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16 May 2011

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

Dear Sir/Madam

Quarterly Financial Statements

Please refer below for unaudited consolidated interim financial statements of Southern Hemisphere Mining Limited for the three month and nine month periods ended March 31, 2011, as issued in Canada.

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

Yours faithfully
SOUTHERN HEMISPHERE MINING LIMITED

DHall

Derek Hall
Company Secretary

Southern Hemisphere Mining Limited
(An Exploration Stage Company)

Interim Financial Statements
March 31, 2011

(Unaudited)

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MANAGEMENT'S COMMENTS ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated interim financial statements of Southern Hemisphere Mining Limited for the three month and nine month periods ended March 31, 2011 have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed by the Company's external auditors.

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Consolidated balance sheet (unaudited)

	March 31, 2011 $	June 30, 2010 $
Assets		
Current Assets		
Cash and cash equivalents	17,791,527	4,061,379
Prepaid assets	127,291	16,438
Receivables and other assets	75,060	3,324
	17,993,878	4,081,141
Capital Assets (Note 7)	294,781	80,046
Loans due from related parties (Note 8)	-	19,598
Mineral Properties (Note 6)	17,132,534	13,209,984
	17,427,315	13,309,628
	35,421,193	17,390,770
Liabilities		
Current Liabilities		
Accounts payable	263,540	99,853
Accrued liabilities	31,437	38,917
Employee benefits	40,547	36,029
Loans due to related parties (Note 8)	680,402	-
	1,015,926	174,799
Future Income Tax (Note 12)	-	-
	1,015,926	174,799
Shareholders' Equity		
Common Shares (Note 9)	38,140,227	18,655,564
Warrants and Agents Options (Note 10)	1,530,918	1,530,918
Contributed Surplus	499,295	1,279,031
Accumulated Deficit (Note 1)	(5,765,173)	(4,249,543)
	34,405,267	17,215,970
	35,421,193	17,390,770

Basis of Preparation (Note 1)
Going Concern (Note 2)

Approved on behalf of the Board of Directors:

Signed "Trevor Tennant"
Trevor Tennant, Director

Signed "Anthony James Pearson"
Anthony James Pearson, Director

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Consolidated statement of shareholders' equity (unaudited)

	Common Shares #	Common Shares $	Warrants & Options $	Contributed Surplus $	Accumulated Deficit $	Shareholders' Equity $
Balance - June 30, 2009	**42,685,687**	**7,209,741**	**1,139,614**	**936,161**	**(2,672,623)**	**6,612,893**
Shares issued pursuant to a private placement (Note 9)	**15,000,000**	**3,000,000**	**-**	**-**	**-**	**3,000,000**
Fair value attributed to warrants on private placement	**-**	**(391,304)**	**391,304**	**-**	**-**	**-**
Shares issued pursuant to acquisition (Note 9)	**10,000,000**	**2,000,000**	**-**	**-**	**-**	**2,000,000**
Shares issued pursuant to listing - Australian Securities Exchange (Note 9)	**32,000,000**	**7,497,600**	**-**	**-**	**-**	**7,497,600**
Issue Costs - Australian Securities Exchange	**-**	**(750,473)**	**-**	**-**	**-**	**(750,473)**
Options granted	**-**	**-**	**-**	**342,870**	**-**	**342,870**
Warrants exercised (Note 9)	**450,000**	**90,000**	**-**	**-**	**-**	**90,000**
Net loss for the year	**-**	**-**	**-**	**-**	**(1,576,920)**	**(1,576,920)**
Balance – June 30, 2010	**100,135,687**	**18,655,564**	**1,530,918**	**1,279,031**	**(4,249,543)**	**17,215,970**
Options exercised (Note 9)	**83,334**	**24,038**	**-**	**-**	**-**	**24,038**
Warrants exercised (Note 9)	**3,385,000**	**677,000**	**-**	**-**	**-**	**677,000**
Shares issued pursuant to private placement (Note 9)	**47,620,100**	**20,231,469**	**-**	**-**	**-**	**20,231,469**
Issue costs – Private Placement (Note 9)	**-**	**(1,447,843)**	**-**	**-**	**-**	**(1,447,843)**
Movement in foreign exchange	**-**	**-**	**-**	**(779,737)**	**-**	**(779,737)**
Net loss for the period	**-**	**-**	**-**	**-**	**(1,515,630)**	**(1,515,630)**
Balance – March 31, 2011	**151,224,121**	**38,140,228**	**1,530,918**	**499,294**	**(5,765,173)**	**34,405,267**

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Consolidated statement of operations and deficit (unaudited)

