

SOUTHERN HEMISPHERE MINING LIMITED

For the year ended June 30, 2008

Management's Discussion and Analysis

(All amounts stated in Canadian dollars, unless otherwise indicated)

This MD&A contains certain "Forward-Looking Statements", that are prospective and reflect management's expectations regarding Southern Hemisphere Mining Limited's ("SHM" or "Southern Hemisphere") future growth, results of operations, performance and business prospects and opportunities. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included herein, including without limitation statements regarding potential mineralization and reserves, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, exploration results and future plans and objectives of SHM are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from SHM's expectations are disclosed in its documents filed from time to time with the TSX Venture Exchange and other regulatory authorities and include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore to be mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. SHM undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

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Introduction

This management's discussion and analysis ("MD&A"), of the consolidated operating results and financial condition of Southern Hemisphere Mining Limited ("**SHM**", or "Southern Hemisphere" or the "Company"), for the year ended June 30, 2008 should be read in conjunction with the audited consolidated financial statements for the same period. This MD&A is intended to provide the reader with a review of the factors that affected the Company's performance during the year ended June 30, 2008 and the factors reasonably expected to impact future operations and results.

This MD&A contains the results of the Company and its wholly owned subsidiaries: Southern Hemisphere Mining Pty Ltd. ("**SHM (Pty)**"), Mineras Hemisferio Sur S.C.M. ("**MHS**") and Servicios E Inversiones Futuro Ltd ("**Futuro**"). This report has been prepared in Canadian dollars except where otherwise indicated.

Background

About Southern Hemisphere Mining Limited

SHM was incorporated as Old Bond Capital Corp. ("Old Bond") on December 23, 2005 under the British Columbia *Business Corporations Act*. The Company was set up as a Capital Pool Company under the policies of the TSX Venture Exchange (the "**Exchange**"). On May 2, 2006, Old Bond changed its name to Youandi Capital Corp, and on November 3, 2006 the common shares of Youandi commenced trading on Tier 2 of the Exchange under the trading symbol "**YDI**". The Company's shares were halted by the Exchange on November 14, 2006, pending further announcements with respect to the disclosed Qualifying Transaction (see Significant Events and Transactions), whereby Youandi was to acquire all the shares of Southern Hemisphere Mining Pty Ltd., by issuing 22,000,000 convertible share securities convertible into common shares of Youandi. Concurrent with the completion of the qualifying transaction Youandi would change its name to Southern Hemisphere Mining Limited.

The Qualifying Transaction was completed on December 17, 2007, and on January 4, 2008, trading in shares of the Company resumed under the new symbol "**SH**". Also, effective January 4, 2008 the Company was no longer classified as a Capital Pool Company, but is considered a "Tier 2 Mineral Exploration" company.

The Company maintains a corporate office at Suite 500 at 357 Bay Street, Toronto, Ontario, M5H 2T7, an operations office in West Perth, Western Australia, and an exploration office in Santiago, Chile.

Nature of Business

SHM is a South American focused resource company with the stated strategy of creating shareholder value through the discovery and exploitation of base metal deposits in Chile. SHM (Pty) acquired all of the shares of Mineras Hemisferus Sud ("**MHS**") that owned three tenement holdings within the Chile copper belt totaling approximately 67.2 square kilometers, comprising of 27 exploitation mining concessions, and 46 granted exploration licenses.

SHM (Pty) has been active since December 2005.

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Significant Events and Transactions

1) Reverse Take-over by Southern Hemisphere Mining Limited

On December 17, 2007, the Company completed the acquisition of all the outstanding common shares of Southern Hemisphere Pty Ltd., in exchange for common shares of the Company. Pursuant to the terms of the Share Exchange Agreement entered into with SHM (Pty) and the SHM (Pty) shareholders, the Company issued 22,000,000 securities convertible into common shares of the Company in exchange for all of the outstanding share capital of SHM (Pty).

The transaction constituted a Reverse Take-Over (the "RTO") of the Company by SHM (Pty) under the policies of the TSX Venture Exchange (the "Exchange"). Upon completion of the transaction, the Company changed its name from Youandi Capital Corp. to Southern Hemisphere Mining Limited.

The RTO was completed on December 17, 2008. Pursuant to the terms of the Share Exchange Agreement, the Company issued convertible securities in exchange for all the outstanding shares of Southern Hemisphere Pty Ltd. In addition, warrants and options to purchase Youandi Capital Corp. common shares outstanding immediately prior to the RTO were replaced with warrants and options to purchase an equivalent number of common shares of the Company, on economically equivalent terms and conditions.

