1/30	SAN JAMES 2, 61 AL 200
TERESA 1 AL 60	TRES CRUCES 15, 1/30	SAN JAMES 3, 1 AL 147
SAN JAMES 4, 1 AL 144	BELEN 6, 1 AL 20	LEO II 26
SAN JAMES 5, 1 AL 156	BELEN 1, 1 al 10	LEO II 27
SAN JAMES 6, 1 AL 30	BELEN 2, 1 al 20	LEO II 28
SAN JAMES 7, 1 AL 45	BELEN 3, 1al 30	LEO II 29
SAN JAMES 8, 1 AL 12	BELEN II, 1al 10	LEO II 30
SAN JAMES 9, 1 AL 12	BELEN II, 11 al 20	LEO II 31
SAN JAMES 10, 1 AL 11	BELEN 11, 1 al 10	LEO II 32
SAN JAMES 11, 1 AL 6	IRON 11	LEO II 33
SAN TREVOR 1, 1 AL 300	IRON 12	LEO II 34
SAN TREVOR 2,1 AL 300	IRON 13	LEO II 35
SAN TREVOR 3, 1 AL 150	IRON 14	LEO II 36
SAN TREVOR 3, 151 AL 300	IRON 5, 1 al 60	LEO II 37
SAN TREVOR 4, 1 AL 90	IRON 8, 1 AL 20	LEO II 38
SAN TREVOR 4, 151 AL 300	JOYA 1, 1 al 60	LEO II 39
SAN TREVOR 5, 1 AL 300	JOYA 2, 1 al 60	LEO II 40
SAN TREVOR 6, 1 AL 250	LEO 28	LEO II 41
SAN TREVOR 7, 1 AL 60	LEO 29	LEO II 42
SAN TREVOR 8, 1 AL 60	LEO 29	LEO II 43
SAN TREVOR 9 1 AL 60	LEO II 1	LEO II 44
SAN TREVOR 10, 1 AL 75	LEO II 2	LEO II 45
SAN TREVOR 10, 76 AL 150	LEO II 3	LEO II 46
SAN TREVOR 10, 151 AL 225	LEO II 4	LEO II 47
SAN JOSE UNO 1 AL 23	LEO II 5	LEO II 48
SAN JOSE DOS 1 AL 17	LEO II 6	LEO II 49
SAN JOSE TRES 1 AL 54	LEO II 7	LEO II 50
SAN ALFONSO TRES 1 AL 36	LEO II 8	LEO II 51
SAN ALFONSO CUATRO1 AL50	LEO II 9	LEO II 52
SAN JORGE UNO 1 AL 12	LEO II 10	LEO II 53
SAN JORGE TRES 1 AL 36	LEO II 11	LEO II 54
SAN JORGE CUATRO 1 AL 60	LEO II 12	LEO II 55
SAN JORGE CINCO 1 AL 11	LEO II 13	LEO II 56
SUSAN 1, 1 AL 38	LEO II 14	LEO II 57
SUSAN 2, 1 AL 49	LEO II 15	LEO II 58
SUSAN 3, 1 AL 15	LEO II 16	LEO II 59
SUSAN 4, 1 AL 12	LEO II 17	LEO II 60
SIMON 1 AL 5	LEO II 18	LEO II 61
ALGARROBO	LEO II 19	LEO II 62
BELEN II 7	LEO II 20	LEO II 63
BELEN II 8	LEO II 21	LEO II 64
BELEN II 9	LEO II 22	LEO II 65

Southern Hemisphere Mining Limited (An Exploration Stage Company)

Shareholder Information

Concession Schedule (cont'd)

