ASX Announcement
May 18, 2012

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

Dear Sir/Madam

Llahuin Copper Project – Technical Report for Maiden JORC Resource (the "Report")

For disclosure purposes, please refer below for a Report: "Mineral Resource Estimate - Llahuin Copper Project, Coquimbo Region, Chile" as released in Canada. The resource reported has been prepared in accordance with the Canadian Institute of Mining (CIM) National Instrument 43-101 and the complies with the requirements of the JORC Code (refer to announcement April 3, 2012).

Competent Person's Statement - JORC
The information in this Report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Ian Dreyer. Mr Dreyer is Regional Manager of Andes Mining Services Ltd and is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy. Mr Dreyer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Dreyer consents to the inclusion in the Report of the matters based on this information in the form and context in which it appears.

Yours faithfully

Derek Hall
Company Secretary

Mineral Resource Estimate - Llahuin Copper Project, Coquimbo Region, Chile

NI 43-101 Technical Report

On Behalf of – **Southern Hemisphere Mining Limited**

Effective Date – **30th March 2012**

Qualified Persons:	Ian Dreyer	Regional Manager (Andes Mining Services)	BSc (Geo) CP AusIMM
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1 SUMMARY

1.1 Introduction

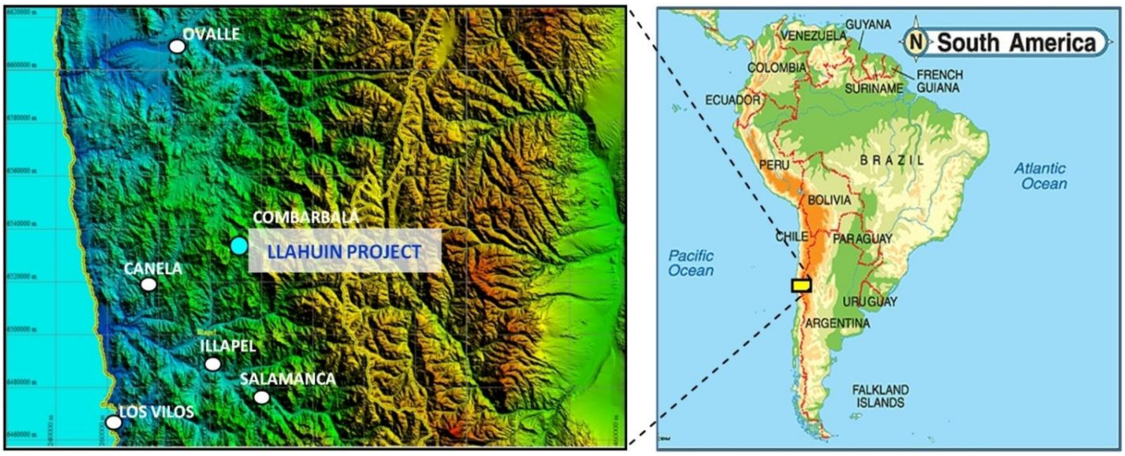
Andes Mining Services Ltd (AMS) has been commissioned by Southern Hemisphere Mining Limited (SHM) to prepare a Mineral Resource Estimate for the Llahuin Cu-Au Project, located within the Coquimbo region of central Chile.

The Mineral Resource Estimate has been prepared under the guidelines of Canadian Institute of Mining (CIM) National Instrument 43-101 and accompanying documents 43-101.F1 and 43-101.CP (NI43-101).

1.2 Location

The Llahuin Project is located within the Coquimbo region of central Chile, approximately 240 km north of Santiago, and 17km south of the town of Combarbala as displayed in Figure 1.2_1. The project is located 56km east of the coast and the Pan-American Highway. The topographical coordinates of the project are East 71 º 01'29” and North 31 º20'23” (Datum Long/Lat UTM projection, International Reference Ellipsoid 1924, La Canoa datum 1956, Time/Area 19.

Figure 1.2_1
Project Location



1.3 Ownership

The Llahuin project mineral resources are located within the “Amapola” exploitation concessions, over which SHM has an option to purchase via Minera Panamericana S.C.M (MPS).

MPS is 100% owned by Pan American Mining Pty Ltd (PAM), SHM’s 100% owned Australian subsidiary. In July 2011, MPS executed an Option to Purchase Agreement (Llahuin Option Agreement), as detailed in section 4.1, which has been duly executed and constitutes the legal, valid and binding obligations of each party.

1.4 Geology and Mineralization

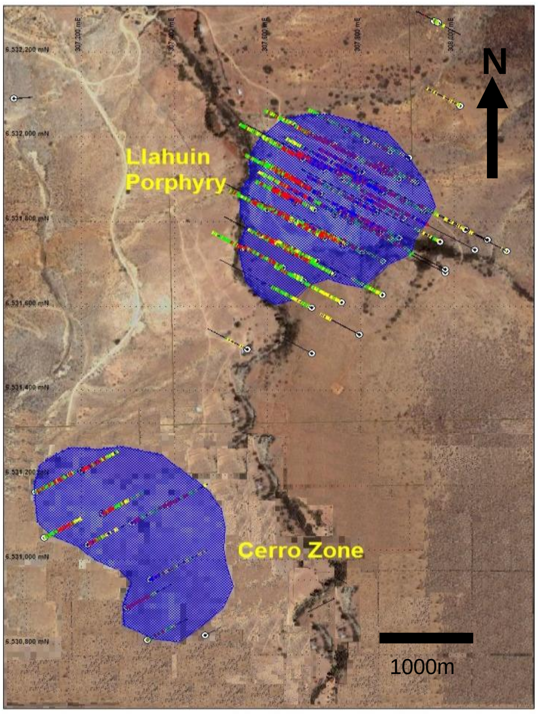
The Llahuin Deposit is a porphyry copper-gold system with medium sized early dioritic stock with propylitic to potassic (biotite) alteration emplaced in a North-South regional fault system.

Argillic-quartz sericite alteration zones are evident in the upper zones and borders of the hydrothermal system within the volcanic wall rocks.

At the Llahuin Project, a NNE trending elongated late granodioritic stock intrudes the early dioritic porphyry. The mineralization in the Llahuin porphyry is related to the early dioritic porphyry stock with abundant stockworks of quartz and variable amounts of magnetite, biotite, tourmaline, actinolite, calcite, copper oxides, iron oxides and some pyrite, chalcopyrite, covelite, chalcocite and molybdenite. The mineralization is mainly associated with veinlet systems.

The Llahuin Project is split up into the Llahuin Porphyry and the Cerro Zone as displayed in Figure 1.4_1. The Llahuin Porphyry is a typical Cu-Au porphyry system with associated stockwork mineralization. The Cerro Zone lies almost entirely within volcanic rock and is interpreted as the stockwork cap to an underlying porphyry system.

Figure 1.4_1
Llahuin – Deposit Locations



1.5 Status of Exploration

There have been various exploration phases on the Llahuin exploitation concessions including two drill holes completed in 2004 and an artisanal open pit and underground excavation. Results of the past drilling, exploration and exploitation activities prior to SHM's involvement are not readily available.

This report gives details of exploration undertaken by SHM from June 2011 to March 2012. At the date of this report further exploration drilling is being carried out at and around the Llahuin Deposit. The results of this drilling will be incorporated into future mineral resource estimates.

The work completed by SHM to date has included:

- Regional reconnaissance, rock chip sampling and geophysics.
- Project scale mapping of the Llahuin Project.
- 17 diamond drill (DDH) holes for a total of 6,991m.
- 81 reverse circulation (RC) holes for a total of 14,728m.

1.6 Mineral Resources

The Llahuin Project mineral resource estimate is based on 17 DDH (6,991m) and 81 RC holes (14,728m) drilled at a spacing of between 50m x 50m to 100m x 100m. Only data received as at 30th March 2012 has been used in this estimate. SHM is continuing an ongoing infill, extensional and exploration drillhole program.

The mineral resource estimate has been constructed within 0.15% Cu and 0.10g/t Au grade shells. Multiple lithological units have been grouped together, based upon statistical properties and visual review of cross sections.

The mineral resource has been reported above at a cut-off grade of 0.24% Cu. An independent mineral resource has been estimated comprising a measured and indicated mineral resource of 106.2Mt at 0.30% Cu, 0.09 g/t Au and 0.40%CuEq, and an inferred mineral resource of 12.2 Mt at 0.27% Cu, 0.06 g/t Au and 0.36% CuEq as displayed in Table 1.7_1.

The resource has been reported to the base of drilling at 600m vertical depth below surface.

The statement has been classified by Qualified Person Ian Dreyer BSc (Geology) MAusIMM (CP) in accordance with the Guidelines of NI 43-101 and accompanying documents 43-101.F1 and 43-101.CP. It has an effective date of 30th March 2012.

Table 1.7_1 Grade Tonnage Report - Llahuin Project Ordinary Kriged Mineral Resource Estimate – 30th March 2012 (Block Model – 10mE X 10mN X 10mRL)					
Area	**Million Tonnes**	**Measured Resource**			
		Cu (%)	**Au (g/t)**	**Mo (ppm)**	**CuEq (%)**
Total Project	64.9	0.32	0.09	0.007	0.42
		Indicated Resource			
Total Project	41.3	0.28	0.09	N/A	0.37
		Measured and Indicated			
Total Project	**106.2**	**0.30**	**0.09**	**N/A**	**0.40**
		Inferred Resource			
Total Project	**12.2**	**0.27**	**0.06**	**0.008**	**0.36**

1.7 Copper Equivalent Calculation

The copper equivalent (CuEq) calculation represents 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 qualified person's opinion that the elements considered have a reasonable potential to be recovered as evidenced in similar porphyry copper mines in Chile. Copper equivalent conversion factors and long-term price assumptions used are stated below:

CuEq Formula= Cu % + Au(g/t) x 0.72662 + Mo(%) x 4.412

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

1.8 Conclusions and Recommendations

- The project has been relatively systematically explored and drilled.
- The Llahuin Porphyry and the Cerro Zone are open in at least three directions; principally to the north, the south and at depth.
- The level of geological understanding on the project is moderate (Cerro Zone) to high (Llahuin Porphyry).
- There are a number of narrow Au-Cu veins that outcrop that have not been adequately drill tested and this warrants further drilling.
- Metallurgical testwork should commence immediately.
- The quality and quantity of QAQC work needs to improve, specifically the quantity of blanks, the use of umpire assays and the insertion of standards by SHM.

- SHM should source a RC rig that has a booster facility to ensure that the issue of wet RC samples is reduced or eradicated.

- SHM should continue to drill strike extensions to the porphyry mineralisation already defined.

- SHM should make it a priority to test the narrow higher grade vein mineralisation on the concessions.

- A budget of $7.2 Million annually that consists of 1 DC rig and 1 RC rig, with appropriate staff, supervision, and technical support, is the appropriate level of expenditure for this project.

2 INTRODUCTION

2.1 Scope of Work

This Report is prepared for SHM, a reporting issuer in the Provinces of Alberta, British Columbia and Ontario, whose common shares are listed for trading on the TSX Venture Exchange (trading as SH) and the Australian Securities Exchange (trading as SUH). SHM commissioned AMS for the purpose of providing a Mineral Resource Estimate for their Llahuin Project in Chile.

This report is prepared in accordance with disclosure and reporting requirements set forth in National Instrument 43-101, Companion Policy 43-101CP, and Form 43-101F1, and complies with Canadian National Instrument 43-101 for the 'Standards of Disclosure for Mineral Projects' of December 2005 (the Instrument), and the resource and reserve classifications adopted by CIM Council in November 2004 and updated in 2011.

2.2 Forward-Looking Information

This report contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements related to the capital and operating costs of the Llahuin Project, the price assumptions with respect to copper and gold, production rates, the economic feasibility and development of the Llahuin Project and other activities, events or developments that SHM expects or anticipates will or may occur in the future. Forward-looking information is often identified by the use of words such as "plans", "planning", "planned", "expects" or "looking forward", "does not expect", "continues", "scheduled", "estimates", "forecasts", "intends", "potential", "anticipates", "does not anticipate", or "belief", or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking information is based on a number of factors and assumptions made by the authors and management, and considered reasonable at the time such information is made, and forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking information. Such factors include, among others, obtaining all necessary financing, licenses to explore and develop the project; successful definition and confirmation based on further studies and additional exploration work of an economic mineral resource base at the project; as well as those factors disclosed in SHM's current Annual Information Form and Management's Discussion and Analysis, as well as other public disclosure documents, available on SEDAR at www.sedar.com.

Although SHM has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate.

The forward-looking statements contained herein are presented for the purposes of assisting investors in understanding SHM's plan, objectives and goals and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking information. SHM and the authors do not undertake to update any forward-looking information, except in accordance with applicable securities laws.

2.3 Principal Sources of Information

In addition to site visits undertaken to the Llahuin Project, the author of this report has relied extensively on information provided by SHM and discussions with SHM management. A full listing of the other principal sources of information is included in Section 27 of this report.

AMS has made all reasonable enquiries to establish the completeness and authenticity of the technical information provided and identified. A final draft of this report was provided to SHM, along with a written request to identify any material errors or omissions, prior to lodgement.

2.4 Site Visit

Mr Ian Dreyer visited the site on March 17th 2012 and inspected the drill sites, drill core, logging, sample collection and storage procedures and facilities. Mr Dreyer also reviewed the quality control and assurance procedures.

2.5 Authors' Qualifications and Experience

The Qualified Person (as defined in NI 43-101) for the purpose of this report is Mr. Ian Dreyer.

Mr. Ian Dreyer is a professional geologist with 24 years of international experience in the geology and evaluation of mineral properties. Mr. Dreyer is a Chartered Professional Member of Australasian Institute of Mining and Metallurgy (MAusIMM (CP)) and has the appropriate relevant qualifications, experience and independence as defined in the Australasian VALMIN and JORC codes and a Qualified Person as defined in Canadian National Instrument 43-101. Mr. Dreyer is currently employed as Regional Manager, South America with AMS.

2.6 Units of Measurements and Currency

All monetary terms expressed in this report are in United States dollars ($) unless specified. Quantities are generally stated in SI units, including metric tonnes (t), kilograms (kg) or grams (g) for weight; kilometres (km), metres (m), centimetres (cm) and millimetres (mm) for distance; square kilometres (km^2) or hectares (ha) for area; and percentage (%) and grams per tonne (g/t) to express grades. Ounces (oz), where used, refer to troy ounces.

2.7 Independence

Neither AMS, nor the author of this report has any material interest in SHM or related entities. Our relationship with SHM is solely one of professional association between client and independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

2.8 Abbreviations

A full listing of abbreviations used in this report is provided in Table 2.8_1 below.