	March 31, 2011 $ (3 months)	March 31, 2010 $ (3 months)	**March 31, 2011 $ (9 months)**	March 31, 2010 $ (9 months)
Expenses				
Amortization	**1,561**	3,491	**6,806**	7,937
Investor relations	**87,263**	11,437	**128,553**	43,420
Insurance	**14,598**	3,930	**25,960**	15,103
Legal fees	**57,188**	41,398	**300,416**	141,731
Office and administration	**27,434**	34,590	**121,936**	45,964
Professional fees	**58,375**	58,754	**171,447**	143,410
Rent & utilities	**18,834**	15,571	**63,495**	38,874
Salaries & wages	**334,208**	296,335	**970,354**	579,967
Travel and accommodation	**28,706**	31,568	**121,481**	57,748
Transfer agent & filing fees	**14,331**	71,219	**90,751**	124,415
Stock based compensation	**-**	291,610	**-**	291,610
Operating loss	**(642,498)**	(859,903)	**(2,001,199)**	(1,490,179)
Interest income	**227,076**	64,449	**321,626**	95,093
Other income	**-**	-	**4,758**	-
Foreign exchange gain	**75,222**	(33,054)	**159,185**	92,593
Loss before taxes	**(340,200)**	(828,508)	**(1,515,630)**	(1,302,493)
Income taxes	**-**	-	**-**	-
Net loss for the period	**(340,200)**	(828,508)	**(1,515,630)**	(1,302,493)
Deficit, beginning of period	**(5,424,973)**	(3,146,608)	**(4,249,543)**	(2,672,623)
Deficit, end of period	**(5,765,173)**	(3,975,116)	**(5,765,173)**	(3,975,116)
Basic and diluted loss per share (Note 13)	**(0.002)**	(0.008)	**(0.013)**	(0.018)

See accompanying Notes to the consolidated financial statements

Southern Hemisphere Mining Limited (An Exploration Stage Company)
Consolidated statement of cash flows (unaudited)

	March 31, 2011 $ (3 months)	March 31, 2010 $ (3 months)	**March 31, 2011 $ (9 months)**	March 31, 2010 $ (9 months)
Cash provided by (used in)				
Operating activities:				
Net loss for the period	**(340,200)**	(828,508)	**(1,515,630)**	(1,302,493)
Adjustments for non-cash items:				
Amortization	**1,561**	3,491	**6,806**	7,937
Foreign exchange adjustment	**(75,230)**	33,054	**(159,185)**	(92,593)
Stock based Compensation	**-**	291,610	**-**	291,610
Changes in non-cash working capital items:				
Receivables	**(23,026)**	(112,554)	**(71,736)**	(208,757)
Prepaid deposits	**(119,665)**	(374)	**(110,852)**	(411)
Accounts payable	**(187,484)**	(115,652)	**163,686**	22,805
Accrued liabilities	**25,711**	12,111	**(2,962)**	14,603
	(718,333)	(716,822)	**(1,689,873)**	(1,267,299)
Investing activities:				
Loans due from related parties	**-**	(1,564)	**-**	3,403
Mineral properties	**(1,830,417)**	(1,728,262)	**(3,862,700)**	(3,055,709)
Capital assets	**23,086**	(13,580)	**(221,541)**	(24,572)
	(1,807,331)	(1,743,406)	**(4,084,241)**	(3,076,878)
Financing activities:				
Loans due to related parties	**-**	-	**19,598**	(6,014)
Warrants / options exercised	**-**	90,000	**701,038**	90,000
Issuance of common shares	**6,000,036**	-	**20,231,469**	10,497,600
Costs of share issuance	**(440,793)**	(449,926)	**(1,447,843)**	(686,473)
	5,559,243	(359,926)	**19,504,262**	9,895,113
Increase (Decrease) in cash and equivalents	**3,033,579**	(2,820,154)	**13,730,148**	5,550,936
Cash and cash equivalents, beginning of period	**14,757,948**	8,928,437	**4,061,379**	557,347
Cash and cash equivalents, end of period	**17,791,527**	6,108,283	**17,791,527**	6,108,283
Cash and cash equivalents consist of:				
Cash on hand and balances with banks			**843,848**	6,108,283
Cash held on term deposit			**16,947,679**	-
			17,791,527	6,108,283
Supplementary cash flow information:				
Interest received	**227,076**	64,449	**321,626**	95,093
Income taxes paid	-	-	**-**	-
	227,076	64,449	**321,626**	95,093

See accompanying Notes to the consolidated financial statements

1. NATURE OF BUSINESS AND BASIS OF PREPARATION

Southern Hemisphere Mining Limited ("the Company") is an exploration stage company engaged in the acquisition and exploration of mineral properties, principally located in Chile, and has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The recovery of amounts capitalized for mineral exploration properties on the balance sheet is dependent upon the existence of economically recoverable mineral deposits, the ability of the Company to obtain the necessary financing to complete exploration and/or development of the properties, and upon future profitable production or proceeds from the disposition of the properties.

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes that the Company will be able to continue its operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption was not appropriate.

As at March 31, 2011 the Company had no source of operating cash flow and an accumulated deficit of $5,765,173, (June 30, 2010 - $4,249,543), operations for the period ended March 31, 2011 have been funded by the issuance of capital. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and achievement of profitable operations. The Company is planning to meet its future expenditures and obligations by raising funds through public offerings, private placements or by optioning of mineral properties. Although the Company has been successful in obtaining financing in the past, it is not possible to predict whether future efforts will be successful or whether the Company will attain profitable levels of operation.

a) Australian Legal Requirements Respecting the Acquisition of Securities of the Company

The Company is incorporated in British Columbia, Canada and is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act of Australia dealing with the acquisition of shares. The acquisition of shares in the Company is subject to British Columbia law and applicable Canadian securities laws.

b) Summary of Canadian Legal Requirements Respecting the Acquisition of Securities of the Company

Applicable Canadian laws, like their Australian equivalent, are very technical. Accordingly, shareholders should consult their own Canadian legal advisors with respect to Canadian legal requirement matters, rather than relying upon this general summary.