The acquisition of the shares of SHM (Pty) has been accounted for as an RTO transaction in accordance with guidance provided in Emerging Issues Committee ("EIC") Abstract No. 10. As Youandi did not qualify as a business for accounting purposes, the transaction has been accounted for as a capital transaction of SHM. Pursuant to the RTO transaction, the consolidated financial statements for the year ended June 30, 2008 reflect the assets, liabilities and results of operations of SHM (Pty) prior to the RTO and the consolidated assets, liabilities and results of operations of the Company subsequent to the RTO. The consolidated financial statements are issued under the name of the legal parent (Youandi prior to its change of name), but are deemed to be a continuation of the legal subsidiary (Southern Hemisphere Pty Ltd.).

2) Brokered Private Placement & Short-form Offering

Concurrently with, and as a condition of, the Qualifying Transaction, Youandi completed a private placement financing of \$4.3 million (the "Financing"). The Financing comprised of a Brokered Private Placement offering of 9,203,187 units of the Company (the "Units"), and a Short-form Offering of 1,712,500 units at a price of \$0.40 per Unit. Each Unit comprised of one common share and one half share purchase warrant, each full share purchase warrant entitling the holder to purchase one common share at a price of \$0.60 per share for a period of two years following closing.

On January 3, 2008, the TSX Venture posted an information bulletin announcing:

- a) the Completion of the Qualifying Transaction
- b) the trading symbol of Youandi Capital Corp., "YDI" was no longer valid, and the new trading symbol of Southern Hemisphere Mining Limited is "SH"
- c) the completion of the brokered private placement
- d) the completion of the short form offering

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- e) the name of the Company has been changed from Youandi Capital Corp. to Southern Hemisphere Mining Limited.
- f) trading in shares of the Company, which had been halted since November 14, 2006 pending the completion of the Qualifying Transaction, were to resume at Market opening on January 4, 2008
- g) effective with the completion of the Qualifying Transaction the Company was no longer considered a Capital Pool Corporation ("CPC"), but is now classified as a "Mineral Exploration" Company.

3) Acquisition of Futuro

On February 19, 2008 the Company announced that it had exercised its option to purchase all the shares in Sociedad Servicios E Inversiones Futuro Limitada, ("Futuro"), a Chilean limited liability company that was previously owned by Sundance Resources Limited of Australia, for the sum of US\$500,000. The assets of Futuro comprised: (i) Tenements (Mantos Grandes Properties), (ii) Rural property, (iii) A mining plant and (iv) Water easement rights.

About Mantos Grandes Properties

The Mantos Grandes project was an operating mine. North Limited, an Australian mining company, had an option over the project. Rio Tinto took over North Limited and felt that Mantos Grandes was too small a target to pursue. Sundance Resources purchased the project and subsequently changed strategy and decided to focus on iron ore in Africa, and entered into an option agreement with the Company. Said option has now been exercised.

Mineral Exploration in Chile

SHM is a South American focused resource company, with the stated strategy of creating shareholder value through the discovery and exploitation of base metal deposits in Chile.

The company's wholly owned Chilean subsidiary MHS holds the rights to three tenement holdings totaling approximately 247.37 square kilometres of ground, including additional acquired tenements, covering three mineralized porphyry copper systems. These three tenement holdings are all located within the Chile copper belt and in the case of two of the tenements are in close proximity to existing large copper or copper/gold mining operations.

The SHM tenements are made up of three separate packages of Exploration Licenses namely:

- Las Santas** (previously known as Coiron)
110.34 square kilometres, 110 kilometres north of Santiago;
- El Arrayan**
64.03 square kilometres, 470 kilometres north of Santiago; and
- San Jose**
73.0 square kilometres, 390 kilometres south of Santiago.

The three projects all exhibited the geological features typical of large porphyry Copper-Gold-Molybdenum mineralization in the Chile copper belt including structures, rock types and age as well as widespread strong alteration. All three projects showed widespread copper and gold

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mineralization and small scale mining by *pirqueneros* had occurred in numerous areas. Both the Las Santas and El Arrayan properties are located close to major porphyry copper mines, represented by Los Pelambres and Andacollo respectively. Molybdenum had not been systematically assayed for or mined despite the significance of molybdenum in nearby deposits. The three projects were largely held by individuals or small companies over an extended period of time and none of the three project areas had been previously consolidated. The tenements had variable amounts of uncoordinated and unsystematic exploration work undertaken on them, with the exception of Las Santas, which had small programs targeting selected areas.