Table 2.8_1
List of Abbreviations

	Description		Description
$	United States of America dollars	kWhr/t	kilowatt hours per tonne
"	Inches	l/hr/m^2	litres per hour per square metre
µ	Microns	M	million
3D	three dimensional	m	metres
AAS	atomic absorption spectrometry	Ma	thousand years
AMSA	Antofagasta Minerals S.A.	MC	Mining Code
ASX	Australian Securities Exchange	Mo	Molydenum
Au	Gold	ml	millilitre
AusIMM	Australasian Institute of Mining and Metallurgy	mm	millimetres
bcm	bank cubic metres	MIK	Multiple Indicator Kriging
CC	correlation coefficient	Moz	million ounces
CIM	Canadian Institute of Mining, Metallurgy and Petroleum	Mtpa	million tonnes per annum
CLP	Chilean Pesos	N (Y)	northing
cm	Centimetre	NPV	net present value
COL	Constitutional Organic Law	NQ_2	Size of diamond drill rod/bit/core
		oz	Troy ounces
CRM	certified reference material or certified standard	ºC	degrees centigrade
Cu	Copper	OK	Ordinary Kriging
CV	coefficient of variation	P80 -75µ	80% passing 75 microns
DC	diamond core	ppb	parts per billion
DTM	digital terrain model	ppm	parts per million
E (X)	Easting	PCR	Political Constitution of the Republic
EDM	electronic distance measuring	psi	pounds per square inch
EIA	Environmental Impact Assessment	PVC	poly vinyl chloride
equ	equivalent	QC	quality control
Fe	Iron	LREO	Light Rare Earth Oxides
G	Gram	QAQC	quality assurance quality control
g/m^3	grams per cubic metre	QQ	quantile-quantile
g/t	grams per tonne of gold	RC	reverse circulation
HARD	Half the absolute relative difference	RL (Z)	reduced level
HDPE	High density poly ethylene	ROM	run of mine
HQ_2	Size of diamond drill rod/bit/core	RQD	rock quality designation
Hr	Hours	SD	standard deviation
HRD	Half relative difference	SG	Specific gravity
ICP-AES	inductivity coupled plasma atomic emission spectroscopy	Si	silica
ICP-MS	inductivity coupled plasma mass spectroscopy	SMU	selective mining unit
ISO	International Standards Organisation	t	tonnes
JORC	Joint Ore Reserves Committee (of the AusIMM)	t/m^3	tonnes per cubic metre
kg	Kilogram	tpa	tonnes per annum
kg/t	kilogram per tonne	TSX	Toronto Stock Exchange
km	Kilometres	UC	Uniform conditioning
km^2	square kilometres	w:o	waste to ore ratio
kW	Kilowatts		

3 RELIANCE ON OTHER EXPERTS

The author of this report, states that he is a Qualified Person for those areas as identified in appropriate Qualified Person's "Certificate of Author" in Section 29.

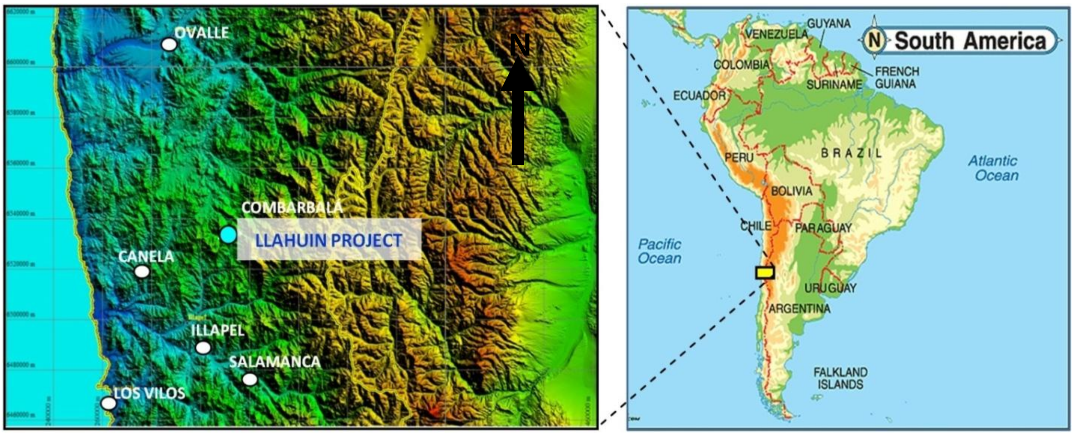
Neither AMS nor the author of this report are qualified to provide extensive comment on legal issues, including status of tenure associated with the Llahuin property referred to in this report. Assessment of these aspects has relied heavily on information provided by SHM which has not been independently verified by AMS and this report has been prepared on the understanding that the properties are, or will be, lawfully accessible for evaluation, development, and mining and processing.

4 PROPERTY DESCRIPTION AND LOCATION

4.1 Project Location

The Llahuin Project is at an elevation of approximately 1300m and is located some 240km north of the Chilean capital of Santiago, 17km south of the town of Combarbala and is 56km from the coast and Pan-American Highway, as displayed in Figure 4.1_1.

Figure 4.1_1
Llahuin Project – South Hemisphere Mining
Project Location Plan



4.2 Type of Mineral Tenure

Apart from the Llahuin Option Agreement, the exploitation concessions are not known to be subject to liens, prohibitions, embargoes or lawsuit of any kind. The concessions are listed below in Table 4.2_1.

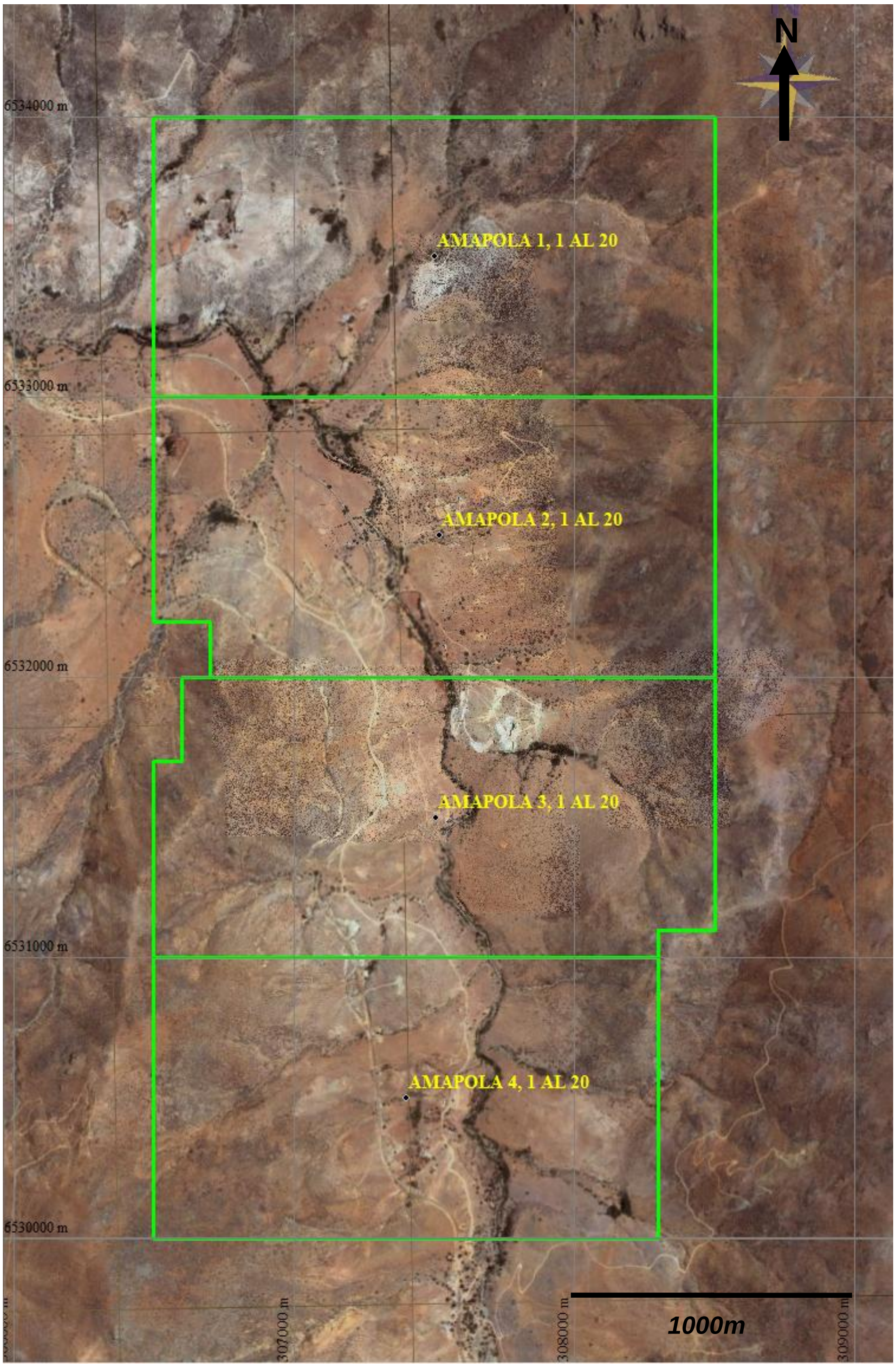
Table 4.2_1
Llahuin Project – Concession Status

Licence	Type	Name	Area - Ha	Status	Expiration Date	Initiation Date
1	Exploitation	Amapola 1 1 al 20	200	Constituted	N/A	2008
2	Exploitation	Amapola 2 1 al 20	196	Constituted	N/A	2008
3	Exploitation	Amapola 3 1 al 20	196	Constituted	N/A	2008
4	Exploitation	Amapola 4 1 al 18	180	Constituted	N/A	2008
		Subtotal	772			
		Total	772			

4.3 Area of the Property

The Llahuin Project covers an aggregate area of 7.72km^2. Figure 4.3_1 depicts the tenement plan of the project.

Figure 4.3_1
Tenement Plan



4.4 The Nature and Extent of the Titles

The only obligations contemplated in Chilean legislation which must be satisfied by a mining concessionaire is the payment of a claim fee, and any negotiated surface rights payments.

AMS has not independently verified, nor is it qualified to independently verify, the legal status of the Llahuin Project concessions, and has relied on information provided by SHM. In preparing this report AMS has assumed that the tenements are, or will prove to be, lawfully accessible for evaluation.

4.5 Mining Property

4.5.1 Mining Concessions in Chile

The Political Constitution of the Republic (PRC) provides that the State of Chile has the absolute, exclusive, unalienable and imprescriptibly dominion over all the mines, and the mineral substances determined by Constitutional Organic Law (COL) as susceptible of such work may be explored and exploited through mining concessions.

The mining concession is an 'in rem' right on real property different and independent from ownership of surface lands, even if they have the same owner, that is, the separation of the dominion over the mining concession (that gives the right to explore and/or exploit mineral substances) and the ownership of the surface land where it is intended to perform mining exploration and exploitation work is confirmed.

The mining concession is transferable and transmissible, susceptible to mortgage and other real rights, and in general, of any act or contract; and is ruled by the same civil laws as the rest of the real estate properties, unless they are contrary to the COL or Mining Code (MC)

The mining concessions are constituted in a non contentious judicial procedure which can be of two kinds: exploration concessions and exploitation (mining) concessions

The exploration concessions have an initial effective period of 2 years but this period can be extended to 4 years by halving the concession surface area.

The exploitation concessions have an indefinite effective period and grants exclusive rights to prospect and mine the concession area, provided the annual patent fees are paid.

4.5.2 Access to the Necessary Lands for the Execution of Mining Work

In view of the separation of the property rights of the mining concession from the surface land, the MC establishes special laws and regulations on this matter. Access to the surface lands is provided during the proceedings carried out for the mining concession.

Once the mining concession is constituted to carry out exploration and/or exploitation work as the case may be, its titleholder must obtain written permission from the titleholders of surface lands and additionally, if this is the case, from some administrative authorities. This is if the performance of the work affects or can affect populated places of public interest or of national security, as detailed in articles 14, 15 and 17 of the MC.

Once the mining concession is constituted, it grants the titleholder the right to impose special mining easements on surface lands after a determination of the indemnifications to be paid to the owner of the land, agreed with it or fixed judicially. The mining easements can be for traffic or access, for electric services and for occupation. In the terms and scopes of article 120 of the MC, easements cannot be imposed in land where permanent constructions exist or which are covered by plantations of forests, vineyards and fruits.

4.5.3 Water Rights

The Mining Concessions grant the concessionary (the holder of the mining concession) the right to use the water resources found while developing exploration and/or exploitation works, only for the purposes of the exploration and/or exploitation works. In case that no water resources are found in the course of the mining works, such resource shall be secured by incorporating and/or purchasing water rights from the State of Chile, through the Dirección General de Aguas by proving both the existence of the water resources requested and the existence of a project justifying the use thereof.

4.5.4 Specific Tax to the Mining Activities

There is a specific tax on the operational income of the mining activity obtained by a mining operator. This progressive tax rate ranges from 0.5%, if the value of the annual sales exceeds the amount equivalent of over 12,000t of fine copper, to 4.5% if the annual sales exceed the value of 40,000t up to the value of 50,000t.

If the sales exceed the value of 50,000t of fine copper, the tax is applied on the mining operational margin and the progressive tax rate ranges from 5% to 14% on operational margin. The operational taxable income on which this tax is applied is determined in a particular way. Certain expenses such as losses from past periods, accelerated depreciation of fixed assets, etc are not allowed for this purpose. The mining operational margin is determined as a ratio of the operational taxable income to the mining operational turnover.

4.6 Royalties / Agreements and Encumbrances

During the exploration phase, the Llahuin project is not subject to any known payments or agreements and encumbrances, other than the Llahuin Option Agreement and any negotiated surface rights payments.

Upon exploitation, the project is subject to the option agreement detailed below.

In July 2011, MPS executed an Option to Purchase Agreement (Llahuin Option Agreement). The details of this agreement are summarised below:

- The Llahuin Option Agreement is a unilateral option to purchase agreement between MPS and Juan Sebastian Astudillo (Offeror), granted by means of a public deed executed at the Santiago Notary Public office of Ms. Antonieta Mendoza Escalas on July 8th, 2011.

- In addition to the Llahuin Mining Properties, the Llahuin Option Agreement also includes:

(a) the inherent water rights or those that according to article 110 of the Chilean Mining Code may pertain to the Llahuin Mining Properties, and those that benefit or may benefit the Llahuin Mining Properties and which the Offerors and persons related to them may eventually possess, have use or dispose of in any fashion;

(b) any type of rights concerning the surface lands, including ownership, and/or easements, that may come to or pertain to the Llahuin Mining Properties and/or the Offerors and persons related to them, obtained for the benefit of the Llahuin Mining Properties;

- The Llahuin Option Agreement refers to the following exploitation concessions: “Amapola Uno, 1 AL 20”, “Amapola Dos, 1 AL 20”, “Amapola Tres, 1 AL 20” and “Amapola Cuatro, 1 AL 18”, all located in the city of Combarbalá, Province of Limarí, Fourth Region of Coquimbo covering an area of 7.72 sq kms.

- By virtue of the Llahuin Option Agreement MPS acquired the right to explore the Llahuin Mining Properties, and irrevocably, the right to opt to acquire their ownership, at its discretion, and upon satisfaction of the conditions described in paragraph 5 below.