In general, subject to compliance with applicable Canadian securities laws, a holder of shares in the capital of a corporation incorporated under the Business Corporations Act (British Columbia) (the "BCABC"), is entitled to transfer his, her or its shares to anyone else upon compliance with the provisions of the BCABC and the articles of the corporation. Where a corporation is offering its shares to the public, the articles of the corporation may not include restrictions on the transfer of shares.

Canadian securities laws impose certain limitations on the acquisition of securities. The issuance to the public and trading of securities in Canada is regulated at the provincial/territorial level by securities legislation administered by the relevant provincial or territorial securities commission.

Take-over bids are regulated primarily by provincial and territorial securities legislation and, to a limited extent, the corporate statutes under which the target company is incorporated. Under provincial or territorial securities regulations, an offer to acquire shares of an issuer by a "control person" of that issuer may constitute a take-over bid. Under the Securities Act (British Columbia), a "control person" is generally defined as any person, company or combination of persons or companies whose holdings represent a sufficient number of securities of the issuer to materially affect the control of that issuer. A holding of more than 20%, in the absence of evidence to the contrary, is deemed to materially affect control of the issuer. Any offer to acquire voting or equity securities where such securities together with the offeror's securities represent an aggregate of 20% or more of the outstanding securities of that class will constitute a take-over bid.

1. NATURE OF BUSINESS AND BASIS OF PREPARATION (cont'd)

b) Summary of Canadian Legal Requirements Respecting the Acquisition of Securities of the Company (cont'd)

Unless an exemption from formal take-over bid requirements under applicable securities legislation can be obtained, persons or companies seeking to make a take-over bid must comply with detailed rules governing bids prescribed by applicable provincial or territorial securities laws. For example, under the Securities Act (British Columbia), exempt bids include bids made over the facilities of the TSX Venture Exchange and a bid for not more than 5% of the outstanding securities of a class of securities, so long as the aggregate number of securities of that class acquired by the offeror in the previous twelve months is not greater than 5% of the class and the bid is for a price not in excess of the market price for those securities.

c) Reporting by Substantial Shareholders and Insiders

Under the insider reporting and trading rules of applicable Canadian securities legislation, reporting obligations and trading restrictions are placed on substantial shareholders. An "insider" generally includes any person or company who beneficially owns, directly or indirectly, voting securities or who exercises control or direction over voting securities or a reporting issuer or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities.

Shareholders who become insiders must file an "Insider Profile" in the prescribed form under National Instrument 55-102 – *System for Electronic Disclosure by Insiders* ("SEDI"). A further insider report must be filed within 10 days of any change in the ownership or control or direction over securities of the Company of that insider. Insider reports must be filed electronically on SEDI at **sedi.ca**.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. As at March 31, 2011, the Company had working capital of $16,977,952. Management believes that the Company will have sufficient capital to fund operations for the upcoming fiscal year.

3. SIGNIFICANT ACCOUNTING POLICIES

The following outlines the significant accounting policies under which these consolidated financial statements have been prepared for the periods ended March 31, 2011.

a) Basis of consolidation

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

b) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with GAAP. All monetary references expressed in these Notes are references to Canadian dollars, except occasional references to United States of America Dollars ("US"), Australian Dollars ("AUD") or Chilean Pesos ("CLP") amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with a term to maturity of three months or less at the date of purchase.

d) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting period.

Significant areas where management judgment is applied include those related to the recoverability of resource properties, valuation of options and warrants and the ability to continue as a going concern. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

e) Financial instruments and comprehensive income (loss)

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income or loss in the period in which they arise. Transaction costs with respect to instruments not classified as held-for-trading are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

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

The Company had no other comprehensive income or loss transactions during the periods ended March 31, 2011 and March 31, 2010. Accordingly, a statement of comprehensive income has not been prepared.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Financial instruments and comprehensive income (loss) (cont'd)

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Fair value measurement for financial instruments and liquidity risk disclosures require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data.

$ as at 31 March 2011	**Hierarchy Level (if applicable)**
Financial assets:	
Held for trading, measured at fair value	
Cash and cash equivalents	1

f) Functional currency

The Canadian dollar is the Company's reporting and functional currency. The accounts of foreign subsidiaries are maintained in the local currency where the subsidiary is incorporated. The Company has determined that the Company and Minera Hemisferio Sur SCM ("MHS"), a wholly owned subsidiary, are integrated foreign operations as defined in CICA Handbook Section 1651 and as a result, the Company has used the temporal method to translate the financial statements of these foreign operations into Canadian dollars.

g) Income taxes

The Company uses the liability method of accounting for income taxes. Temporary differences arise from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet. These temporary differences are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using the substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

h) Loss per common share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share reflects the potential dilution of securities. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the results would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i) Stock based compensation

The Company accounts for stock based compensation using the fair value method. The fair value of stock based awards is determined by using the Black-Scholes option pricing model. The fair value of stock options is recognized as stock based compensation expense over the option vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when the stock options are exercised. Any consideration paid on the exercise of stock options is credited to capital stock.