Name of Concession (1)(2)	Name of Concession (1)(2)	Name of Concession (1)(2)
BELEN II 10	LEO II 23	LEO II 66
BELEN 4, 1 al 20	LEO II 24	CHITIGUA ESTE 1
BELEN 5, 1 al 30	LEO II 25	DANIELA 1 AL 6
CHITIGUA SUR ESTE 1al 5	COLIHUE 1	SAN ANTONIO 1
CHITIGUA 16, 1al 6	COLIHUE 2	SAN ANTONIO 2
CHITIGUA 25, 1 al 30	COLIHUE 3	SAN ANTONIO 3
CHITIGUA 25, 46 al 75	COLIHUE 4	SAN ANTONIO 4
CHITIGUA 26, 1 al 60	COLIHUE 5	SAN ANTONIO 5
CHITIGUA 27, 1 AL 60	COLIHUE 6	SAN ANTONIO 6
CHITIGUA 30, 1 al 30	COLIHUE 7	SAN ANTONIO 7
CHITIGUA 30, 46 al75	COLIHUE 8	SAN ANTONIO 8
CHITIGUA 31, 1 al 60	COLIHUE 9	SAN ANTONIO 9
CHITIGUA 32, 1 al 60	COLIHUE 10	SAN ANTONIO 10
CHITIGUA 34. 1 AL 30	COLIHUE 11	SAN ANTONIO 11
CHITIGUA 19, 1 al 40	COLIHUE 12	SAN ANTONIO 12
CHITIGUA 4, 1 al 60	COLIHUE 13	SAN FRANCISCO 1 al 15
CHITIGUA 4, 76 al 135	COLIHUE 14	MANTIS 1
CHITIGUA 7, 1 AL 40	COLIHUE 15	MANTIS 2
CHITIGUA 8, 1 AL 110	COLIHUE 16	MANTIS 3
CHITIGUA 18, 1 AL 65	COLIHUE 17	MANTIS 4
CHITIGUA 1, 1 al 30	COLIHUE 18	MANTIS 5
CHITIGUA 2, 1 al 30	COLIHUE 19	MANTIS 6
LEO 1, 1 al 30	COLIHUE 20	MANTIS 7
LEO 19, 1 al 20	EL ESPINO 1	MANTIS 8
ESTE 11, 1 al 10	EL ESPINO 2	MANTOS II 2
ESTE 21, 1 al 20	EL ESPINO 3	MANTOS 14 II
ESTE 22, 1 al 20	EL ESPINO 4	MANTOS 15 II
CHACAY 14, 1 al 10	EL ESPINO 5	MANTOS II 16
CHACAY 13, 1 AL 40	EL ESPINO 6	MANTOS II 17
CHACAY 18, 1 AL 10	EL ESPINO 7	MANTOS II 18
CHACAY 22, 1 al 10	EL ESPINO 8	MANTOS II 19
CHACAY 23, 1 al 10	EL ESPINO 9	MANTOS II 20
LA CUYANA 1 AL 5	EL ESPINO 11	MANTOS II 21
SAN SEBASTIÁN 1 AL 5	EL ESPINO 12	MANTOS 16, 1 al 10
ESPERANZA 4, 1 al 20	EL ESPINO 13	MANTOS 17, 1 al 10
ESPERANZA 26	EL ESPINO 14	FUTURO 5, 1 AL 60
LAS PERDICES 9	EL ESPINO 15	MANTOS GRANDES 1 AL 11
LAS PERDICES 10	AMAPOLA I	MANTOS CHICOS 1 AL 20
LEONOR 1	AMAPOLA II	LA ESCONDIDA 1 AL 20
LEONOR 2	AMAPOLA 1, 1 al 20	MANTOS 1, 1 AL 10
LOS LOROS 1	AMAPOLA 2, 1 al 20	MANTOS 2, 1 AL 20
LOS LOROS 3	AMAPOLA 3, 1 al 20	MANTOS 3, 1 AL 15

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Shareholder Information

Concession Schedule (cont'd)

Name of Concession (1)(2)	Name of Concession (1)(2)	Name of Concession (1)(2)
MANTOS 8, 1 AL 95	MANTOS 11, 1 AL 51	MANTOS 21, 1 AL 20
MANTOS 9, 1 AL 30	MANTOS 12, 1 AL 268	MANTOS 21, 21 AL 30
MANTOS 10, 1 AL 136	MANTOS 13, 1 AL 99	MANTOS 22, 1 AL 20
LOS LOROS 4	AMAPOLA 4, 1 al 18	MANTOS 4, 1 AL 20
LOS LOROS 5	COLINA 2, 1 al 30	MANTOS 5, 1 AL 20
LOS LOROS 6	EL ESPINO 1 al 10	MANTOS 6, 1 AL 30
LOS LOROS 7	EL ESPINO II 1 al 10	MANTOS 7, 1 AL 178

- (1) All of the concessions listed above are located in Chile.
- (2) All of the concessions listed above are 100% owned by controlled subsidiaries Minera Hemisferio Sur SCM ("MHS"), Minera Pacifico SCM ("MPS"), Minera America Sur SCM("MSAM"), Minera Panamericana SCM ("MPAM"), Minera Llahuin SCM ("MINLLA") and Sociedad Servicios e Inversiones Futuro Limitada ("FUT") respectively.

Competent Person / Qualified Person Statement

Mr Trevor Tennant, Managing Director of Southern Hemisphere Mining Limited, is a Fellow of the Australasian Institute of Mining and Metallurgy, is a 'Competent Person' as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and is a 'Qualified Person' under National Instrument 43-101 - 'Standards of Disclosure for Mineral Projects'.

Mr Tennant has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, and a Qualified Person.

Mr Tennant has reviewed the design and conduct of this resource drilling campaign, supervised the preparation of the technical information in this Annual Report and has the relevant experience and competence of the subject matter.

Mr Tennant consents to the inclusion of exploration results and other such information in this Annual Report in the form and context in which it appears.