- The option price (the “Option Price) consists in the full amount of $1,875,000, which shall be paid in the sums and on the dates indicated herein below:

(a) The equivalent in pesos of $ 53,191- previously paid;

(b) The equivalent in pesos to $ 40,291- paid at the execution of the Llahuin Option Agreement;

(c) The equivalent in dollar to CLP37,500,000- paid on October 8, 2011;

(d) The equivalent in dollar to CLP45,000,000- paid on January 8, 2012;

(e) The equivalent in dollar to CLP60,000,000 - paid on April 8, 2012;

(f) The equivalent in dollar to CLP101,250,000 to be paid at the latest on July 8, 2012;

(g) The remaining balance of up to the total sum of $1,875,000 will be paid at the latest by January 8, 2013. This balance of price will be paid by transferring and assigning to the Offeror shares of SHM, which is a company properly constituted and existing in accordance with the laws of Australia. To determine the value of such shares, the Volume Weighted Average Price (VWAP) of transaction of such shares in the Stock Exchange of Toronto during the last seven business days prior to the date on which the payment of this last installment is paid, will be calculated.

- MPS may exercise the Llahuin Option and proceed with the purchase provided that :

(a) MPS has delivered full and timely payment of all the installments indicated in paragraph 5 above; or

(b) MPS shall be able to proceed with the purchase before any of the dates mentioned in paragraph 5 above, provided that it makes all the payments referred to in paragraph 5 above, which are unpaid (either because they are pending or yet to expire) at the date of accepting the irrevocable sale offer for the Llahuin Mining Properties.

- In order to secure the performance of the Offeror's obligations under the Llahuin Option Agreement, Juan Sebastian Astudillo granted a lien over the Llahuin concessions by way of registering the Llahuin Option Agreement with the Combarbala Mining Warden.
- The Llahuin Option Agreement was registered in Conservator of Mines, Combarbala on July 21, 2011.

4.7 Environmental Liabilities and Permits

AMS is not aware, nor has it been made aware, of any environmental liabilities associated with the Llahuin Project.

5 SITE LOCATION, CLIMATE AND PHYSIOGRAPHY

5.1 Location and Access

The Llahuin Project is located in central Chile, approximately 240km north of Santiago. It lies 17km south of the town of Combarbala (population 14,000), as shown in Figure 5.1_1, and can be accessed from Combarbala by well formed unsealed local roads.

The project area central UTM coordinates are 6,531,800 N and 307,700 E (Datum Long/Lat PSAD56).

5.2 Physiography and Climate

The Llahuin Project is located at an altitude of 1,300m on the flanks of the Llahuin Valley, as displayed in Figure 5.2_1. The area is characterized by a moderate relief depicted by mountain ranges and flat zones with deep ravines and steep slopes, with altitudes ranging from 1,000 to 1,500m above sea level.

The climate is semi-arid with a relative humidity of around 50%. Summer temperatures range from 24°C to 33°C with cool nights typical of desert climates. Winter temperatures are generally above freezing. Annual rainfall is around 200mm but long periods of drought and heavy rains are not rare in the region. The vegetation found is typical of the semi-arid climate and has adapted to the dryness and low relative humidity of the climate.

5.3 Local Infrastructure

The infrastructure is excellent. Access is good and a high tension electricity line is located within 5km of the project. A railway line near the project extends to two ports (Los Vilos and Coquimbo).Two airstrips in good condition are located within 16km of the project. The supply of food, water, fuel and communication is available in the towns of Combarbala and Illapel.

Water is available in the region in surface springs and underground aquifers. Water for exploration purposes is readily available.

Figure 5.1_1
Llahuin - Location Plan

Figure 5.2_1
Llahuin – Physiography – Looking North-East

6 HISTORY

6.1 Ownership History

The known history of the project commences with Cominco Resources LTD, which undertook exploration in 1983. Antofagasta Minerals S.A. (AMSA) acquired the project in 2004, and joined the numerous small mining properties generating a unified and simplified area for exploration. At the beginning of 2011, a subsidiary of SHM reached a commercial agreement required to acquire this project from Mr. Sebastian Astudillo who acquired the project from AMSA on the same date.

6.2 Exploration History

The Llahuin Project has been the subject of several exploration programs developed by various mining companies who have focused their efforts on the exploration for copper and gold resources.

Cominco in 1983 undertook surface sampling and geophysical profiles of induced polarization along with completing 7 drill holes. Results to these drillholes have not been located by AMS.

In 2004, AMSA conducted a prospecting program in the area that included a geological mapping at a scale of 1:2000 and 3 RC and 2 DC holes. The drill holes were concentrated in the area of Llahuin porphyry below the current open pit. These holes identified several zones of Cu, Au and Mo mineralization. Results of these drillholes have not been located by AMS.

6.3 Production History

The area of Llahuin - El Espino mining district - is an old mining district that has been historically mined for gold and copper mineralization focused mainly on vein-style mineralization.

The Llahuin Open Pit, as displayed in Figure 6.4_1, is located at the center of the deposit. Its mining history dates back to the XVIII century and up to 2 years ago. A vein in the centre of the pit was mined at widths of between 1m to 3m with grades between 1% and 10% Cu and between 1g/t and 5g/t Au

Figure 6.4_1
Llahuin Open Pit – Looking South West

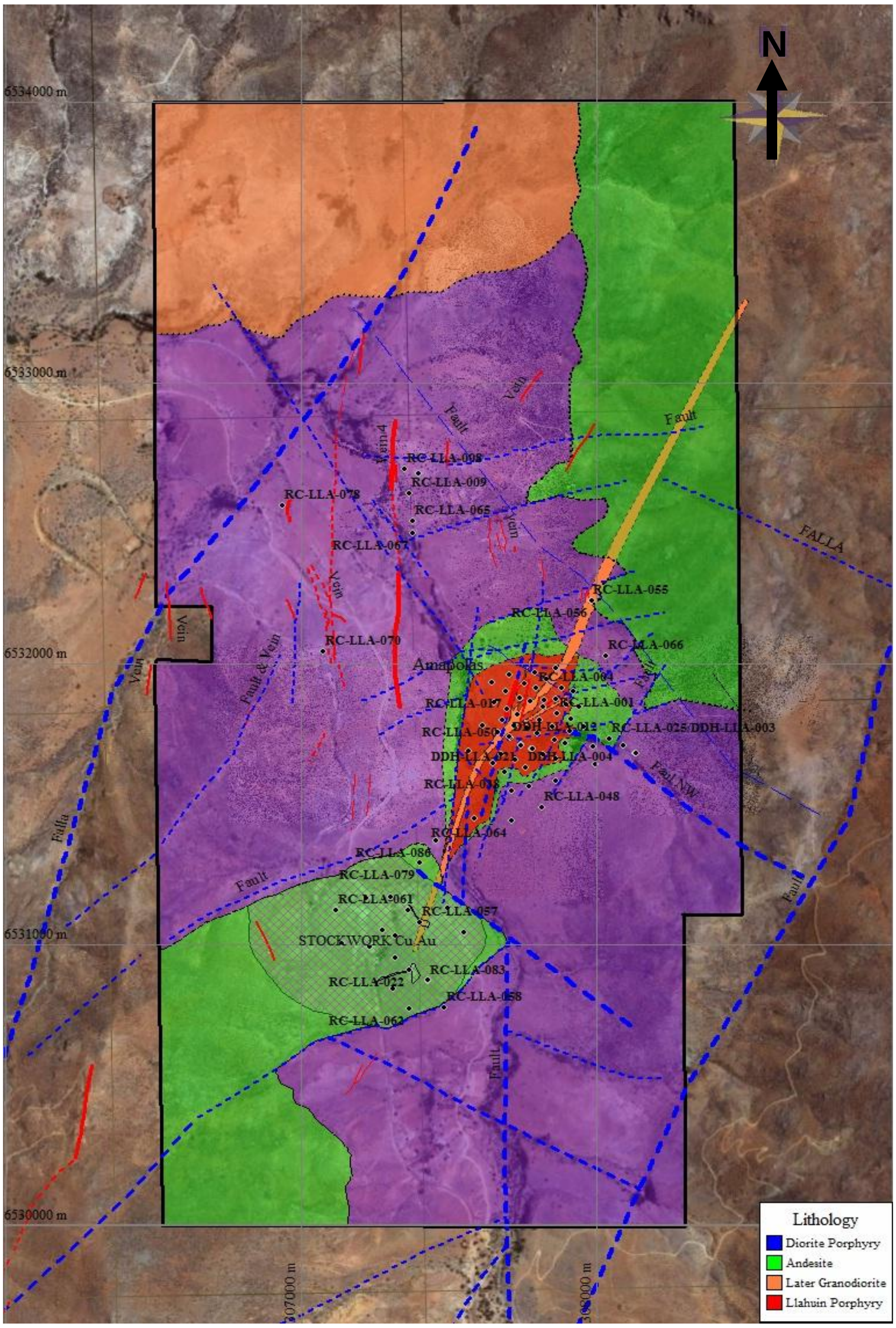
No formal records exist of the material mined from this open pit.

7 GEOLOGICAL SETTING AND MINERALIZATION

7.1 Regional Geology

The regional geology is characterized by a series of stratified rocks, which are part of the Arqueros Formation and Quebrada Marquesa Formation (Aguirre et al., In Rivano et al., 1991) of Neocomian age, and Barremian-Albian, respectively, and these formations are intruded by several intrusive stocks as displayed in Figure 7.1_1.

Figure 7.1_1
Llahuin Project – Regional Geology



The Arqueros Formation is represented by a large sequence of volcanic flows and andesitic breccias, with interbedded sandstone and epiclastic breccias, which form a northwest-trending homocline that dips to the east. This formation is concordant, and sometimes occurs as interdigitations within the sedimentary units of the Quebrada Marquesa Formation, including marls, limestones, shales, sandstones, conglomerates, and gypsum. The Arqueros Formation commonly displays ductile deformation with the development of open folds.

Both stratigraphic sequences are intruded by plutons from the Illapel Super Unit and the San Lorenzo Unit. The first is represented mainly by Cretaceous granodiorite and diorite quartzite. The second unit is represented by a Late Cretaceous - Paleogene dioritic porphyry.

The regional structural geological framework has played an important role on the control and distribution of lithologic units. Numerous geological faults are recognized, which may have displaced major blocks of ground, at district and local scale.

These faults have controlled the location of various intrusives and mineralization, and have been fundamental in the development and control of the mineralization.

There are three sets of faults with orientations N-S, NE-SW and NW-SE as displayed in Figure 7.1_1. Most of the structures are inclined between 70° and 85°, and show oblique movements, with mainly horizontal displacements, and to a lesser extent vertical displacements.

7.2 Project Geology and Mineralization

The Cu-Au-Mo porphyry at Llahuin comprises two circular mineralized bodies of approximately 300 to 400m in diameter, associated with a stockwork hosted in a porphyritic dioritic to monzonitic intrusion, as displayed in Figure 7.2_1. Mineralization extends down over 600m depth.

The high grade mineralization occurs as disseminations along hairline fractures as well as within larger veinlets. The high grade mineralization typically contains between 0.2-1.0 % copper, with smaller amounts of other metals such as gold and molybdenum.

The higher grade mineralization is hosted in the central zone of the dioritic porphyry stock, which contains Cu and Au mineralization associated with potassic alteration. The stockwork, which facilitated the alteration, contains chalcopyrite, smaller amounts of bornite, molybdenite, and some minor pyrite. Both quartz stockwork and magnetite stockwork are present.

Lower grade mineralization is found in the volcanic units on the flanks of the porphyry.

The Llahuin Porphyry comprises a series of porphyritic intrusions of medium to fine grained dioritic and monzonitic composition that intrude volcanic rocks of the Marquesa Formation (Cretaceous), which are strongly brecciated, mineralized and silicified as a hornfels unit The higher grade part of the system has intense potassic alteration, as evidenced by intense secondary biotite disseminated and veinlets. The potassic alteration is accompanied by quartz stockwork, and magnetite stockwork. The higher grade mineralization corresponds to chalcopyrite-bornite-molybdenite, in some cases accompanied by pyrite. Samples of mineralisation styles are displayed in Figures 7.2_2 to 7.2_5.

The mineralization consists of two main zones: the Llahuin Porphyry Zone, and the Cerro Zone, which is located 1km to the south of the Porphyry. The surface expression of the Cerro Zone has been drilled but the underlying intrusive has yet to be tested. The Cerro zone is seen as the stockwork cap to a potentially larger porphyry deposit that lies predominantly within volcanic rocks.