Both Las Santas and El Arrayan projects also included higher grade lode style copper mineralization. It was considered that modest oxide copper resources could be defined at either or both projects, potentially supporting a small SX-EW processing operation to supplement the company's cash flow. The principal targets on all three properties were, however, large porphyry style deposits. San Jose, in particular, has had several generations of modest exploration, generally limited to stream sediment sampling, rock chip sampling and a small drilling program that intersected copper mineralization.

SHM has carried out the following exploration activities up to June 30, 2008

Drilling

On January 17, 2008 the Company announced that it had awarded a drilling contract with a Chilean based company, Rock Drilling S.A., and was to commence drilling on the Las Santas project in Chile. The contract allowed for a total of 20,000 meters of drilling, with the initial drill program to test for a porphyry style alteration package that has been defined by geochemistry, geophysics and surface mapping.

Las Santas Project

Exploration work at the company's Las Santas project, located in the Salamanca district of Region IV in central-northern Chile, commenced in January 2008 and has involved mapping, interpretation of surface induced polarization, resistivity and magnetic surveys and the commencement of a drilling program.

Reverse circulation ("**RC**") drilling has confirmed the existence of a porphyry system within the project area. Fifteen holes have been drilled on the Las Santas project.

The drilling confirmed the existence of geologically prospective porphyry systems with good alteration characteristics that are in general sulphidic to very sulphidic containing Cu at low levels. To date surface results and drill data suggest that the Cerro Marcoleta porphyry could still be a significant mineralized copper porphyry system at depth.

Analyses were completed by ALS Chemex at the La Serena Laboratory, an accredited analytical facility. Check and duplicate sample analyses confirmed that results were within acceptable industry limits for precision and accuracy.

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The initial surface sampling results, in conjunction with the initial drill data suggest that the Cerro Marcoleta porphyry represents a significant and previously unrecognised mineralized copper porphyry system in the Las Santas property. Key components of the system recognised to date include a copper enriched central zone with a distal gold enriched hydrothermal breccia.

El Arrayan Project

Exploration undertaken at El Arrayan during the period included soil sampling, Advanced Spaceborne Thermal Emission and Reflection ("**ASTER**") image interpretation, RC drilling, sampling and assaying.

Seven RC holes were drilled in the El Aguila prospect within the El Arrayan project area. Total drilling was 1,140 metres.

Important intercepts included:

- Hole ELRC2 a mineralized intercept of 76m @ 0.96%Cu and 9.4g/tAg, and
- Hole ELRC3 an intercept of 16m@1.6%Cu and 4.8g/tAg.

San Jose Project

Geological mapping has identified a mineralized porphyry with disseminated sulphides, veins, stockworks and hydrothermal breccias all with visible chalcopyrite.

Soil sampling and mapping continued in June, 2008 in preparation for diamond drilling in the following quarter.

Futuro Project

On February 19, 2008 the Company announced that it had exercised its option to purchase all the shares in Sociedad Servicios E Inversiones Futuro Limitada, ("Futuro"). The assets of Futuro comprised: (i) Tenements, (ii) Rural property, (iii) A mining plant and (iv) Water easement rights.

- (i) Tenements – a total of 54.55 square kilometres of a combination of granted mining concessions and mining petitions. These tenements, (the Mantos Grandes project) are all in good standing.
- (ii) Rural property – the "Las Mollacas" rural property comprises a surface area of 923 hectares.
- (iii) Mining Plant – a standard flotation processing plant capable of processing 200 tonnes per day that has been on care and maintenance since the early 2000's.
- (iv) Water Easement Rights – the plant is legally entitled to use the water running through the rural property.

About Mantos Grandes

The Mantos Grandes project was an operating mine based on a skarn copper ore body. North Limited, an Australian mining company, did have an option over the project and conducted a drilling program over the skarn deposit. Rio Tinto took over North Limited and felt that Mantos Grandes was too small a target to pursue.

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Sundance Resources purchased the project and conducted some geochemical surveys that resulted in an indication of porphyry style alteration packages in a zone away from the skarn deposit. Sundance subsequently changed strategy and decided to focus on iron ore in Africa, and entered into an option agreement with Southern Hemisphere.