The Company's stock based compensation plan is described in Note 11.

j) Mineral properties

Direct property acquisition costs, field exploration and field supervisory costs relating to specific properties are deferred until the properties to which they relate are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are abandoned, sold or allowed to lapse, at which time they will be written off.

Costs include the cash consideration paid and the fair value of the shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. Costs incurred for administration and general exploration that are not project specific, are charged to operations.

The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic, (at least annual) basis and will recognize an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future profitability of revenues from 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.

k) Long-lived asset impairment

Long-lived assets, which comprise mineral properties and capital assets, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

For capital assets, if the sum of the undiscounted future cash flows expected from use and residual value is less than carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the long-lived assets exceeds its fair value.

l) Capital assets

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

Equipment	10 - 15%
Computer software	40%

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) Asset retirement obligations (as applicable)

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

Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory and operating license requirements and measured at fair value. Fair value is determined based on the net present value of future cash expenditures expected upon reclamation and closure and subsequent annual recognition of an accretion amount on the discounted liability. Reclamation and closure costs are capitalized as mine development costs and amortized over the life of the mine on a unit-of-production basis. The Company does not currently have any legal obligations relating to the reclamation of its mineral properties.

n) Revenue recognition

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

4. ADOPTION OF NEW ACCOUNTING STANDARDS

The Canadian Accounting Standards Board ("AcSB") issued Canadian Institute of Chartered Accountants ("CICA") Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This section applies to interim and annual filing statements relating to fiscal years beginning on or after October 1, 2008.

The adoption of Section 3064 did not have an impact on the Company's financial position and results of operations.

5. RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3, *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Accounting Standards ("IAS") 27, *Consolidated and Separate Financial Statements*, and applies to interim and annual financial consolidated financial statements relating to fiscal years from January 1, 2011.

5. RECENT ACCOUNTING PRONOUNCEMENTS (cont'd)

International Financial Reporting Standards

In February 2008, the AcSB announced 2011 as the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The effective date for the Company will be July 1, 2011 however it will require the restatement for the June 30, 2011 financial information for comparative purposes.

The Company has developed an IFRS changeover plan which addresses key areas such as accounting policies, financial reporting, information systems, disclosure controls and procedures and other business activities. As part of this changeover plan, the Company is currently identifying differences in accounting policies on an ongoing basis as compared to choices that are in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. Please refer to the Company's March 2011 Management Discussion and Analysis for further discussion of the IFRS changeover.

Financial Instruments – Recognition and Measurement

In July 2009, the Accounting Standards Board approved amendments to Section 3855 – "Financial Instruments: Recognition and Measurement" in order to converge with international standards for impairment of debt instruments by changing the categories into which debt instruments are required and permitted to be classified. These amendments will permit (or require in certain circumstances) entities to reclassify certain investments in debt instruments, amend the guidance regarding impairment measurement for held-to-maturity debt instruments and require reversals of impairment losses for available-for-sale-debt instruments when conditions have changed. These amendments apply only to investments in debt instruments and do not apply to investments in equity instruments or to debt instruments that have been designated at origination as held-for-trading. The amendments are effective for the annual financial statements for fiscal years beginning on or after November 1, 2008. The adoption of this standard did not have an impact on the classification of debt instruments.

Financial Instruments – Disclosures

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Additional disclosures are included in Note 3 and Note 16.

6. MINERAL PROPERTIES

Project Location	Opening balance July 1, 2010 $	Movement in balance (1) $	Closing balance March 31, 2011 $
El Arrayan	1,460,090	98,305	1,558,395
Las Santas	2,466,500	119,689	2,586,189
San Jose	668,993	61,963	730,956
Los Pumas (a)	4,306,927	2,501,493	6,808,420
Minera Panamericana (b)	1,891,428	199,196	2,090,624
Minera America (b)	1,127,118	19,391	1,146,509
Mantos Grandes	786,232	114,622	900,854
Iron sands (c)	-	751,472	751,472
Chilean VAT	502,696	56,419	559,115
Total	13,209,984	3,922,550	17,132,534

Project Location	Opening balance July 1, 2009 $	Movement in balance (1) $	Closing balance June 30, 2010 $
El Arrayan	1,368,400	91,690	1,460,090
Las Santas	2,508,985	(42,485)	2,466,500
San Jose	644,613	24,380	668,993
Los Pumas (a)	922,067	3,384,860	4,306,927
Minera Panamericana (b)	-	1,891,428	1,891,428
Minera America (b)	-	1,127,118	1,127,118
Mantos Grandes	734,930	51,302	786,232
Chilean VAT	291,735	210,961	502,696
Total	6,470,730	6,739,254	13,209,984

(1) The movements in the mineral properties balances reflect both actual additions and movements due to foreign currency translations.