Figure 7.2_1

Llahuin – Project Geology

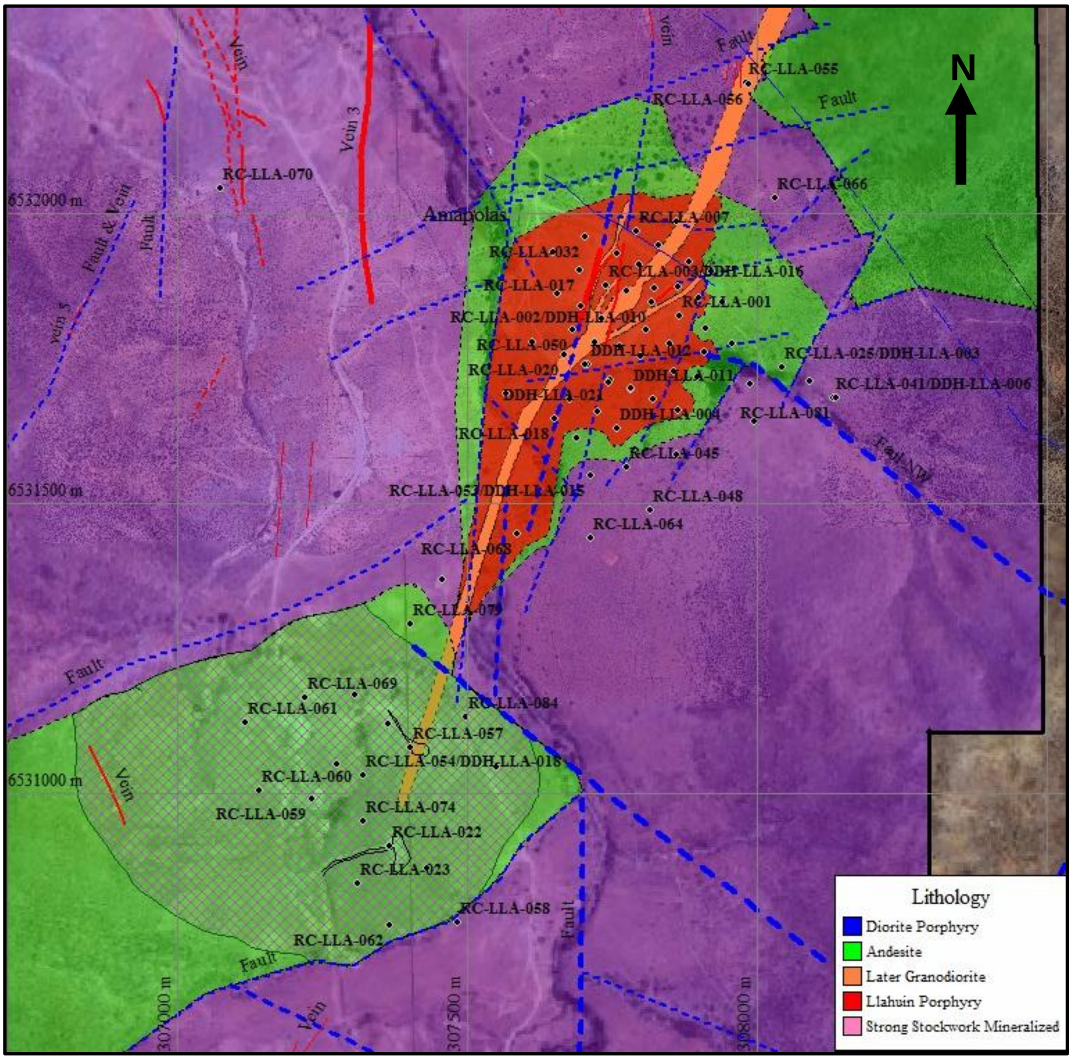


Figure 7.2_2
Hand Specimen – Typical Veining within Llahuin Porphyry

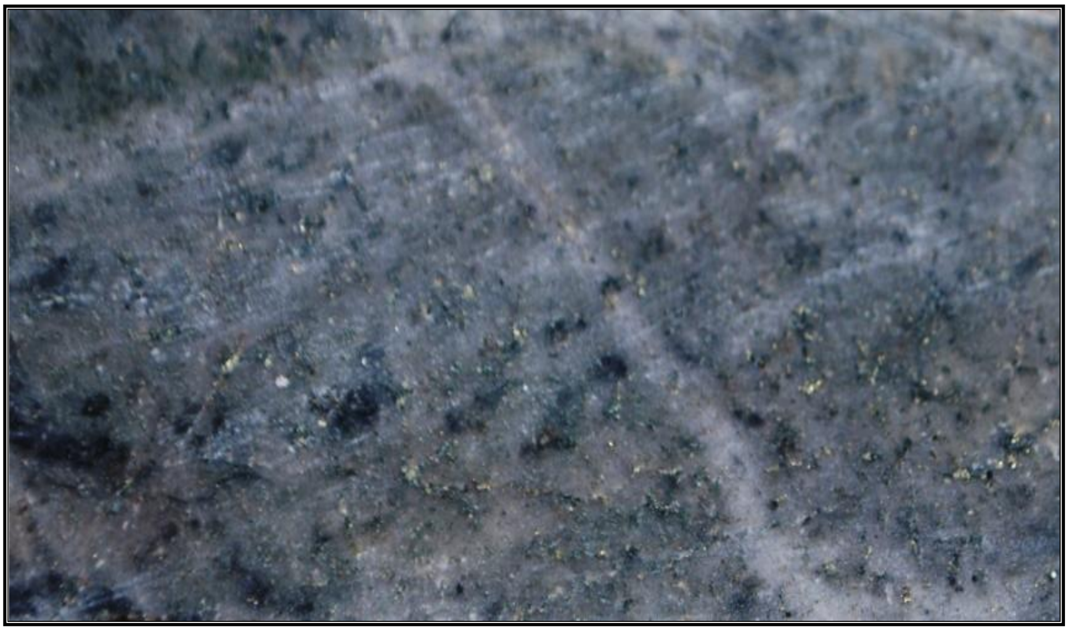
Figure 7.2_3
Outcrops – Typical Veining within Llahuin Porphyry

Figure 7.2_4

Core Specimens – Llahuin Porphyry – Bornite/Chalcopyrite Vein - DDH-LLA-003: 293.70m

Figure 7.2_5

Core Specimens – Disseminated Chalcopyrite in Quartz Vein - DDH-LLA-001: 326.2m



8 DEPOSIT TYPES

This region in Chile is dominated by Porphyry Cu-Au deposits and to a lesser extent vein type and manto type Au deposits.

The economic Cu and Au mineralization occurs most commonly in stockwork disseminated mineralization associated with porphyry copper deposits. It also occurs in both veins and, to a lesser extent, mantos.

These Porphyry Cu-Au deposits are hosted in stratified and intrusive rocks, and have a mineralogy characterized by chalcopyrite, bornite, specularite, magnetite, pyrite, calcite and quartz. Commonly associated alteration is rich in epidote, chlorite, sericite and clay. In general, deposits are of small magnitude, but with significant grades of Cu and Au, which have allowed the development of a small small-scale mining. The main mining districts in the area are the Farellón Sanchez Farellón Vasquez Lahuín Plains, El Espino and Llahuín Porphyry systems, the latter displaying a strong presence of potassic alteration, given by secondary biotite, accompanied by much magnetite, and quartz stockwork.

The basis of which the exploration program is being planned by SHM is covered in section 9 of this report.

9 EXPLORATION BY SHM

Exploration has comprised rock chip sampling, geophysics and drilling.

9.1 Rock Chip Sampling

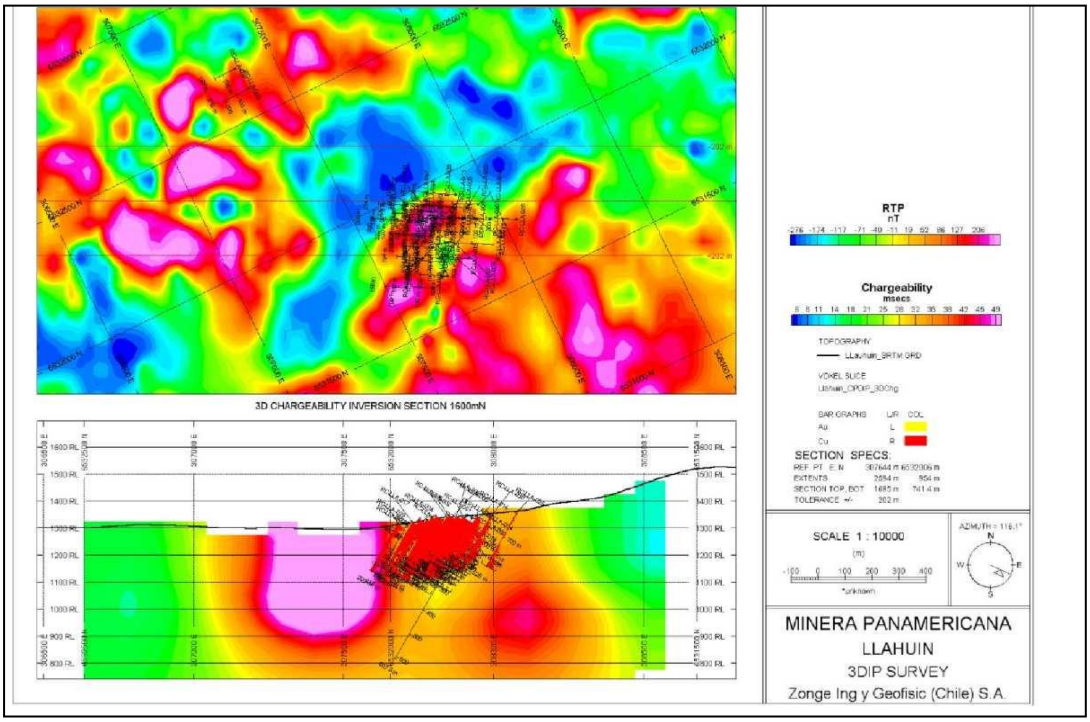
The rock chip sampling has been focussed on a few of the visible veins on the concessions, and consists of 58 samples for Au and 10 samples for Cu.

The rock chip sampling has concentrated on parts of three veins on the concessions and is not presented here as the author believes that it is not representative of the total picture of the concessions. It is recommended that more intensive sampling on the many veins on the property is carried out as a matter of some urgency, given the likelihood of higher Au grades than those encountered in the Llahuin Porphyry and Cerro Zone deposits.

9.2 Geophysics

A geophysical survey consisting of ground magnetics and induced polarisation (IP) was conducted by Zonge Ingenieria Y Ge Ofisica (Chile) S.A. (Zonge) between September and October 2011.The magnetic survey was conducted on 100m spaced lines and the IP survey was conducted on 200m spaced lines. There was a strong correlation between the IP results and mineralization and the predictive geophysical model suggested that drilling to the south-east of Llahuin Porphyry and at depth is warranted, as displayed in Figure 9.2_1.

Figure 9.2_1
Llahuin Project – Induced Polarisation Survey



10 DRILLING

10.1 Introduction

SHM commenced drilling at the Llahuin property in June 2011 and as at 23 March 2012 had completed a total of 14,728m of RC in 81 holes and 6,991m of DC in 17 holes, as summarized below in Table 10.1_1.

Table 10.1_1
SHM Exploration Drilling Summary

Area	RC Holes	RC Metres	DC Holes	DC Metres
Llahuin Porphyry	60	10,959	17	6,991
Cerro Zone	14	2,716		
North Of Llahuin Porphyry	7	1,053		
Total	**81**	**14,728**	**17**	**6,991**

The project has been drilled on a nominal spacing of 50m by 50m in the upper portion of the system on the Llahuin Porphyry, and to a lesser extent, the Cerro Zone. The drill spacing widens out to 100m by 100m spaced pattern at the bottom of the presently tested area within the Llahuin Porphyry.

RC holes were mostly drilled to an average depth of 200m. Some RC holes were extended by diamond drilling to an average depth of 650m on a grid spacing of 100m by 100m.

10.2 Drilling Procedures

The drilling has been completed by three drilling companies. They are HSB Sondajes, Geosupply and Raul/Mimoz Ltd.

The water table is generally encountered between 50m and 190m down hole. Where the water table is encountered a rotary splitter is used to assist with sample quality. Sixty percent of the RC samples are wet.

Diamond drilling (DC) is performed as tails at the termination of some of the RC holes. Three DC holes were drilled from the surface and attempted as twin holes but the rig could not be positioned closer than within 4m to the RC hole. Any subsequent analysis of this paired data is not warranted at this stage in the project.

The DC recovery is generally greater than 90% and whilst fractured in areas of higher grade mineralization, it is generally competent and intact.

10.3 Drilling Orientation

Drillholes have been orientated orthogonal to both the strike and, where possible, the dip of each mineralized zone.

It is apparent that some outcropping, narrower, steeply dipping higher grade zones within Llahuin Porphyry have potentially been missed due to drill spacing and possibly orientation. AMS has recommended that future drilling consist of some scissor holes to test the zones.

10.4 Surveying Procedures

10.4.1 Accuracy of Drillhole Collar Locations

The precision of the standard hand held GPS units is poor in this portion of Chile so a licensed surveyor was employed to pick up the 81 drillhole locations and the topography. The survey was performed by Mr. Luciano Alfaro Sanders. The work covered an area of approximately 200ha, and included each of the 81 drillholes collars picked up to within 3cm accuracy.

10.4.2 Down-hole Surveying Procedures

The DC holes have been down hole surveyed using a non-magnetic gyroscopic instrument. The deviation on these holes is minimal. The holes tend to deviate to the north by two to three degrees per hundred metres, and they both steepen and flatten in dip, usually by one to two degrees per hundred metres.

RC holes have not been downhole surveyed due to magnetic interference. RC holes are commonly drilled to the west at 60 degrees with lengths between 100m to 200m.

AMS considers the locations the downhole and surface surveys along with the topography to be suitable for a mineral resource estimate.

11 SAMPLE PREPARATION, ANALYSES AND SECURITY

11.1 Sampling Method and Approach

11.1.1 Diamond Core Sampling

DC Samples are taken on 2m intervals. In places this overlaps geological contacts, although contacts are hard to determine in places due to pervasive alteration, Core has not been orientated for structural measurements. The core is cut lengthways with a diamond saw and half-core is sent for assay.

The ½ core is bagged every 2m and sent for preparation and the remaining ½ core is returned to the cardboard core box, as displayed in Figure 11.1_1, and a lid is placed on the box and it is stored in a weatherproof concrete shed for future reference.

Blanks and field duplicates are inserted at irregular intervals, at a range of between 1:20 and 1:50. All samples are placed in calico bags and then into plastic bags and cable tied.

Three DC holes were reviewed and there are no major recovery issues that are usually associated with either oxidised or heavily faulted or cavernous ground. The remaining core photographs have been reviewed digitally.

11.1.2 Reverse Circulation Sampling

RC samples were collected at 1m intervals up until RC-LLA-014 and then 2m intervals thereafter. The samples are processed through a rotary splitter when wet. The author has observed the rotary splitter in action and is satisfied that it is an effective sampling device. The samples are quartered in riffle splitters. Sub-samples weigh approximately 5kg and are collected in calico sample bags. Blanks and Field Duplicates are inserted at irregular intervals of between 1:20 and 1:50. All samples are placed in plastic bags and cable tied.

11.1.3 Logging

Diamond core is logged in detail for geological and structural information. Whole core is routinely photographed. DC and RC chip logging is conventional and appropriate.

Core recovery has not been routinely recorded for all drillholes. Observed core recovery is generally 95% or higher and infrequently 70-80% or less. The lower recoveries occur mainly in the heavily faulted zones.

11.2 Sample Security

DC is currently transported directly to the Llahuin exploration camp (approximately 1km from drilling operations) to the core preparation and storage base. After logging, core samples are marked for splitting and sampling by SHM geologists. Each core sample is placed in a plastic bag for transporting via truck to Andes Analytical Assay Ltda laboratory in Santiago.

Reference material is retained and stored on site, including half-core and photographs generated for diamond drilling, and duplicate pulps and residues of all submitted samples. All pulps are stored at the Llahuin exploration camp.

Figure 11.1_1
Llahuin Project –Diamond Core Presentation

11.3 Sample Preparation and Analysis

The entire sample preparation and analysis procedure was performed by AAA Ltda Laboratory in Santiago, Chile. The laboratory has not been physically inspected by the author. Sample preparation and analysis procedures are:

- Drying and weighing of whole sample, for between 2 and 24 hours depending upon moisture content, at 70 degrees C;
- Primary crushing of sample to -2mm;
- Sample homogenization and splitting to a 1kg sub-sample;
- Pulverization to 80% passing -150 mesh;

- Splitting of pulverized material to 400 gram pulp;
- Fire assay for Au (1100 degrees C), AAS, if Au is > 3 g/t then the analysis is gravimetric. The Quoted detection limit is 0.01 g/t Au.
- Aqua Regia method of analysis for Cu and Mo. Quoted detection limit is 0.001% Cu and 0.001% Mo.

11.4 Adequacy of Procedures

The sampling methods, chain of custody procedures, and analytical techniques are all considered appropriate and are compatible with accepted industry standards.

12 DATA VERIFICATION

12.1 Drillhole Database

The data is housed in a series of spreadsheets. The higher grade intercepts in the spreadsheets were checked by AMS to the original scanned laboratory certificates and no issues were found.

The logging was checked on site and it is relatively consistent, except where there are large tracts of strong potassic alteration. Where there are large tracts of strong potassic alteration it can be difficult to differentiate between the volcanics and the porphyry.

Hard copies of original paper drill logs, daily drill reports, core photos, assay results, and various ancillary logging features are stored on site at Llahuin.

12.2 Analytical Quality Control

Fifty three (53) blanks have been inserted into the sample stream. This is relatively low, considering the total amount of samples taken, although there are no signs of contamination. The insertion rate for blanks needs

Eight hundred and fifty seven (857) laboratory standards have been analysed in a large variety of Cu and Au grade ranges and there is no apparent bias of any significance. SHM should submit their own commercial standards to ensure that this process is valid.

Two hundred and seventy nine (279) field duplicates have been taken. The accuracy for Cu is very good. The accuracy for Au is poor, although most of the variance is in samples below 0.05 g/t Au and this is likely to be a combination of both sample and assay error, given the very low grades.