Southern Hemisphere Mining Limited plans to complete the geochemical survey, and to conduct a geophysics survey prior to commencing a drilling program.

Additional Exploration Projects

On February 21, 2008, the Company posted a press release announcing that it had an opportunity to purchase additional exploration projects in Chile, and had commissioned Mr. Richard Yeates from Coffey Mining Pty Ltd to conduct an inspection and valuation of nine projects of potential merit in Chile. Mr. Yeates was to prepare a technical report in accordance with the requirements of National Instrument 43-101.

These projects were aggregated by two Chilean companies associated with some of the Directors of Southern Hemisphere Mining Limited.

These projects are owned by two Chilean companies, Minera Pan Americana ("MPA"), and Minera Americana del Sur ("MAS"). Minera Pan Americana is owned as to 80% by Pan American Mining Pty Ltd. ("PAM"), and Minera Americana del Sur is owned as to 65% by South American Mining Pty Ltd, ("SAM"). Both PAM and SAM are Australian entities that are partly owned by Trevor Tennant, Eduardo Valenzuela and James Pearson who are all shareholders and Directors of Southern Hemisphere Mining Limited.

As at the date of this report the 43-101 Technical Report by Mr Richard Yeates is still outstanding.

Reporting Period

Year ended June 30, 2008

At June 30, 2008, the Company had a net working capital balance of \$1,549,726 (June 30, 2007: net working capital of \$151,795), including cash and equivalents of \$1,581,873 (June 30, 2007: \$48,443).

The net loss for the year ended June 30, 2008 was \$1,796,798 compared to \$28,294 in the year ended June 30, 2007. The accumulated deficit at June 30, 2008 was \$1,875,763 (June 30, 2007: \$33,968).

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Selected Financial data for the year ended June 30, 2008, and 2007

For the year ended:	June 30, 2008	June 30, 2007
	\$	\$
Corporate finance and finders fees	72,715	---
Legal fees	161,770	4,864
Professional fees	199,495	10,406
Salaries and wages	211,980	---
Stock based compensation	936,161	---
Transfer agent and filing fees	51,095	---
Travel and accomodation	148,934	1,755

The professional fees categories (auditing, accounting, and other fees) exhibit significant increases as compared to the previous period. These fees were incurred in connection with the Qualifying Transaction which closed in December 2007. Preparatory work for the Qualifying Transaction and ensuring its compliance with all regulatory authorities' required that the Company make intensive use of various outside expertise.

The corporate finance and finders fees were incurred with respect to the RTO which took place in December 2007.

Transfer agent fees are fees incurred for transfer agency and share registry maintenance and activity fees, and are a part of the Company's obligations as a listed issuer, while filing fees are fees paid to the TSX Venture Exchange and the Provincial Securities Commissions in which the Company is a reporting issuer. The Company is a listed issuer in the provinces of Alberta and British Columbia.

Selected Quarterly data for the year ended June 30, 2008:

Expense:	July '07 – Sept '07 Q1	Oct '07 – Dec '07 Q2	Jan '08 – Mar '08 Q3	April '08 – June '08 Q4	Year ended June 30, 2008
	\$	\$	\$	\$	\$
Corporate finance and finders fees	---	52,604	---	20,111	72,715
Legal fees	2,999	48,904	110,235	(368)	161,770
Professional fees	3,797	58,714	56,142	80,842	199,495
Salaries and wages	---	---	60,860	151,120	211,980
Stock based compensation	---	---	---	936,161	936,161
Transfer agent and filing fees	---	35,776	12,667	2,652	51,095
Travel and accomodation	646	20,886	41,855	85,547	148,934
Net loss for the period	(11,948)	(234,475)	(303,649)	(1,246,726)	(1,796,798)

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Balance Sheet Items:	Sept '07 Q1	Dec '07 Q2	Mar '08 Q3	June '08 Q4
	\$	\$	\$	\$
Cash & cash equivalents	32,997	3,600,944	2,442,077	1,581,873
Mineral properties	1,680,904	1,887,122	3,051,637	4,778,419
Accounts payable & accrued liabilities	11,298	238,161	311,917	150,430
Future income tax	---	---	---	496,100
Common shares	1,849,825	4,883,176	4,862,988	5,979,980
Contributed surplus	---	---	---	936,161
Accumulated deficit	(44,932)	(325,388)	(629,037)	(1,875,763)