a) Kaiora Option Agreement

MHS and Sociedad Minera Kaiora International Limitada (“Kaiora”) entered into an agreement dated March 11, 2009, pursuant to which MHS was granted an option to purchase certain mining concessions known as “Emanuel del 1 al 20” and “Awahou 1-20” which cover 4 square kilometres near Putre in northern Chile. The option was exercisable in two parts, Option A and Option B. To exercise Option A, MHS would pay to Kaiora the sum of US$1,050,000. To exercise Option B MHS would pay an additional US$1,000,000 to Kaiora. In December 2009, MHS completed the US$1,050,000 payment and exercised Option A. Upon exercise of Option A, under the Kaiora agreement the mining licenses were transferred to a newly formed Chilean company. The shares in this company were to be held 50% by Kaiora and 50% by MHS. Option B provided MHS the right to purchase the 50% of shares held by Kaiora, on or before December 1, 2010.

Following negotiations in the last quarter of calendar year 2009, it was agreed that if MHS paid Kaiora a sum of US$700,000 by the end of January 2010 then MHS would be entitled to full ownership of the tenements and Kaiora would transfer title of the tenements directly to MHS. The Company exercised this revised Option B in January 2010 and made payment of US$700,000 to Kaiora. Legal title to the tenements has been transferred in entirety to MHS as no new Chilean company was required to be formed under revised Option B.

6. MINERAL PROPERTIES cont'd

b) Acquisition – Pan American Mining Pty Ltd ("PAM") & South American Mining Pty Ltd ("SAM")

On June 15, 2009 the Company entered into an agreement to purchase all the shares of two Australian companies, PAM, SAM and the outstanding shareholdings of their Chilean subsidiaries. The Chilean subsidiaries together have title to eight exploration projects in Chile.

A special meeting of shareholders was called for on July 29, 2009 to approve the transaction, which was approved at this meeting. Consideration for the purchase of the PAM and SAM shares and their underlying assets was agreed to be $2,000,000 payable by the issuance of 10,000,000 SHM common shares. This figure was reached by independent third party evaluations on the assets that each company held.

The purchase price for all the shares was allocated as follows:	**$**
Cash & cash equivalents	30,020
Mineral properties	2,138,912
Accrued liabilities	(57)
Loans from related party	(168,875)
Net assets acquired	2,000,000

In relation to the acquisition of these mining tenements, the Company incurred corporate costs of $74,810. These costs were capitalized.

c) Acquisition –Iron Sands Concessions

In July 2010 the Company nominally obtained beneficial ownership of iron sands concessions which were held by a related party; Centralian Mining Pty Ltd – refer to Note 8(d). The transfer of the beneficial ownership was formalized in October 2010 between Centralian and the Company to recognize the prior ownership of the concessions by Centralian.

Pursuant to this agreement, payment to Centralian of $680,402 (or AUD$693,806) is to be made in the form of the Company's common shares to confirm that the Company will have beneficial ownership of the Centralian concessions. The beneficial acquisition (and issue of the Shares) has been approved by shareholders. These shares totalling 1,301,700 were issued subsequent to period end and are subject to a 12 month escrow with respect to trading on the ASX.

7. CAPITAL ASSETS

	March 31, 2011 $	June 30, 2010 $
Computer software - cost	16,597	14,984
Accumulated amortization	(16,597)	(13,147)
Net book value	-	1,837
Equipment - cost	95,603	88,969
Accumulated amortization	(17,824)	(10,760)
Net book value	77,779	78,209
Hotel Las Vicuñas (Option) – cost (a)	217,002	-
Net book value	217,002	-
Total net book value	294,781	80,046

(a) During the prior period the Company acquired an option to purchase an accommodation facility in close proximity to the Los Pumas mine site. The option payments will be deducted from the ultimate purchase price of the facility.

8. RELATED PARTY TRANSACTIONS AND BALANCES

For the period ended March 31, 2011, the Company had certain arrangements in place with related parties to provide administrative, accounting, and management services that the Company requires. These services are in the normal course of business and are measured at the exchange amount, which is the amount as agreed upon between the Company and the related parties.

	March 31, 2011 $	June 30, 2010 $
Andes Consulting Pty Ltd - (a)	22,324	49,845
Featly Pty Ltd – (b)	-	50,720

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

	March 31, 2011 $	June 30, 2010 $
Loans due from related parties Ferrifera – (c)	-	19,598
Loans due to related parties – (d)	680,402	-

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

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

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

(c) Ferrifera is a Director related entity involved with the iron sands concessions (refer to Note 6(c)). During the period, the outstanding balance was offset against the consideration paid to confirm that the Company will have beneficial ownership to the Centralian concessions.

(d) Centralian Mining Pty Ltd is controlled by three Directors of the Company, Trevor Tennant, James Pearson and Eduardo Valenzuela (or entities associated by them). As disclosed in Note 6(c), the Company has entered into an agreement with Centralian Mining Pty Ltd in respect to iron sands concessions. Pursuant to this agreement, payment to Centralian of $680,402 in the form of shares in the Company has been approved by shareholders and at period end, is reflected as a loan due to related parties. Subsequent to period end, these shares were issued and the corresponding loan was extinguished.