12.2.1 **Field Duplicates**

Field duplicates have only been taken on RC holes. They have been collected as a sub-split of the sample mass at the RC rig by riffle splitting. The duplicates are inserted at irregular intervals of between 1:20 and 1:50.

The precision of the field splits is very good for Cu, as displayed in Figure 12.2.1_1, and is poor for Au, particularly below 0.05 g/t, as displayed in Figure 12.2.1_2, although this is a function of very low grades, as well as sample and laboratory detection limits. This variance in Au field duplicate grades, at very low grades, is not seen as material to the resource estimate.

Figure 12.2.1_1
Llahuin – Field Duplicates - Cu

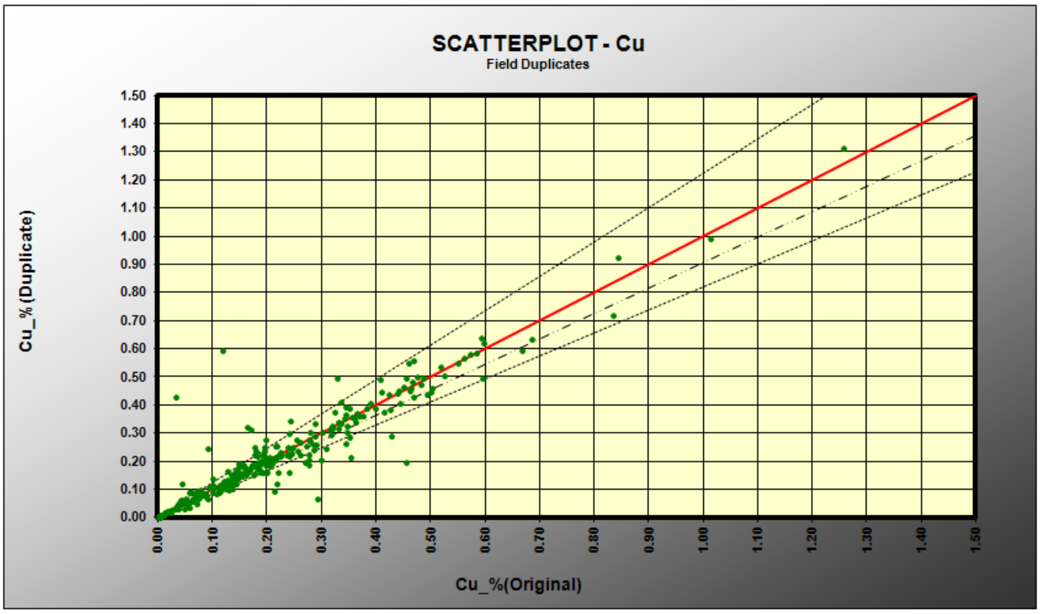
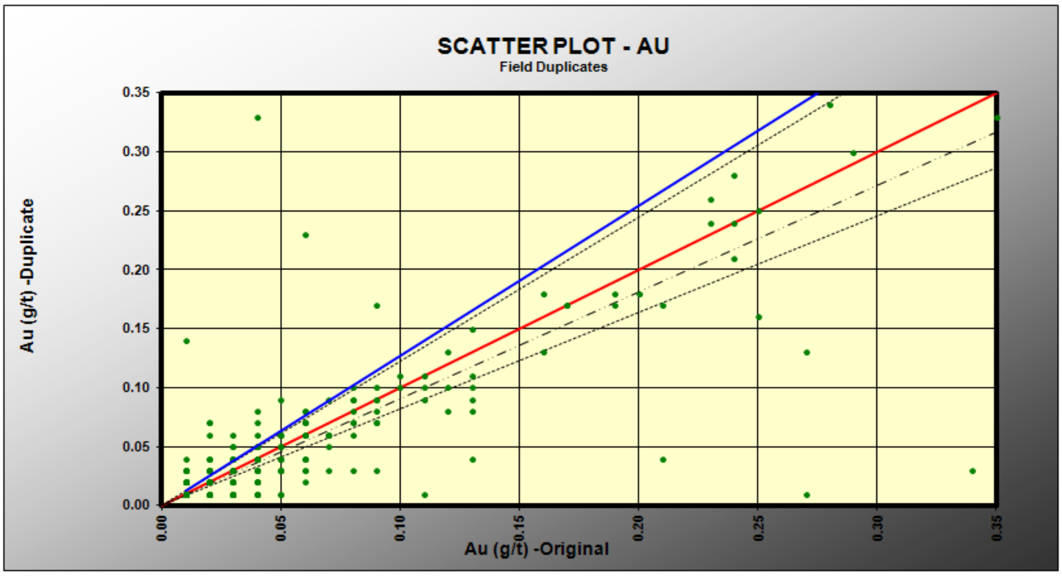


Figure 12.2.1_2
Llahuin – Field Duplicates - Au

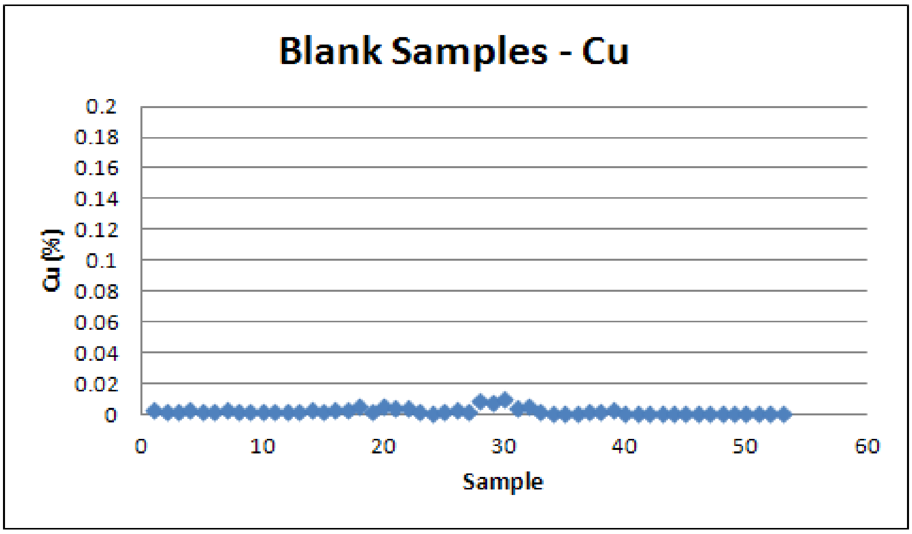


12.2.2 **Blanks**

Fifty three blanks have been inserted into the sample stream. This is relatively low, considering the total amount of samples taken, although there are no signs of contamination.

Blanks have been inserted in random batches and show no signs of contamination for Cu, as displayed in Figure 12.2.2_1, or for Au.

Figure 12.2.2_1
Llahuin – Blanks Samples - Cu



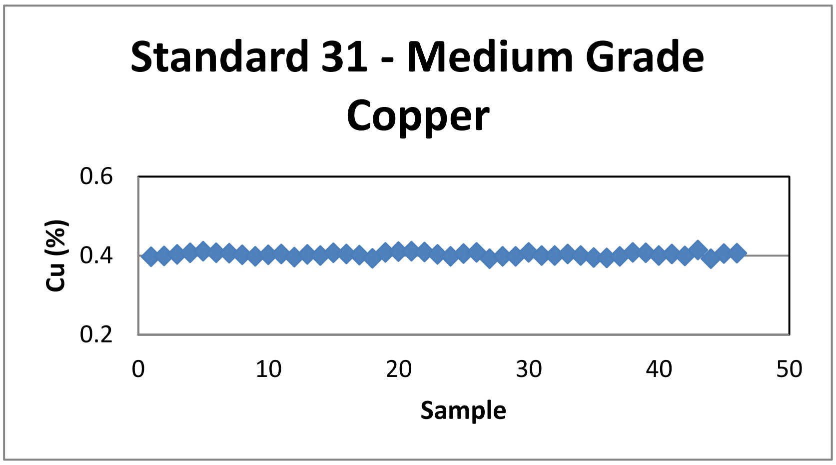
12.2.3 **Standards**

The commercial standards (857) are inserted by the laboratory and are of multiple grade ranges for Cu and Au. All results are acceptable. All data sets display >90% of data having a precision within 10%. An example is shown in Figure 12.2.3_1.

SHM should be inserting their own standards to check the laboratory processes in the future.

Figure 12.2.3_1

Standards – Medium Grade Cu



12.3 Bulk Densities

Bulk densities assigned to the mineral resource estimates were derived by SHM using the Archimedes method, water-immersion (wax) on 53 core samples. Whilst the total data set is low, the results are clustered about the mean for each rocktype. There were no cuts applied to the data set. The average values determined for the various lithological domains are within industry standard.

Bulk densities for volcanic sediments, granodiorite, and porphyry were amalgamated as these units were modelled as one domain. Separate bulk densities were determined for monzonite and the eastern granodiorite unit as displayed in Table 12.3_1.

Table 12.3_1

Bulk Density Measurements

Modelled Unit	Samples	Bulk Density
Granodiorite East	4	2.64
Volcanics, Porphyry, Granodiorite	38	2.85
Monzonite	11	2.79
Total	53	

12.4 Adequacy of Data

The blanks, standards and field duplicate data returned display acceptable precision and accuracy suitable for mineral resource estimation for Cu, although some questions still exits over the adequacy of the Au grade data. Given the low levels of Au in the estimate, this is not seen as material to the project at this stage.

Future QAQC should be carried out in a more systematic way. SHM should insert their own commercial standards into the sample stream, rather than relying upon laboratories to check their own precision.

13 MINERAL PROCESSING AND METALLURGICAL TESTING

There has been no metallurgical testwork commenced to date due to the stage of this project. The next stage in this project needs to involve collection of routine metallurgical samples for testwork.

14 MINERAL RESOURCE ESTIMATES

14.1 Introduction

AMSL has estimated the Mineral Resource for the Llahuin Project utilising drilling data as of 30th March 2012. All grade estimation was completed using Ordinary Kriging (OK) for Au, Cu and Mo. This estimation approach was considered appropriate based on review of a number of factors, including the quantity and spacing of available data, the interpreted controls on mineralization, and the style of mineralization. The estimation was constrained within separate Cu and Au grade shells that is based on both population statistics and geological controls.

The mineral resource estimate is based upon 17 diamond holes (6,991m) and 81 RC holes (14,728m) with the vast majority of the drilling completed at a spacing of approximately 50m by 50m to 100m by 100m.

14.2 Database

One spreadsheet named DB_Llahuin_March2012.xls was received from SHM. The following checks were performed:

- Holes that had no collar data.
- Overlaps in sample intervals.
- Gaps in sample intervals.
- Matching the geological logging length to the hole sample length.

There were no material errors noted within the database.

The drillholes were imported into Minesight and Datamine and their locations were compared to the topographic surface provided with an excellent match.

14.3 Geological Modelling

The lithological units, as displayed in Figure 14.2_1 were interpreted in cross section and then the statistics for each unit were compared for the Llahuin porphyry deposit. The Cerro Zone is almost entirely in volcanics so this approach was not required for this domain.

A visual review of the logged alteration found that there was only weak correlation between logged alteration intensity and grade. There is little or no oxidation present at this site.

The porphyry, volcanics, granodioritic dykes, dioritic porphyry and the monzonite were grouped together as a single unit named super-unit, for estimation purposes, which are units 1, 2, and 4, for the Llahuin Porphyry deposit based on the statistics presented in Figure 14.2_3 and 14.2_4 and a review of cross sections. The eastern diorite unit, unit 3, is almost entirely unmineralised and was treated separately.

Separate 0.15% Cu and 0.10 g/t Au grade shells were then chosen within the super-unit, based upon population statistics. The eastern diorite unit was modelled as one package, without the application of grade shells.

Separate 0.15% Cu and 0.10 g/t Au grade shells were also chosen for the Cerro South Zone.

Figure 14.2_1

Schematic Cross Section Looking North Showing Geological Units – Llahuin Porphyry Deposit

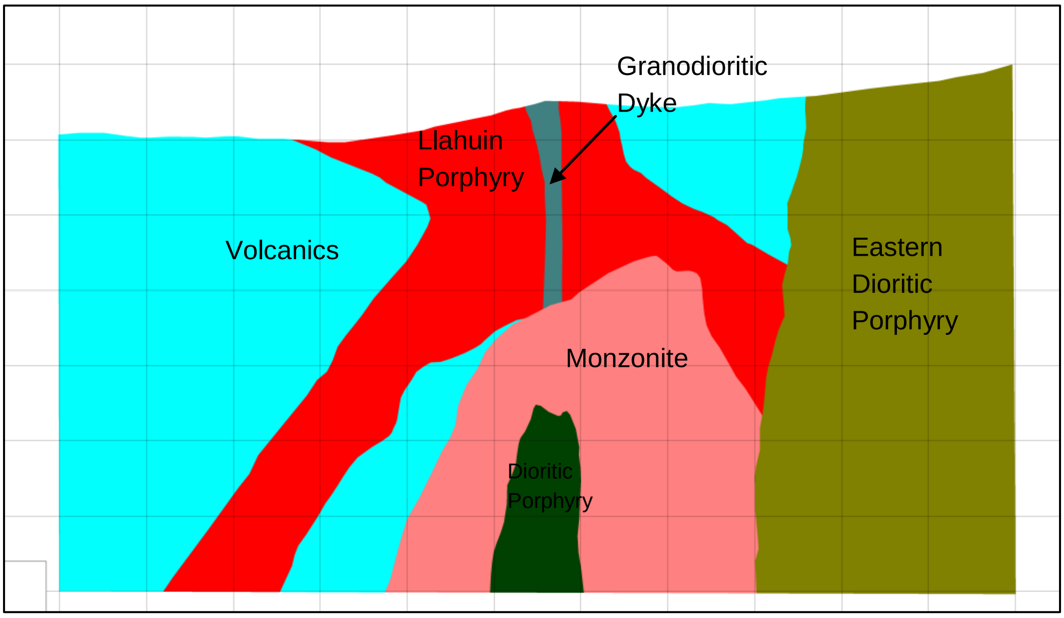
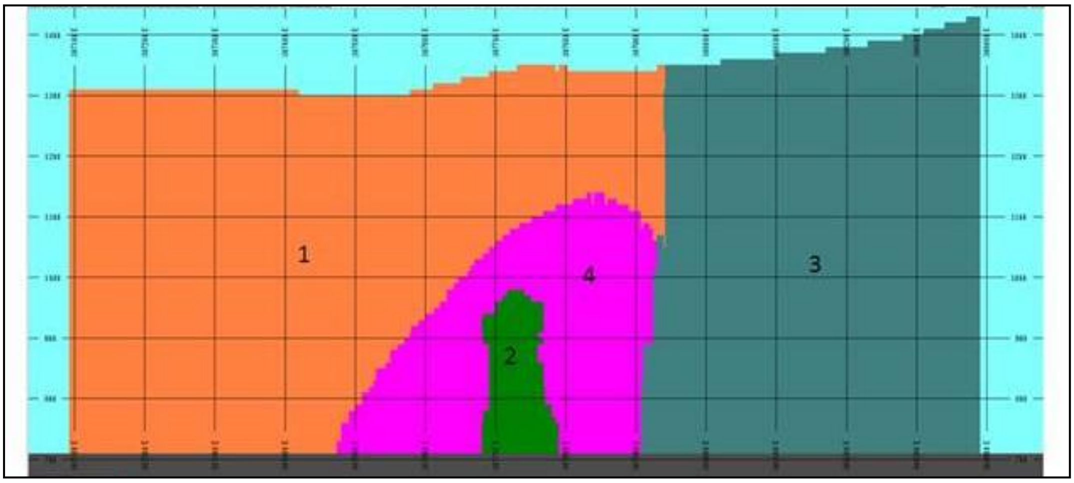