Selected Quarterly data for the year ended June 30, 2007:

Expense:	June '06 – Oct '06 Q1	Nov '06 – Jan '07 Q2	Feb '07 – Apr '07 Q3	May '07 – June '07 Q4	Year ended June 30, 2007
	\$	\$	\$	\$	\$
Corporate finance and finders fees	---	---	---	---	---
Legal fees	1,963	606	206	2,090	4,864
Professional fees	2,253	155	4,245	3,753	10,406
Salaries and wages	---	---	---	---	---
Stock based compensation	---	---	---	---	---
Transfer agent and filing fees	---	---	---	---	---
Travel and accomodation	565	424	695	71	1,755
Net loss for the period	(6,722)	(5,687)	(9,174)	(6,711)	(28,294)

Balance Sheet Items:	Oct '06 Q1	Jan '07 Q2	Apr '07 Q3	June '07 Q4
	\$	\$	\$	\$
Cash & cash equivalents	13,679	14,841	20,527	48,443
Mineral properties	296,666	298,432	321,730	436,462
Accounts payable & accrued liabilities	35	577	11,298	12,974
Future income tax	---	---	---	---
Common shares	365,564	389,845	460,485	622,957
Contributed surplus	---	---	---	---
Accumulated deficit	(12,397)	(18,084)	(27,258)	(33,968)

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Note:

Pursuant to the RTO transaction, the consolidated financial statements for the year ended June 30, 2008 reflect the assets, liabilities and results of operations of SHM (Pty) prior to the RTO and the consolidated assets, liabilities and results of operations of the Company subsequent to the RTO. The consolidated financial statements are issued under the name of the legal parent (the Company), but are deemed to be a continuation of the legal subsidiary (SHM (Pty)).

As SHM (Pty) was a Private Corporation prior to the completion of the RTO, and as such not subject to the regulatory reporting requirements of a listed issuer, the quarterly data presented above for the Company for the year ended June 30, 2007 do not reflect even calendar periods as would be applicable for a listed issuer, but rather the financial results presented on an ongoing basis in the 18 months leading up to the date of completion of the RTO.

Liquidity

The following table summarizes the Company's cash flows and cash on hand:

	Sept '07 Q1	Dec '07 Q2	Mar '08 Q3	June '08 Q4
	\$	\$	\$	\$
Cash & cash equivalents	32,997	3,600,944	2,442,077	1,581,873
Working capital	183,197	3,758,407	2,405,739	1,549,726
Cash used in operating activities	(21,249)	(438,529)	(316,705)	(896,936)
Cash used in investing activities	(1,221,064)	(1,360,423)	(2,620,926)	(2,875,351)
Cash provided by financing activities	1,226,868	5,351,453	5,331,265	5,305,717
Contributed surplus	---	---	---	936,161
Accumulated deficit	(44,917)	(325,388)	(629,037)	(1,875,763)

	Oct '06 Q1	Jan '07 Q2	Apr '07 Q3	June '07 Q4
	\$	\$	\$	\$
Cash & cash equivalents	13,679	14,841	20,527	48,443
Working capital	55,486	72,423	110,695	151,795
Cash used in operating activities	(2,092)	(7,846)	(7,456)	(13,557)
Cash used in investing activities	(88,893)	(106,258)	(171,602)	(301,316)
Cash provided by financing activities	30,022	54,304	124,944	288,674
Contributed surplus	---	---	---	---
Accumulated deficit	(12,397)	(18,084)	(27,258)	(33,968)

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Note:

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As SHM (Pty) was a Private Corporation prior to the completion of the RTO, and as such not subject to the regulatory reporting requirements of a listed issuer, the quarterly data presented above for the Company for the year ended June 30, 2007 do not reflect even calendar periods as would be applicable for a listed issuer, but rather the financial results presented on an ongoing basis in the 18 months leading up to the date of completion of the RTO.

Capital Resources

The Company has a total of 35,015,687 common shares issued and outstanding as of the date of this MD&A. Details of shares issued during the period are disclosed in full in Note 10 of the June 30, 2008 audited annual financial statements.

As at June 30, 2008, the Company had 34,915,687 common shares issued and outstanding and on August 19, 2008, Raymond James Ltd. exercised 100,000 agent's options at \$0.20 per option which had been granted in part as remuneration for the IPO which transacted on November 1, 2006.