9. SHARE CAPITAL

Unlimited number of authorized common shares with no par value

	Number of shares	$
Balance as at June 30, 2008	**34,915,687**	**5,979,980**
Agent options exercised – (a)	100,000	20,000
Shares issued pursuant to a private placement – (b)	7,670,000	1,534,000
Fair value of warrants issued with private placement – (b)	-	(324,239)
Balance, June 30, 2009	**42,685,687**	**7,209,741**
Shares issued pursuant to a private placement – (c)	15,000,000	2,608,696
Shares issued on acquisition of PAM and SAM – (d)	10,000,000	2,000,000
Shares issued pursuant to listing - Australian Securities Exchange – (e)	32,000,000	7,497,600
Costs of listing - Australian Securities Exchange – (e)	-	(750,473)
Warrants exercised – (f)	450,000	90,000
Balance, June 30, 2010	**100,135,687**	**18,655,564**
Warrants exercised – (g)	3,385,000	677,000
Options exercised – (h)	83,334	24,038
Shares issued pursuant to a private placement – (i)	47,620,100	20,231,469
Costs of private placement	-	(1,447,843)
Balance, March 31, 2011	**151,224,121**	**38,140,227**

a) On August 19, 2008, Raymond James Ltd. exercised 100,000 agent's options to purchase 100,000 common shares at $0.20 per share, for gross proceeds of $20,000. These agent's options had been granted in part as remuneration for the IPO which transacted on November 1, 2006.

9. SHARE CAPITAL (cont'd)

b) On December 4, 2008, the Company completed a private placement of 7,670,000 units at a price of $0.20 per unit for gross proceeds of $1,534,000. There were no commissions or selling costs associated with this transaction. Each unit was comprised of one common share and one half one share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of $0.20 per share, exercisable for a period of two years. The proceeds have been allocated to common shares ($1,209,761) and warrants ($324,239) based on their relative fair values. The fair value of each warrant was estimated on the day of issue using the Black-Scholes option pricing model with the following assumption: estimated life of 2 years, estimated volatility 100%, risk free interest rate of 3.25%, and estimated dividend yield of nil.

c) On August 6, 2009, the Company issued 15,000,000 units at a price of $0.20 per unit for gross proceeds of $3,000,000. Each unit was comprised of one common share and a one half share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of $0.40 per share, exercisable for a period of two years. The proceeds have been allocated to common shares ($2,608,696) and warrants ($391,304) based on their relative fair values. The fair value of each warrant was estimated on the day of grant using the Black-Scholes option pricing model with the following assumption: estimated life of 2 years, estimated volatility 100%, risk free interest rate of 1.5%, and estimated dividend yield of nil.

d) The Company received unanimous approval from its shareholders at the Shareholders Meeting held on July 29, 2009 for the acquisition of all the issued and outstanding shares of two Australian exploration companies, namely PAM and SAM for a total consideration of $2,000,000 payable by issuing a total of 10,000,000 SHM common shares (the "Consideration Shares"). PAM and SAM are partly owned by three directors and shareholders of the Company. PAM and SAM through two Chilean subsidiary companies have a total of eight Chilean gold, base metal, uranium and iron exploration projects which complement the existing Company exploration project portfolio in Chile. PAM and SAM are comprised predominantly of mineral assets. The allotment of shares was completed on December 31, 2009.

e) On December 30, 2009, the Company was admitted to the official list of the Australian Securities Exchange (the "ASX"). The listing was completed through the issuance of 32,000,000 common shares at AUD$0.25 per share, total proceeds raised from the listing were $7,497,600. Transaction costs incurred totalled $750,473, official quotation of the Company's common shares commenced on January 5, 2010.

f) During the year ended June 30, 2010, warrant holders exercised 450,000 share purchase warrants at an exercise price of $0.20 per share to acquire 450,000 common shares of the Company.

g) During the period ended March 31, 2011, warrant holders exercised 3,385,000 share purchase warrants at an exercise price of $0.20 per share to acquire 3,385,000 common shares of the Company.

h) During the period ended March 31, 2011, option holders exercised 83,334 share purchase warrants at an exercise price of AUD$0.30 per share to acquire 83,334 common shares of the Company.

i) During November 2010, the Company conducted an offering (the "Offering") consisting of the issue of 47,620,100 shares over 3 tranches. Pursuant to the Offering, on November 4, 2010, the Company issued 15,452,850 shares by way of a placement to sophisticated and professional investors at AUD$0.42 per share. Total gross proceeds raised from the placement were $6,597,285. On November 29, 2010, the Company issued 17,881,450 shares by way of a placement to sophisticated and professional investors at AUD$0.42 per share. Total gross proceeds raised from the placement were $7,634,148. On February 9, 2011, the Company issued the final tranche of 14,285,800 shares by way of a placement to sophisticated and professional investors at CAD$0.42 per share. Total gross proceeds raised from the placement were $6,000,036. Transaction costs incurred across the complete Offering totalled $1,447,843.