Figure 14.2_2

Schematic Cross Section Showing Grouped Geological Units – Llahuin Porphyry Deposit



Unit 1: Volcanics, Granodioritic Dykes and Llahuin Porphyry

Unit 2: Dioritic Porphyry at depth

Unit3: Eastern Dioritic Porphyry

Unit 4: Monzonite

Figure 14.2_3

Log Probability Chart for Cu of Major Geological Units – Llahuin Porphyry Deposit

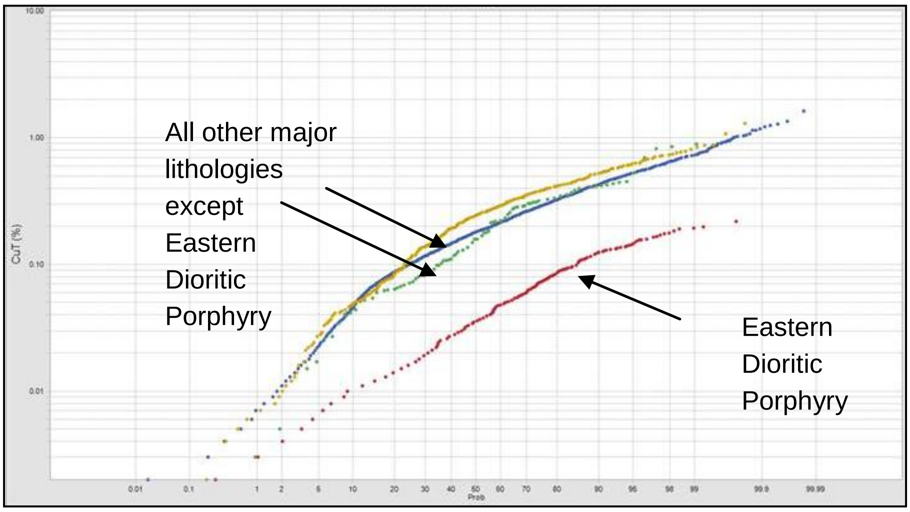
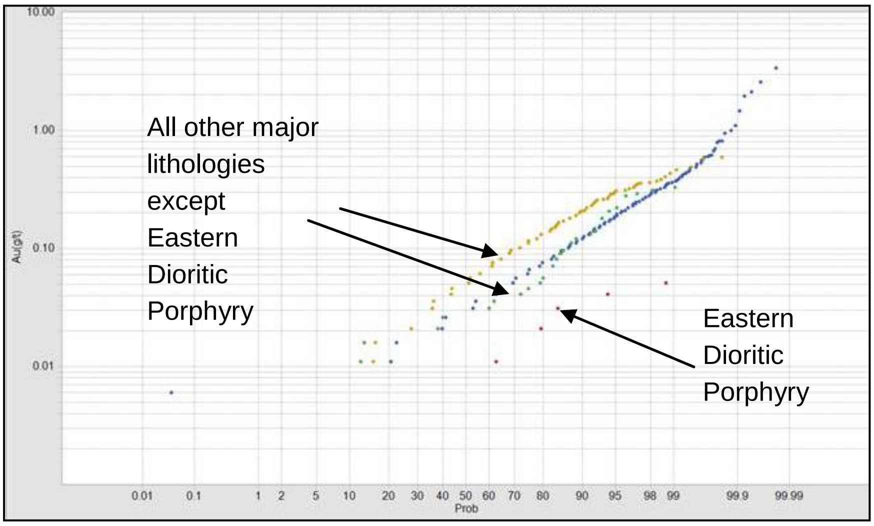


Figure 14.2_4

Log Probability Chart for Au of Major Geological Units – Llahuin Porphyry Deposit



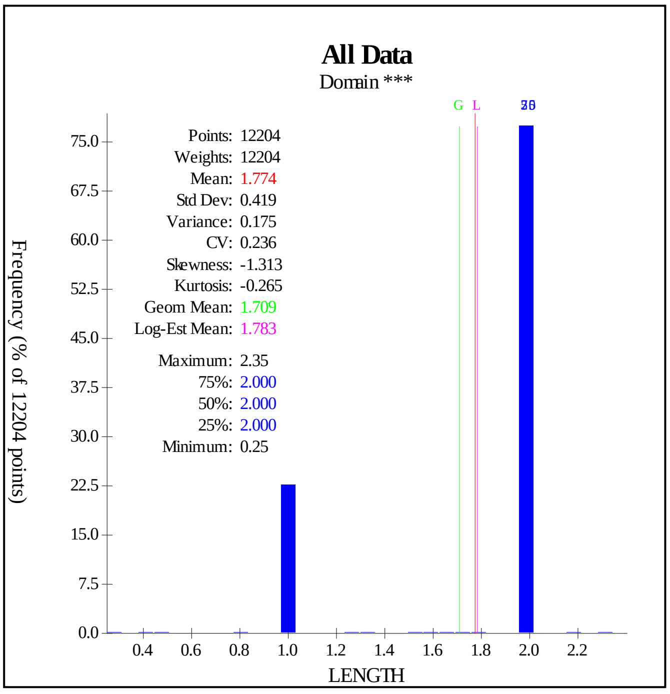
14.4 Sample Selection and Compositing

Samples were selected as either inside or outside the relevant Cu or Au grade shell for both Llahuin Porphyry and Cerro Zone deposits.

Compositing was on 2m intervals as this matches the majority of the sampling of the deposit as displayed in Figure 14.4_1. The minimum composite length used was 1 m. There were no residuals. AMS decided to retain a 2 m composite, rather than a larger composite to mimic some of the grade variability often seen in porphyry copper deposits when they reach the grade control stage.

Figure 14.4_1

Sample Length (m) – All Drilling



14.5 Basic Statistics

The statistics of each major lithological unit was reviewed as displayed in Figures 14.2_3 to 14.2_4 and the grouping of units at Llahuin Porphyry has been previously discussed.

The grade shell of 0.15% Cu was chosen based upon a reasonably clear population break, as displayed in Figure 14.5_1 and inspection of the data on cross sections. The grade shell of 0.10 g/t Au was chosen based upon inspection of data on cross sections. The population break for Au is not as clear on log probability plots as it is for Cu.

An analysis of the data all strongly suggests that the use of upper cuts is not warranted as displayed in Figures 14.5_2 to 14.5_5.

93% of data has assays for Cu within the Cu grade shell; 99% of data has assays for Au within the Au grade shell and 10% of the data has assays for Mo within the Cu grade shell.

Figure 14.5_1

Histogram (Cu) – All Llahuin Porphyry Composites

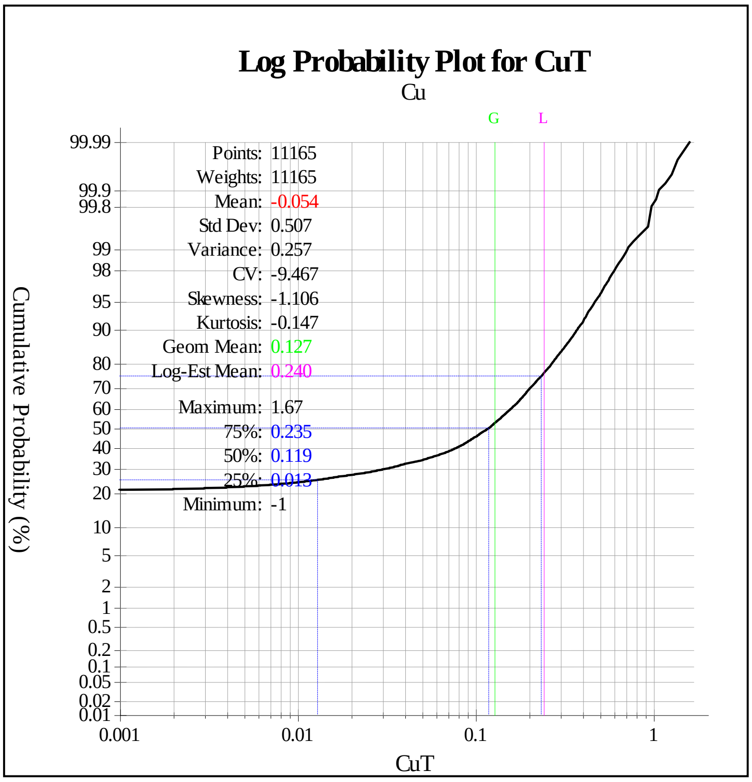


Figure 14.5_2

Histogram (Cu) – Llahuin Porphyry Composites inside Cu Grade Shell

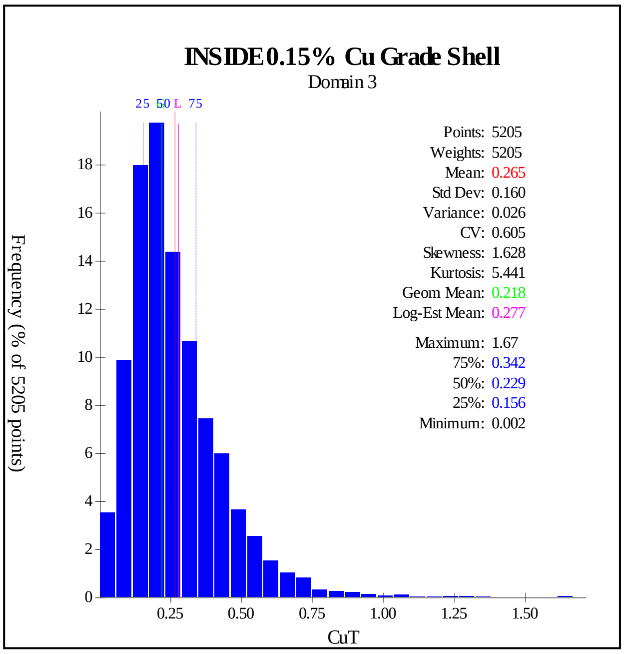


Figure 14.5_3

Log Probability Chart (Cu) – Llahuin Porphyry Composites inside Cu Grade Shell

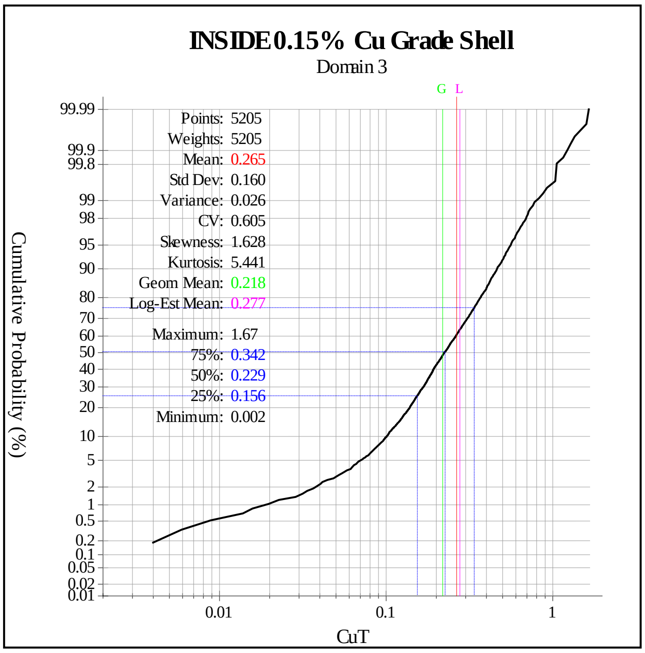


Figure 14.5_4

Histogram (Au) – Llahuin Porphyry Composites inside Au Shell

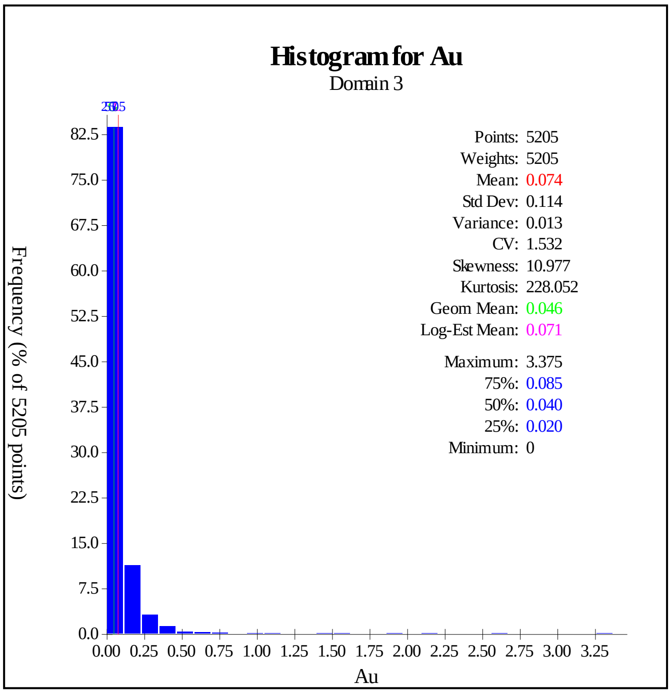
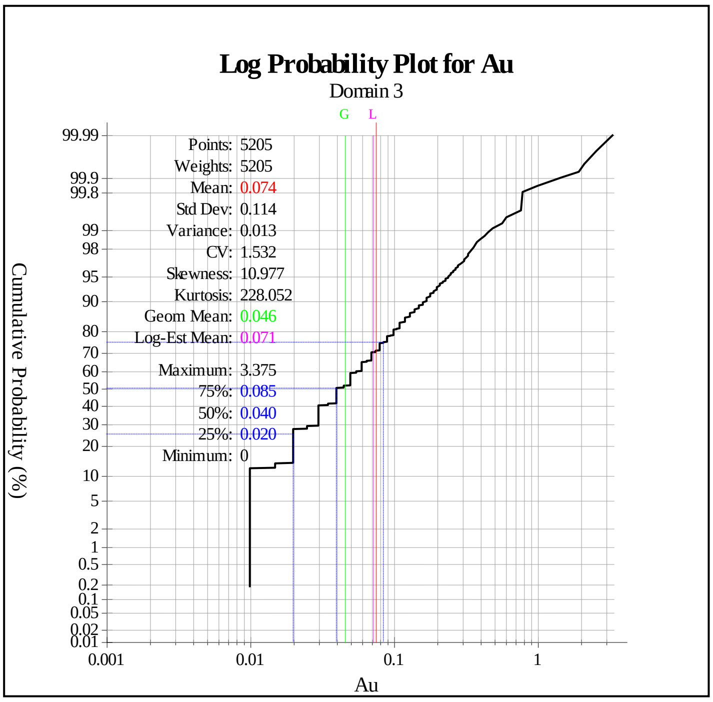


Figure 14.5_5

Log Probability Chart (Au) – Llahuin Porphyry Composites inside Au Shell



14.6 Variography

Robust variograms were generated for Llahuin Porphyry and these were then applied to the Cerro South Zone as it did not have the same amount of data, although the geological trends are similar.