Escrowed Shares

At June 30, 2008, the Company has the following shares in escrow:

- (1) 1,000,000 common shares issued during the period ended July 31, 2006, when the Company was a Capital Pool Corporation as defined under the policies of the TSX. 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. As the conversion of the 22,000,000 convertible share securities, issued on completion of the RTO 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.
- (2) 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.

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Continuity of Shares in Escrow:

	<u># of shares</u>
(1)	
Original # of shares	1,000,000
Release effective April 22, 2008	(100,000)
Balance of shares in escrow	900,000
(2)	
Original # of shares	22,000,000
Release effective April 22, 2008	(2,200,002)
Balance of shares in escrow	19,799,998
Total of escrowed shares	<u>20,699,998</u>

On July 4, 2008, 150,000 and 3,300,000 shares were released from escrow, leaving a balance in escrow of 16,499,998 shares as of the date of this MD&A.

Stock Options Granted

Under the terms of the Corporation's stock Option plan, Southern Hemisphere Mining Limited may grant incentive stock options numbering up to 10% of the issued and outstanding common shares of the Company to its officers, directors, employees and consultants, for purchase of common shares of the Company. Stock Options are non-transferable, and expire at the end of five years from date of grant. The maximum number of stock options that may be granted by the Company is 3,515,687.

On November 1, 2006, the Youandi had granted a total of 200,000 stock options to its directors at a price of \$0.20, exercisable for a period of 5 years from date of grant. These options vested immediately and an amount of \$30,480 was recognized as stock-based compensation expense for the period ended July 31, 2007, and added to 'Contributed Surplus' in the equity section of the balance sheet. As of the date of this MD&A, 66,666 of these options, awarded to a former officer of the Company, had not been exercised and hence were cancelled.

No stock options had been granted prior to November 1, 2006.

On January 3, 2008, the Board of Directors granted 3,356,579 stock options to directors, officers and consultants which vested immediately. These options were valued on the date of grant using the Black-Scholes option pricing model with the following assumptions: Expected dividend yield 0%; expected volatility 100%; risk-free interest rate 3.23% and an expected life of 5 years.

Maximum options that can be granted	3,515,687
Less Granted:	
November 2006	(200,000)
Expired/cancelled	66,666
January 2008	(3,356,579)
<u>Available for granting</u>	<u>25,774</u>

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Dividends

Southern Hemisphere Mining Limited has not paid any dividends in the past and does not anticipate paying dividends in the near future.

Changes to the Board of Directors and Management

Pursuant to the terms of the Share Exchange Agreement, upon completion of the Qualifying Transaction, the following changes were made to the Board of Directors and the officers of the Company.

- 1) Mr. Glenn Laing resigned as President, Chief Executive Officer and Acting Chief Financial Officer, yet retained his position as a Director
- 2) Mr. Richard Billingsley retained his position as a Director
- 3) Mr. Trevor Tennant was appointed as President, Chief Executive Officer, and Director.
- 4) Mr. James Pearson was appointed as Executive Vice president and Director.
- 5) Mr. Eduardo Valenzuela was appointed as Vice President Business Development and Director.
- 6) Mr. Jason Giles was appointed as Chief Financial Officer.

Following the Company's previous annual general meeting in January 2008, Mr. Russell D. Birrell M.Sc. was appointed as the Company's Vice President Exploration.

Adoption of New Accounting Pronouncements

Southern Hemisphere Mining Limited, (formerly Youandi) has adopted the accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): section 1530 – "Comprehensive Income", and Sections 3855 "Financial Instruments – Recognition and Measurement" and 3856 "Hedges" on August 1, 2007.

Comprehensive Income (section 1530) is the change in a company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments.

Financial instruments – Recognition and Measurement (Section 3855) requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. Fair values are determined directly by reference to the published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included as a component of shareholder's equity in the balance sheet. All financial liabilities must be measured at fair value when they are classified as held-for-trading; otherwise they are measured at cost or amortized cost.

Hedges – (Section 3856) specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges, and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains and losses attributable to the hedged risk and recognized in net income. This change in fair value of the hedged item, to the extent that the hedged relationship is effective, is offset by changes in the fair value of the derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging

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derivative will be recognized in other comprehensive income. The ineffective portion will be recognized in net income.

The amounts recognized in other comprehensive income will be reclassified to net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, foreign exchange gains and losses on the hedging instruments will be recognized in other comprehensive income.

There has not been any impact on the financial statements of the Company as a result of the adoption of these standards.