10. WARRANTS AND AGENTS OPTIONS

As at March 31, 2011, the following warrants and agent options were issued and outstanding. To date, warrants and agent options have been recognized to the value of $1,530,918. This Note should be read in conjunction with Note 11:

	Warrants Number	Weighted Average Exercise Price $	Agent Warrants Number	Weighted Average Exercise Price $	Agent Options Number	Weighted Average Exercise Price $
Balance at June 30, 2008	5,457,844	0.60	171,250	0.40	200,000	0.30
Agent's options exercised – Note 9 (a)	-	-	-	-	(100,000)	0.20
Warrants issued pursuant to private placement – Note 9 (b)	3,835,000	0.20	-	-	-	-
Balance at June 30, 2009	9,292,844	0.43	171,250	0.40	100,000	0.40
Warrants issued pursuant to private placement – Note 9 (c)	7,500,000	0.40	-	-	-	-
Warrants expired	(5,457,844)	0.60	(171,250)	0.40	(100,000)	0.40
Warrants exercised – Note 9 (f)	(450,000)	0.20	-	-	-	-
Balance at June 30, 2010	10,885,000	0.39	-	-	-	-
Warrants exercised – Note 9 (g)	(3,385,000)	0.20	-	-	-	-
Balance at March 31, 2011	7,500,000	0.40	-	-	-	-

The following table summarizes information concerning outstanding and exercisable warrants at March 31, 2011:

Outstanding	Warrants exercisable	Exercise price $	Remaining contractual life (years)	Expiry date
Warrants – refer Note 9 (c)	7,500,000	0.40	0.41	August 29, 2011
Balance at March 31, 2011	7,500,000	0.40	0.41	

11. STOCK BASED COMPENSATION

Under the terms of a stock option plan initially approved by shareholders on November 1, 2006, and re-approved in November 2010, the Company may grant incentive stock options numbering up to 10% of the number of issued and outstanding common shares of the Company to its officers, directors, employees and consultants, for the purchase of common shares of the Company. Stock options are non-transferable. The Board of Directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant. Options have a maximum term of five years and expire 90 days after the termination of employment or other contracting arrangement of the option holder.

Vesting of options may be at the time of granting of the option or over a period as set out in each option agreement. Once approved and vested, options are exercisable at any time until expiry, unless subject to a restriction agreement. The Company records the stock-based compensation expense over the vesting period of the options granted.

During the year ended June 30, 2010, the Company granted 5,200,000 options, which have been recorded as a stock based compensation expense and added to Contributed Surplus in Shareholder's Equity. These options were valued on grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%, expected volatility 100%, a risk free interest rate of 3.5% - 4.50%, estimated forfeiture rate of 0% and an expected life of between 1.0 – 2.5 years.

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

Other than described above, no additional options, were granted and 166,666 were cancelled in accordance with the terms of their issue during the period from July 1, 2010 to March 31, 2011. As per the Company's announcement of February 25, 2011, subsequent to period end the Company approved the issuance of stock options totaling 5,300,000 at an exercise price of AUD$0.54 per share. 2,950,000 of these options have been granted to the Company's directors.

	Number of Options	**Weighted Average Exercise Price $**
Balance at June 30, 2007	133,334	0.20
Options issued January 3, 2008	3,356,579	0.40
Balance at June 30, 2008 and 2009	3,489,913	0.39
Options issued January 5, 2010	6,200,000	0.29
Options exercised – Note 9 (h)	(83,334)	0.29
Options cancelled October 14, 2010	(166,666)	0.29
Balance at March 31, 2011	**9,439,913**	**0.32**

The following table summarizes the outstanding and exercisable options at March 31, 2011:

Options exercisable	**Exercise price $**	**Remaining contractual life (years)**	**Expiry date**
133,334	0.20	0.59	November 1, 2011
3,356,579	0.40	1.76	January 3, 2013
4,950,000	0.30 (a)	1.76	December 31, 2012
1,000,000	0.25 (a)	1.76	December 31, 2012
9,439,913	**0.33** (b)	**1.74** (b)	

11. STOCK BASED COMPENSATION (cont'd)

(a) The exercise price of these options are AUD, all other options have an exercise price denominated in Canadian dollars.

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

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

Of the 5,200,000 $0.30 options issued by the Company on January 5, 2010, 3,000,000 options were issued pursuant to a Restriction Agreement, these options are not able to be exercised or transferred by the relevant holders until December 5, 2012. In respect of these options, a charge of $342,870 has been recognized.

In total, options to the value of $1,279,031 have been recognized to date.