Correlograms were generated on untransformed and uncut composites within each of the Cu and Au grade shells.

The nugget for Cu accounts for 30% of the total variance with 50% of the variance being encountered within the first 50m as displayed in Figure 14.6_1. Total ranges for Cu are in the order of 200m. The variogram for Cu was orientated N-S with a 30 degree easterly dip corresponding to the layering within the volcanics unit.

The nugget for Au accounts for 50% of the total variance with the majority of the variance being encountered within the first 50m as displayed in Figure 14.6_2. Total ranges for Au are in the order of 100m. The variogram is isotropic for Au and is probably a reflection of the confluence of some vein style mineralization with stockwork style mineralization.

There was insufficient data for Mo to generate reliable variograms and the Cu variograms were substituted for Mo during estimation.

Figure 14.6_1

Correlogram (Cu) – Llahuin Porphyry inside Cu Grade Shell

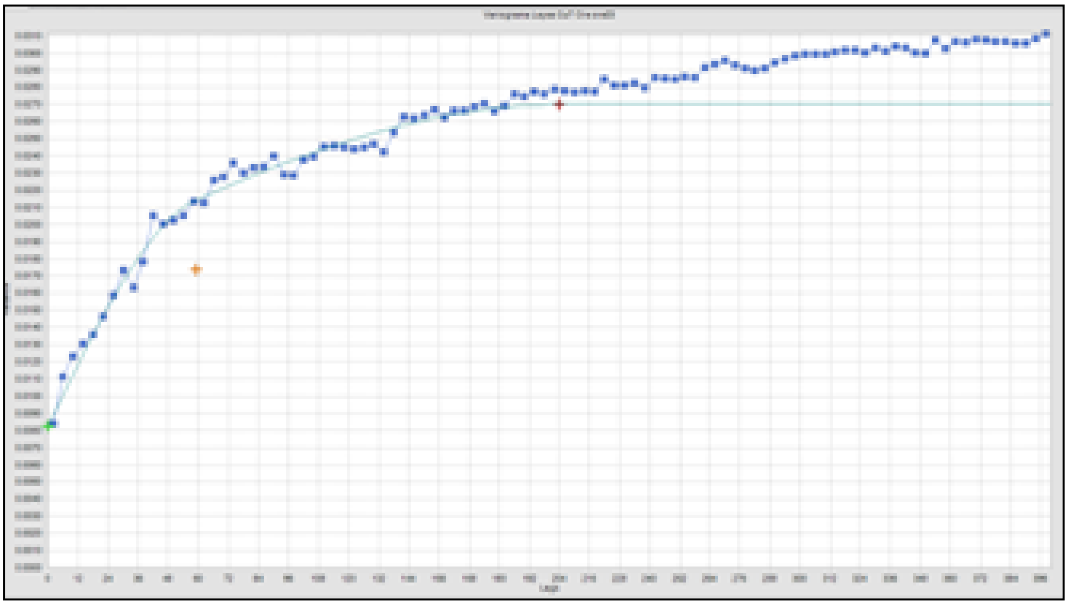
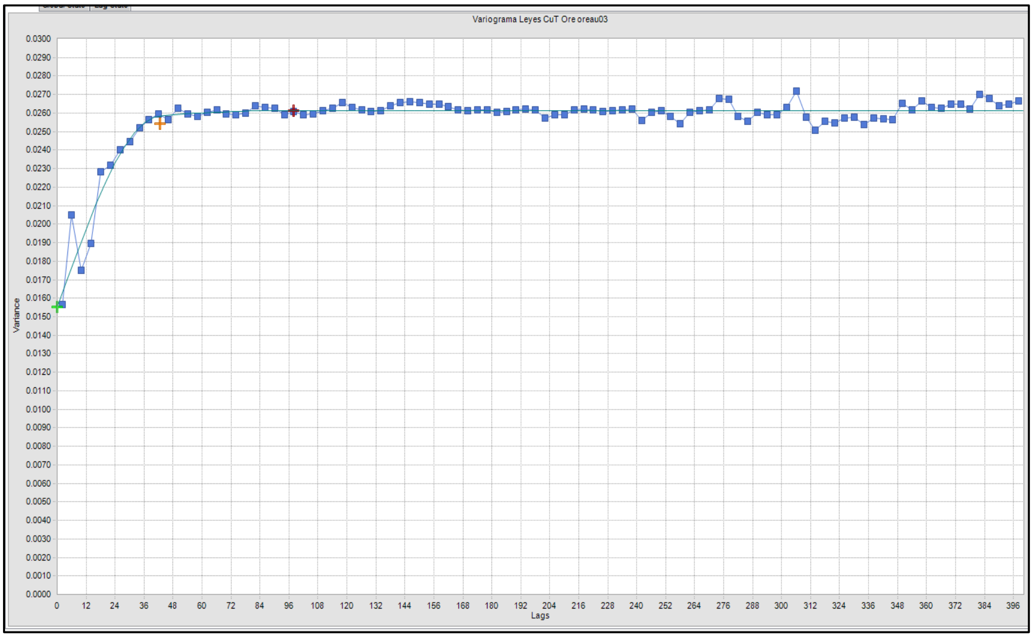


Figure 14.6_2

Correlogram (Au) – Llahuin Porphyry inside Au Grade Shell



14.7 Block Modelling

The block model was generated using Minesight mining software. A parent block size of 10mE x 10mN x 10mRL was selected. This smaller block size, relative to the drill grid, was chosen as it represents a mixture of a likely SMU and an attempt to mimic grade variability at the grade control stage.

The cells were not sub-blocked. A proportional field was retained in each cell and the proportion of topography in each parent cell was recorded to account for the natural surface. Lithology and grade shells were assigned to the model based on abundance; cells with greater than 50% of any lithology or Cu or Au grade shell were coded as the predominant lithology or grade shell.

All wireframes were checked visually to ensure that there was adequate filling with blocks. The block model parameters are shown in Table 14.7_1. Each block was characterized by a series of attributes, as described in the Table 14.7_2.

Table 14.7_1 Block Model Parameters			
	East	**North**	**Elevation**
Minimum Coordinates	306,900	6,530,700	600
Maximum Coordinates	309,400	9,530,700	2,000
Parent Block size (m)	10	10	10
Minimum Sub-Block Size (m)	10	10	10

Table 14.7_2 Block Model Attributes List		
Attribute	**Type**	**Description**
IJK	Numeric	Parent Cell Identifier
XC	Numeric	Centroid of cell easting
YC	Numeric	Centroid of cell northing
ZC	Numeric	Centroid of cell RL
XINC	Numeric	Cell easting dimension
YINC	Numeric	Cell northing dimension
ZINC	Numeric	Cell RL dimension
LITHO	Numeric	1= Unit1, 2= Unit2; 3=Unit3; 4=Unit4
RESCODE	Numeric	1=Measured, 2=Indicated, 3=Inferred, 4=Unclassified
BDENS	Numeric	Bulk Density
AU	Numeric	Au (g/t) grade estimated by Ordinary Kriging
CU	Numeric	Cu (%) grade estimated by Ordinary Kriging
MO	Numeric	Mo (%) grade estimated by Ordinary Kriging
CUEQ	Numeric	CuEq (ppm) grade; calculated
CDIST	Numeric	Closest composite to cell used in Cu estimate (m)
AVDIST	Numeric	Average distance to the composites used in Cu estimate
RESCU	Numeric	0=outside 0.15% Cu grade shell; 3=inside grade shell
RESAU	Numeric	0=outside 0.10 g/t Au grade shell; 3=inside grade shell
NCOMP	Numeric	Number of composites used in grade interpolation for Cu
LITHO	Numeric	Predominant Lithology
TOPO	Numeric	Percentage of cell below topographic surface

14.8 Grade Estimation

Grade estimation was completed using Ordinary Kriging. Negative kriging weights were not utilised in the estimate.

The boundaries used for estimation are hard boundaries. Separate estimates are completed; both inside the grade shell and outside the grade shell for Cu and Au. Mo is estimated inside the Cu grade shell. This was controlled by the RESCU and RESAU fields in Minesight. All domains used a simple one pass strategy. The maximum search distances employed were 500 m in all directions to ensure minimal conditional bias was imposed.

The following parameters were utilised:

- The orientation of the search axes is identical to the variogram model orientations.
- The maximum number of composites used for any estimate was restricted to 16.
- A maximum of 2 composites were utilised from any one drillhole.
- All estimates were into parent cells and these estimates were discretised down to 5 m (X) x 5 m (Y) x 5 m (Z).

14.9 Model Validation

The model has been validated by reviewing model plots compared to composited data.

The checks performed were:

- Ensuring that the domain codes were honoured during estimation;
- Ensuring that the composites were honoured during estimation;
- Ensuring that individual composites did not have undue weight when only a few composites were used for an estimate.

In general, the model honours the data well, as evidenced by Figures 14.9_1 to 14.9_2.

14.10 Ancillary Fields

The Mineral Resource Estimate has been depleted to the March 30th 2012 topographic surface which takes into account the open pit mining.

The bulk densities used in this Mineral Resource Estimate are as displayed in Table 12.3_1. There is no obvious oxidation profile and all bulk densities assume fresh rock from surface.

Figure 14.9_1

Cu Model and Drillholes

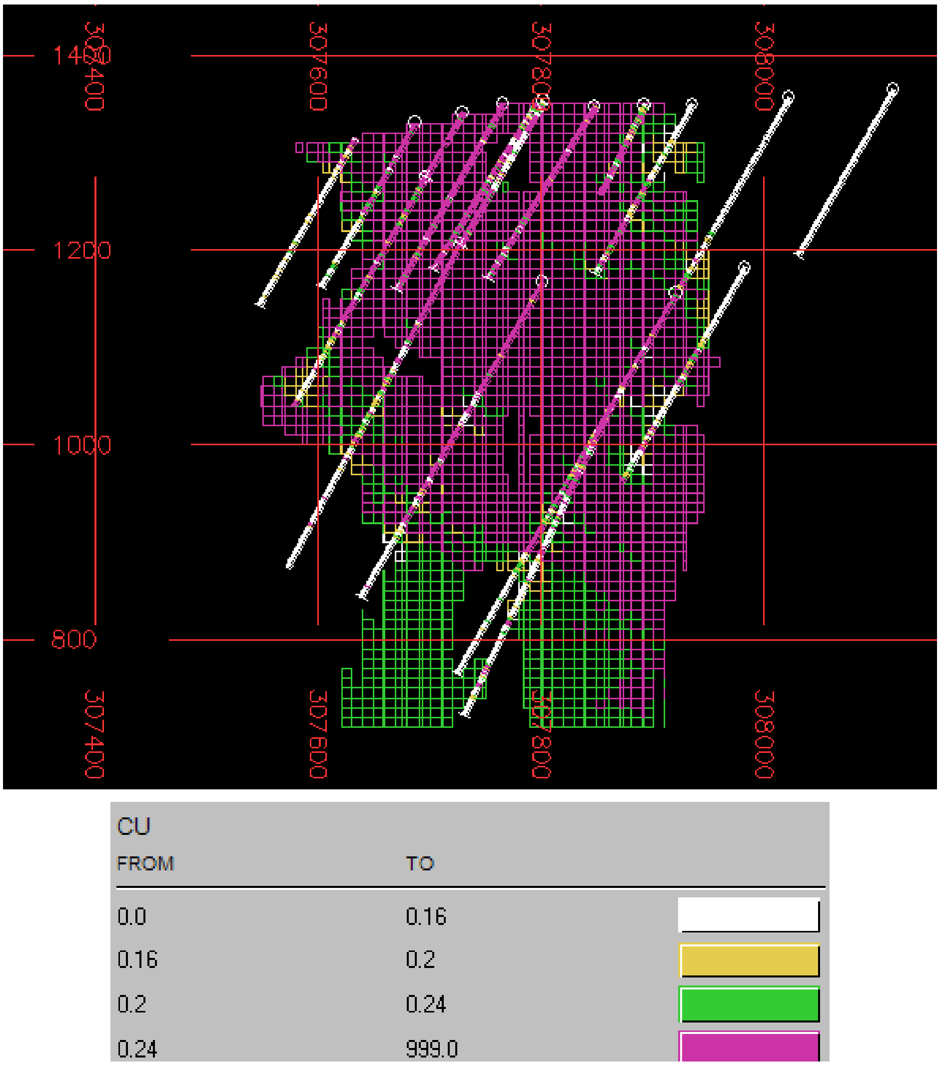
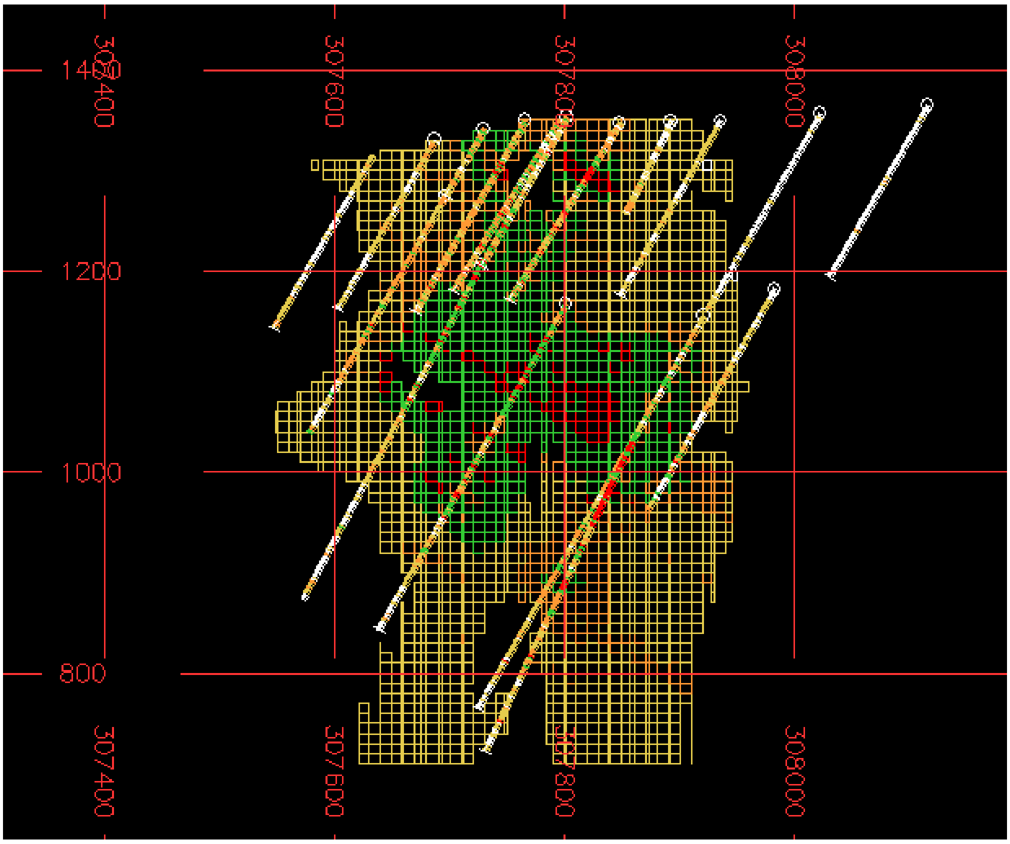