Critical Accounting Policies and Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. These estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Significant areas where management judgement is applied include asset valuations, stock-based compensation, and recovery of future income tax assets. In the opinion of management, all adjustments necessary for fair presentation of the results for the periods presented are reflected in these financial statements.

The Company's significant accounting policies are those that affect the financial statements and are summarized in the Notes to the Southern Hemisphere Mining Limited audited financial statements for the year ended June 30, 2008.

Risks & Uncertainties

Southern Hemisphere Mining Limited is engaged in a business that involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the shares of Southern Hemisphere Mining Limited should be considered speculative in nature.

Nature of Mineral Exploration and development Projects

The business of exploring for gold and copper involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Southern Hemisphere Mining Limited properties are in the exploration stage, and at present none of the Company's properties have a known commercial gold or copper deposit. Proposed exploration programs are an exploratory search for such deposits. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

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The Company's operations are subject to all the hazards and risks normally associated with the exploration for gold and copper, any of which could result in damage to life, or property, or the environment.

The Company's operations may be subject to disruptions caused by unusual or unexpected formations, formation pressures, fires, power failures, flooding, explosions, cave-ins, landslides, the inability to obtain suitable or adequate equipment or machinery, labor disputes, or adverse weather conditions. Although the Company maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time. Through high standards and continuous improvement, the Company strives to minimize these risks.

In the event that the Company is fortunate enough to discover a gold or copper deposit, the economics of commercial production depend on many factors, including the cost of operations, the size and quality of the deposit, the proximity to infrastructure, financing costs and Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of gold, and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of commencement or continuation of commercial production.

The profitability of the Company's operations will be dependent, inter alia, on the market price of its products. Prices are affected by numerous factors beyond the control of the Company, including international economic and political conditions, levels of supply and demand, and international currency exchange rates.

Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration, the availability of suitable contractors, and other factors. If mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling to determine the optimal metallurgical process and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

Financing risk, until such time as the Company is cash flow positive

In the absence of cash flow from operations, Southern Hemisphere Mining relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the infinite postponement of further exploration and the development of the Company's properties.

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Licences and Permits, Laws and regulations

The activities of Southern Hemisphere Mining Limited require permits from various government authorities, and are subject to Chilean national and provincial laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety standards, mine safety standards and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. Southern Hemisphere Mining Limited draws on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with all regulatory bodies.

The Company believes that it holds all necessary licences, and will receive all necessary permits under applicable laws and regulations, and believes it is presently complying in all material respects with the terms of such licences and permits. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. To the extent such approvals are sought and not obtained, the Company's planned exploration and development activities may be delayed, curtailed, or cancelled entirely.

Conflicts of Interest

Certain of the Company's directors, officers and significant shareholders are or may become shareholders, directors and/or officers of other companies, and to the extent that such other companies may participate in ventures with the Company, these individuals may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or of its terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which one or more directors or officers may have a conflict. In accordance with the laws of the provinces of British Columbia, and Alberta, in both of which the Company is a reporting issuer, the directors are required to act honestly and in good faith with a view to furthering the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

Related Party Transactions

During the year ended June 30, 2008, the Company had arrangements in place with number parties to provide some of the administrative, accounting, and management services that the Company required. Certain Directors and significant shareholders also provided management and consulting services to the Company.

For the year ended June 30, 2008, services were provided by Silverbridge Capital Inc. (a) and St. George Management Services Ltd. (b), both of which are companies wholly owned by the Hughnie Laing Trust, the sole beneficiary of which is the spouse of a Director.

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(a) Silverbridge Capital Inc. – Silverbridge had a corporate advisory mandate to achieve SHM on the conclusion of the Qualifying Transaction, and an agency arrangement with the Company to raise the Offering Proceeds on a commercially reasonable efforts basis. A commission of 7% or \$98,825 was paid to Silverbridge on the gross proceeds of the brokered portion of the financing. In addition, finders fees of \$25,000 and incidental charges of \$51,637 were paid to Silverbridge Capital Inc.

(b) St. George Management Services Ltd. (formerly St. George Minerals Ltd.) – has provided the Company with office accommodation, administrative and accounting and management services for a total of \$54,963 for the year ended June 30, 2008. The breakdown as to the individual items comprising this total is: Rent \$10,500, Administrative support \$9,545, and Accounting and management services \$34,918. This arrangement commenced upon completion of the RTO, and hence no comparative figures for the prior year exist.