12. INCOME TAXES

	March 31, 2011 $	June 30, 2010 $
Net loss for accounting	(1,515,630)	(1,576,920)
Expected tax rate	33.0%	33.0%
Expected tax recovery at statutory rates	(500,158)	(520,384)
Stock based compensation	-	342,870
Unrecognized benefit of non capital losses	500,158	695,114
Foreign tax rate differences	-	-
Recognized benefit of non-capital losses	-	-
Foreign exchange translation adjustment and other non-deductible expenditures	-	-
Share issue costs charged to equity	-	-
Adjustment to prior year temporary difference	-	(517,600)
Future income tax expense (recovery)	**-**	**-**

Future income tax assets (liability)	**March 31, 2011 $**	**June 30, 2010 $**
Non capital losses carried forward	-	755,200
Foreign tax rate differences	-	13,800
Share issuance costs	-	53,800
Mineral properties	-	-
Valuation allowance	-	(822,800)
Balance	**-**	**-**

As at March 31, 2011 the Company had available $887,700 (CLP $446,754,000) in Chilean tax losses and $680,800 (AUD $758,000) in Australian tax losses that may be carried forward indefinitely. In addition, the Company had available Canadian non-capital losses of $1,223,600, which may be deducted in the calculation of taxable income in future years that will expire, if not utilized, as follows:

12. INCOME TAXES (cont'd)

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

13. 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 nine month period ended March 31, 2011 was 121,243,704 (2009: 70,433,315) for the purpose of calculating the basic and diluted loss per share. As a result of the net losses for the periods ended March 31, 2011 and 2010, the exercise of options and warrants has been excluded from the calculation of diluted loss per share given their anti-dilutive nature.

14. ESCROWED SHARES

At March 31, 2011, the Company had nil common shares in escrow on the TSX with the final release occurring January 4, 2011 as set out below:

Note (1)	**Number**
Original shares	1,000,000
Release effective April 22, 2008	(100,000)
Release effective July 4, 2008	(150,000)
Release effective January 4, 2009	(150,000)
Release effective July 4, 2009	(150,000)
Release effective January 4, 2010	(150,000)
Release effective July 4, 2010	(150,000)
Release effective January 4, 2011	(150,000)
Balance of shares in escrow	-
Note (2)	
Original shares	22,000,000
Release effective April 22, 2008	(2,200,000)
Release effective July 4, 2008	(3,300,000)
Release effective January 4, 2009	(3,300,000)
Release effective July 4, 2009	(3,300,000)
Release effective January 4, 2010	(3,300,000)
Release effective July 4, 2010	(3,300,000)
Release effective January 4, 2011	(3,300,000)
Balance of shares in escrow	-
Total escrowed shares	**-**

(1) 1,000,000 common shares were issued during the period ended July 31, 2006, when the Company was a Capital Pool Corporation ("CPC") as defined under the policies of the Toronto Stock Exchange. These shares were subject to a Tier two value escrow arrangement as defined by the policies of the Exchange whereby 10% of the escrowed shares would be released upon issuance of the final notice of acceptance of a Qualifying Transaction by the Exchange, and the remainder in six equal tranches of 15% on every six month anniversary thereof, for a period of 36 months.

14. ESCROWED SHARES (cont'd)

(2) As the conversion of the 22,000,000 convertible share securities, issued on completion of the reverse takeover which constituted the Company's Qualifying Transaction, took place on April 18, 2008, the release of the initial 10% of the escrowed former CPC shares was effective April 22, 2008.

22,000,000 convertible share securities convertible into common shares of the Company were issued on December 17, 2007, pursuant to a Share Exchange Agreement dated July 2, 2007 and amended September 13, 2007 and November 29, 2007.

These 22,000,000 convertible share securities were subject to a four month hold period, and are subject to a Tier two value escrow arrangement, the terms of which are as described in section (1) above. The 22,000,000 convertible share securities were converted into 22,000,000 common shares of the Company, effective April 18, 2008, and the initial release of 10% of the escrowed shares was effective April 22, 2008.

15. SEGMENT INFORMATION

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties. The Company's mineral properties are located in Chile. The Company has one reportable segment operating in three geographical areas as follows:

Assets	March 31, 2011	June 30, 2010
	$	$
Australia	17,779,176	4,000,466
Chile	17,642,017	13,390,304
Canada	-	-
Total	35,421,193	17,390,770

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value
The carrying value of the Company's financial instruments, including cash and cash equivalents, receivables, accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

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

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

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

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

Foreign currency risk

The Company operates in Canadian and international markets, giving rise to exposure to market risks from changes in foreign exchange rates. As at March 31, 2011, the Company has the following foreign denominated financial instruments which are recorded at the Canadian dollar equivalent and are subject to foreign currency risk:

Foreign currency risk	AUD $	CLP $
Cash and cash equivalents	17,136,238	54,885,089
Receivables	-	-
Accounts payable	195,415	42,736,101

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

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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has no income from operations and relies on equity fund raising to support its exploration program. Management prepares budgets and ensures funds are available prior to commencement of any such program. Should the need for further equity financing arise, there is a risk that the Company may not be able to sell new common shares at an acceptable price. All obligations are due within the year.

As at March 31, 2011, the Company had a cash balance of $843,848 and a short term deposit balance of $16,947,679 and working capital of $16,977,952. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk.

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

The Company has sought to formalize agreements with prospective purchasers of the minerals to be mined by the Company in order to negate commodity price risk.

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, warrants, agent's options, stock options, contributed surplus and accumulated deficit, which at March 31, 2011 amounted to $34,405,267 (June 30, 2010 - $17,215,970).

The mineral properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as required.

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

There were no changes in the Company's approach to capital management during the period ended March 31, 2011.

18. SUBSEQUENT EVENTS

No other material events took place in the period April 1, 2011 to May 15, 2011.