Figure 14.9_2

Au Model and Drillholes



AU

NAME	FROM	TO	
VLG	0.0	0.02	
LG	0.02	0.05	
MG	0.05	0.1	
ROM	0.1	0.2	
HG	0.2	+	

14.11 Resource Classification

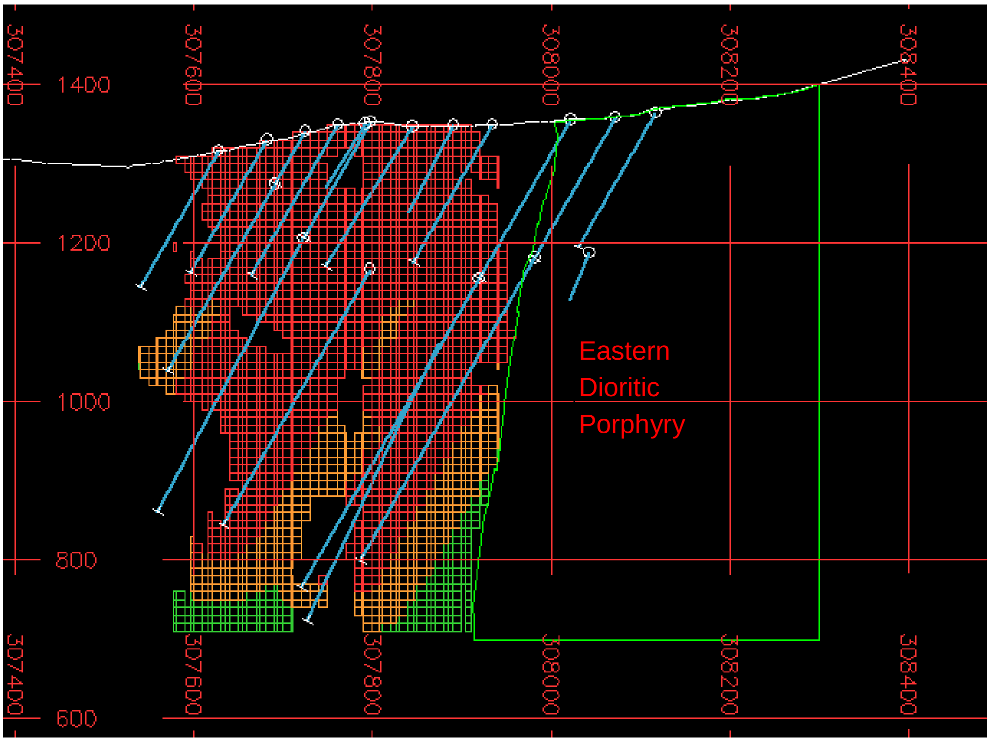
The mineral resource estimate has been classified as Measured, Indicated, and Inferred based on the confidence of the input data, geological interpretation, and grade estimation. This is summarised in Table 14.11_1 as confidence levels of key criteria. An example of the style of classification adopted is displayed in Figure 14.11_1.

Table 14.11_1
Confidence Levels of Key Criteria

Items	Discussion	Confidence
Drilling Techniques	RC and DDH – Moderate to good quality with good sample return	Moderate to High
Logging	Standard nomenclature used.	Moderate
Drill Sample Recovery	Good for all RC and all DC	Moderate to High
Sub-sampling Techniques and Sample Preparation	1-2m samples are reliable to adequately represent the style of mineralization.	High
Quality of Assay Data	Recent data available is reliable based on QAQC results and observed and documented practices.	Moderate
Verification of Sampling and Assaying	Assessment of sampling has been completed on site.	High
Location of Sampling Points	Survey of all collars conducted with DGPS by professional surveyors. Topographic surface is detailed. Downhole surveys of reasonable quality; RC drilling has not been down hole surveyed due to magnetic interference; DC has been gyro surveyed.	Moderate
Data Density and Distribution	Drilling on a notional 50m x 50m spacing consisting of RC and DC drilling to establish continuity.	Moderate to High
Audits or Reviews	Logging and mapping checked on site.	Moderate to High
Database Integrity	Assay certificates checked.	High
Geological Interpretation	Mineralization interpretations are considered robust.	Moderate to High
Estimation and Modelling Techniques	Ordinary Kriging is industry standard method.	High
Cutoff Grades	Reasonable cutoff grades applied for the proposed mining method	High
Mining Factors or Assumptions	Parent block size reflects likely SMU for mining.	High
Metallurgical Factors or Assumptions	Will be addressed in follow up drilling.	NA
Tonnage Factors (Insitu Bulk Densities)	Sufficient bulk density work for global averages. In line with industry standard values adopted.	Medium

The majority of the 50m by 50m spaced drilling area has been classified as measured mineral resource for the Llahuin Porphyry. There are sections of the Cerro South Zone that are drilled on a 50m by 50 m grid, but this section of the project is not as well understood as the Llahuin Porphyry, so the mineral resource classification was limited to Indicated Mineral Resource for this area. The majority of the 100m by 100m spaced drilling area at Llahuin Porphyry are classified as Indicated Mineral Resource. The Inferred Mineral Resource is typically projected down dip and along strike a further 50m from the edge of the Indicated Mineral Resource as displayed in Figure 14.11_1.

Figure 14.11_1
Cross Section – 6,531,570N –Resource Codes



MEASURED	1.0	1.0	
INDICATE	2.0	2.0	
INFERRED	3.0	3.0	

14.12 Mineral Resource

The statement has been classified by Qualified Person Ian Dreyer (AusIMM (CP)) in accordance with the Guidelines of National Instrument 43-101 and accompanying documents 43-101.F1 and 43-101.CP. It has an effective date of 29 February 2012. Mineral Resources that are not mineral reserves do not have demonstrated economic viability. AMS and SHM are not aware of any factors (environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other relevant factors) that have materially affected the mineral resource estimate.

Table 14.12_1
Grade Tonnage Report - Llahuin Project
Ordinary Kriged Estimate – 30th March 2012
(Block Model – 10mE X 10mN X 10mRL) (Cut-off 0.24% Cu)

Area	Million Tonnes	Measured Resource			
		Cu (%)	Au (g/t)	Mo (ppm)	CuEq (%)**
Llahuin	64.9	0.32	0.09	0.007	0.42
Cerro	-	-	-	-	-
Total Measured	**64.9**	**0.32**	**0.09**	**0.007**	**0.42**
		Indicated Resource			
Llahuin	33.9	0.28	0.06	0.008	0.36
Cerro	7.4	0.26	0.21	-	0.41
Total Indicated	**41.3**	**0.28**	**0.09**	**-**	**0.37**
Measured and Indicated	**106.2**	**0.30**	**0.09**	**N/A**	**0.40**
		Inferred Resource			
Llahuin	**12.2**	**0.27**	**0.06**	**0.008**	**0.36**
Cerro	**-**	**-**	**-**	**-**	**-**
Total Inferred	**12.2**	**0.27**	**0.06**	**0.008**	**0.36**

** CuEq = Cu% + Au(g/t) x 0.72662 + Mo(%) x 4.412

Appropriate rounding has been applied

15 MINERAL RESERVE ESTIMATES

No mineral reserves have been estimated for the Llahuin Project.

16 MINING METHODS

Mining methods have not yet been formally assessed and documented.

17 RECOVERY METHODS

Recovery methods have not yet been formally assessed and documented.

18 PROJECT INFRASTRUCTURE

Project infrastructure has not yet been formally assessed and documented.

19 MARKET STUDIES AND CONTRACTS

Project infrastructure has not yet been formally assessed and documented.

20 ENVIROMENTAL STUDIES, PERMITTINGS AND SOCIAL OR COMMUNITY IMPACT

These items have not yet been formally assessed and documented.

21 CAPITAL AND OPERATING COSTS

Capital and operating costs have not yet been formally assessed and documented.

22 ECONOMIC ANALYSIS

An economic analysis has not yet been formally assessed and documented.

23 ADJACENT PROPERTIES

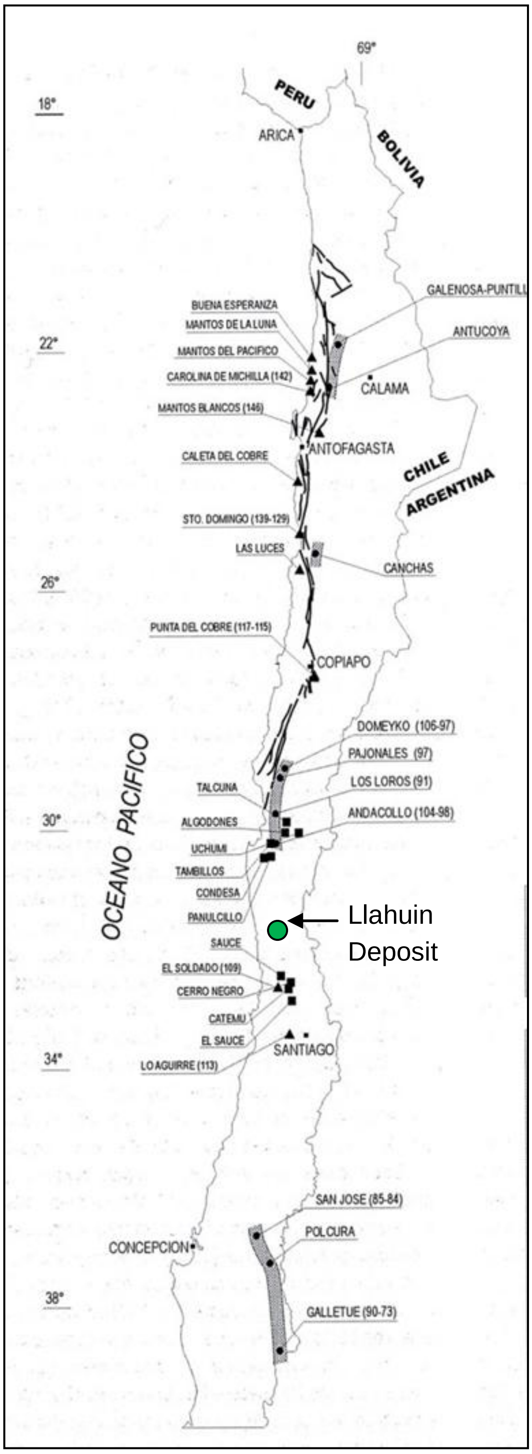
There are numerous developed properties in the Chilean Copper Belt that surround the Llahuin Deposit as displayed in Figure 23_1, although they are located significant distances from the Llahuin Deposit.

Chile is well known as the major producer of Copper in the world and there are numerous similar porphyry copper deposits to Llahuin located in three major regions within the country.

24 OTHER RELEVANT DATA AND INFORMATION

AMS is not aware of other relevant data pertaining to the Llahuin Project.

Figure 23_1
Location Map - Chilean Copper Belt



25 INTERPRETATION AND CONCLUSIONS

SHM has undertaken a relatively systematic exploration program in the last year that has been successful in defining significant mineral resources of copper and gold. AMSL concludes that there are no fatal flaws in the current mineral resource estimate.

26 RECOMMENDATIONS

26.1 Exploration and Resources

Drilling and studies completed to date have defined a Measured, Indicated and Inferred mineral resource at Llahuin. The data collected is considered to be of moderate to good quality and suitable for mineral resource estimation.

Further scope exists to improve the geological and mineral resource estimation confidence. AMS makes the following specific recommendations:

- Continue exploration drilling the strike extensions of the known Llahuin Porphyry and Cerro Zone deposits.
- To test the vein style mineralisation found on the concessions.
- Secure the services of a RC rig with a booster or booster compressor.
- To complete umpire assay work prior to the next resource update and to insert standards and more blanks into the sample stream in the field.
- Metallurgical testwork should commence immediately
- Advance to a Preliminary Economic Assessment (PEA).

26.2 Mineral Resource and Evaluation Budget

SHM has recommended the exploration budget as outlined in Table 26.2_1. AMS considers this to be an appropriate level of expenditure on this project.

Table 26.2_1 Llahuin Project Proposed Resource and Evaluation Budget	
Activity	**Total (US$)**
Drilling	$ 5,641,000
Assay	$ 385,000
Geophysics	$ 380,000
Geology	$ 373,000
Drill Sites, Vehicles, Setup, Logistics	$ 406,000
Sub-total	**$ 7**,185,000

The proposed expenditure of US$ 7,185,000 in the next year is considered to be consistent with the potential of the Llahuin Project and is adequate to cover the costs of the proposed programs

27 REFERENCES

AusIMM. 1995. Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The Valmin Code) Issued April 1998. AusIMM.

AusIMM. 1998. Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The Valmin Code), issued April 1998. The Australasian Institute of Mining and Metallurgy.

Zonge Ingenieria Y Ge Ofisica (Chile) S.A (Dec 2011) – Report for Offset pole-dipole Induced Polarisation/Resistivity and Ground Magnetic Surveys at the Llahuin Project, Region 4, Chile.

28 DATE AND SIGNATURE PAGE

The "qualified persons" (within the meaning of NI43-101) for the purposes of this report is Ian Dreyer, who is the Regional Manager of AMS in South America. The effective date of this report is 30th March 2012.

(signed by)

Ian Dreyer B.Sc Geol. MAusIMM (CP)
Regional Manager
Andes Mining Services

Signed on the 16th May, 2012

29 CERTIFICATES OF QUALIFIED PERSONS

Andes Mining Services

Certificate of Qualified Person

I, Ian Dreyer, do hereby certify that:

1. I have been working since 2012 as the Regional Manager with the firm Andes Mining Services Ltd. of Jose Pardo 1040, Miraflores, Lima Peru 27. My residential address is Jose Pardo 1040, Miraflores, Lima Peru 27.
2. I am a practising geologist with 24 years of Mining and Exploration geological experience. I have worked in Australia, Africa, Indonesia and the Americas. I am a Chartered Professional Member of the Australian Institute of Mining and Metallurgy ("MAusIMM (CP)").
3. I am a graduate of the Curtin University and hold a Bachelor of Science Degree in Geology (1982).
4. I have practiced my profession continuously since 1988.
5. I am a "qualified person" as that term is defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects (the "Instrument").
6. I visited the Llahuin Project on March 17th 2012.
7. I am responsible for all sections of the technical report dated effective 30th March 2012 and titled "Mineral Resource Estimate - Llahuin Copper Project, Coquimbo Region, Chile"(the "Report").
8. I am independent of SHM pursuant to section1.5 of the Instrument.
9. I have read the Instrument and Form43-101F1 (the "Form") and the Report has been prepared in compliance with the Instrument and the Form.
10. I do not have nor do I expect to receive a direct or indirect interest in the Llahuin Project of SHM and I do not beneficially own, directly or indirectly, any securities of SHM or any associate or affiliate of such company.
11. I have not had any prior involvement with the Llahuin Project of SHM.
12. As of the date of this certificate, to the best of my knowledge, information and belief, the Report contains all scientific and technical information that is required to be disclosed to make the Report not misleading.

Dated at Lima, Peru, on 16th May 2012

(signed by)

Ian Dreyer BSc(Geology) MAusIMM (CP)
Consulting Geologist