(c) Pursuant to an agreement with the Company's Directors, the Directors will be reimbursed for travel and incidental expenses incurred while conducting business on behalf of the Company.

Due to Directors in reimbursement for travel and related expenses incurred:

Directors:	June 30, 2008	June 30, 2007
James Pearson	\$ 401	\$ 364
Trevor Tennant	4,960	12,554
Eduardo Valenzuela	61	56
Total Reimbursements	<u>\$ 5,422</u>	<u>\$ 12,974</u>

Contractual Obligations and Commitments

- Southern Hemisphere Mining Limited had no capital expenditure commitments as of June 30, 2008 (June 30, 2007: \$nil)
- Following the completion of the Qualifying Transaction, under the terms of an agreement with St George Management Services Ltd., St George provides office accommodation, administrative, record keeping and management services.
- Based on an informal agreement between the Company and Current Market Communications & Associates Inc., the Company is provided with investor relations and corporate communications services on a monthly basis.

Changes to MI 52-509 Certifications

Effective November 23, 2007, the Canadian Securities Administrators ("CSA") published CSA Notice 52-319 to update market participants on the initiative announced in March 2007 to repeal and replace Multilateral *Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109"), and its related forms and companion policy. After extensive review and consideration of the comments received, the CSA have decided to not proceed with the earlier proposal.

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Instead, each jurisdiction in Canada has adopted changes to the current administrative practice in relation to filings of "venture issuers", permitting a venture issuer to file Basic Annual Certificates or Basic Interim Certificates for reporting periods commencing on or after March 31, 2008, in place of the previous CEO and CFO certificates required by MI 52-109.

Venture issuers no longer have to include in their MD&A any discussion of management's conclusions about the effectiveness of disclosure controls and procedures.

The Company first filed the new Basic Interim Certificates effective for the period ended December 31, 2007.

Subsequent Events and Outlook

San Jose Project

Since June exploration activities have been concentrated on the San Jose project. Field work has included further mapping and the drilling of four diamond drill holes.

On November 4, 2008, the Company posted a press release where in provided and update on its exploration activities at the San Jose project.

Soil Geochemistry – A total of 57 soil samples were collected between San Jose and Pierna Blanca creeks where topography allowed. The samples were analysed at ALSChemex in Perth using method MEMS-23 ionic extraction for 17 elements.

All analyses performed for the Company were completed by ALS Chemex at the La Serena and Perth Laboratories, both of which are accredited analytical facilities. Check and duplicate sample analyses confirmed that all results were within acceptable industry limits for precision and accuracy.

Manganese Opportunity Identified

On November 4, 2008, the Company posted a press release where in announced that the Company has identified a manganese opportunity located 170 km inland from the Port of Arica, Northern Chile. The Company believes that this opportunity has the potential to be a significant manganese resource.

This manganese occurrence has been designated as the Los Pumas Project by the Company. It is a multiple layered tabular style occurrence with a surface expression of 3.6 km in length and a width of 700 meters. The upper layer sub outcrops over this surface expression.

Preliminary mapping of the occurrence by SHM geologists has indicated that potential exists for a significant resource of manganese mineralization. Initial sampling and testing indicates that dense media separation may be required to produce a saleable grade product in lump and fine sizes. The Company has made application for the applicable tenements that cover this Los Pumas Project.

SHM is planning an extensive drill program to prepare a resource estimate and to undertake preliminary metallurgical test-work for the Los Pumas project, followed by a pre feasibility and

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feasibility study for the project. A drill rig has been secured and drilling will commence once necessary regulatory approvals have been obtained.

Synopsis of Equity: Issued and outstanding

- 35,015,687 issued common shares
- 16,499,998 common shares, subject to a Tier 2 Value security escrow arrangement
- 5,457,844 warrants entitling the holder to purchase one common share at \$0.60 per share until December 17, 2009
- 171,250 non-transferrable agent warrants entitling Haywood Securities Inc. to purchase one common share at \$0.40 per share until December 17, 2009
- 50,000 non-transferrable agent options entitling Raymond James Ltd. to purchase one common share at \$0.40 per share until December 17, 2009
- 50,000 non-transferrable agent options entitling Haywood Securities Inc. to purchase one common share at \$0.40 per share until December 17, 2009

For additional information, please refer to the Company's website at www.shmining.com.au and for regulatory filings, including news releases, please refer to www.SEDAR.com

November 7th, 2008