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14 February 2011

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

Dear Sir/Madam

Quarterly Management Discussion and Analysis ("MD&A")

Please refer below for the December 2010 quarter MD&A of Southern Hemisphere Mining Limited, as issued in Canada.

This MD&A should be read in conjunction with the corresponding unaudited consolidated interim financial statements for the three and six month periods ended December 31, 2010.

Yours faithfully
SOUTHERN HEMISPHERE MINING LIMITED

DHall

Derek Hall
Company Secretary

SOUTHERN HEMISPHERE MINING LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED DECEMBER 31, 2010

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

This MD&A contains certain "Forward-Looking Statements", which are prospective and reflect management's expectations regarding Southern Hemisphere Mining Limited's ("SHM", "Southern Hemisphere" or the "Company") 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.

Background

This discussion and analysis of the interim consolidated operating results and financial condition is prepared as at February 14, 2011, and should be read in conjunction with the unaudited interim consolidated financial statements and the accompanying notes for the three month and six month periods ended December 31, 2010 of the Company. Those interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). This management discussion and analysis ("MD&A") has been prepared in Canadian dollars, except where otherwise indicated by reference to United States of America dollars ("US"), Australian dollars ("AUD") or Chilean Pesos ("CLP"). Additional information relevant to the Company's activities can be found on SEDAR at sedar.com.

Company Overview

The Company's common shares trade on the Toronto Stock Exchange – Venture ("TSX-V") under the symbol "SH" and on the Australian Securities Exchange ("ASX") under the symbol "SUH".

The Company is a resource, exploration and mine development company focused on properties in Chile with the stated strategy of creating shareholder value through the discovery and exploitation of base metal deposits.

The Company has previously identified Los Pumas, a manganese project located in northern Chile, as having potential for development. To facilitate the development of Los Pumas, the Company has undertaken various activities including exploration, resource definition and resource modelling, the engagement of consultants to provide engineering and cost inputs for a preliminary assessment and later a feasibility study and initiated the process of gaining environmental approval for mining and processing of manganese. The Company continues to undertake metallurgical test work to refine the proposed process flow sheet.

In addition to the Los Pumas Project the Company also has 12 exploration areas, principally targeting porphyry style copper mineralisation, on which evaluation has commenced. The Company also has a number of mining concessions which are considered prospective for the production of iron sands.

The Registered Office of the Company is located at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, Canada V6E 4E6. Operations are managed from the Company's office located at Suite 7, 1200 Hay Street, West Perth, Western Australia, Australia. The Company also maintains an office in Santiago, Chile.

Corporate Update

- Following the identification of the Los Pumas Project, the Company subsequently entered into a purchase option agreement to acquire the concession areas of the project it did not already own. In January 2010 the Company completed the acquisition of the remaining concession areas at Los Pumas.

- In December 2010 the Company completed and filed a Preliminary Assessment of the Los Pumas Project which indicated that the Project had a potential mine life of over ten years and an after tax cash surplus of approximately US$220 million.

- As at December 31, 2010, the Company had no source of operating cash flow, and an accumulated deficit of $5,424,973. Operations for the reporting period have been funded by existing cash reserves and the issuance of common shares. 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 projects and achievement of profitable operations. The Company is planning to meet its future expenditures and obligations by raising funds through public offerings, private placements, debt finance or by the optioning of mineral properties. Although the Company has been successful in obtaining finance 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.

Previous Financings

- 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 Pan American Mining Pty Ltd ("PAM") & South American Mining Pty Ltd ("SAM") for a total consideration of $2,000,000 payable by issuing a total of 10,000,000 of the Company's common shares. PAM and SAM were 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.

- On August 6, 2009, the Corporation 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 entitles the holder to purchase one common share at a price of $0.40 per share, exercisable for a period of two years. These funds were used for working capital in particular completing a reverse circulation drill program and a follow up diamond drill program. From this work an inferred resource was determined by an independent expert. The funds were also used for the acquisition of new tenements in Chile, specifically the exercise of the Kaiora option agreement to acquire additional licences in the Los Pumas project.

- On December 30, 2009, the Corporation was admitted to the official list of the ASX. The listing was completed through the issuance of 32,000,000 common shares at AUD$0.25 per share, total net proceeds raised from the listing were $7,497,600. These funds were used for continued drilling on the Los Pumas project to progress new resource estimates and a feasibility study with respect to same.

- On October 27, 2010, the Company announced the successful completion of a capital raising which was subsequently approved by shareholders. The capital raising, comprising the issue of approximately 47.6 million new fully paid ordinary shares at a price of AUD$0.42 per share to raise AUD$20 million before costs, was made to institutional and sophisticated investors in three tranches. Proceeds relating to the first two tranches totalling AUD$14 million were received by the Company during the period. The final tranche net proceeds of $5,578,655 were received subsequent to the period end. These funds will be used to explore and assess the Company's copper / gold concessions; explore and continue with metallurgical testing of its iron sands project and if accretive in value for its shareholders acquire a further iron sands property that the Company has knowledge of and to complete further metallurgical work, feasibility enhancement studies and front end engineering works on the Los Pumas Project.

Project Update

Minera Hemisferio Sur SCM

During the period Minera Hemisferio Sur SCM (MHS) took control of a group of concessions covering prospective iron sand deposits. These concessions cover an area of 71 square kilometres of coastal and near coastal dunes in the vicinity of Constitution, Chile. The Company received shareholder approval at annual and special general meeting on November 25, 2010 to complete the purchase of the iron sands properties by issuing 1,301,700 shares of the Company to the vendors.

The Company's wholly owned Chilean subsidiary, MHS also holds the rights to four other project areas being:

- *Las Santas*
- *El Arrayan*
- *San Jose*
- *Los Pumas*

The first three project areas are located within the Chile copper belt and exhibit the geological features typical of large porphyry copper-gold-molybdenum mineralization in the Chile copper belt. These features include structures, rock types and age, as well as widespread alteration. The three projects show widespread copper and gold mineralization and in the past small scale mining has occurred on the concessions. Both the Las Santas and El Arrayan properties are located close to major porphyry copper mines, namely Los Pelambres and Andacollo respectively. These three projects were held by individuals or small companies over an extended period of time. The concessions have had variable amounts of un-coordinated and unsystematic exploration work undertaken on them, with the exception of Las Santas, which has had small programs targeting selected areas.

The fourth project, Los Pumas, is a manganese opportunity. It is based on a low grade, shallow, manganese deposit that is well located with respect to transport infrastructure.

Los Pumas

Los Pumas in northern Chile is the main focus of the Company's exploration and development activities. It is the subject of a completed preliminary assessment.

On November 4, 2008, the Company disseminated a press release where it announced that the Company had identified a manganese opportunity located 170 km inland from the Port of Arica, Northern Chile. 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 up to 700 metres. The upper layer sub outcrops over this surface expression.

The Company has undertaken several drilling campaigns on this project and at the end of June 2010 had completed 14,185 metres of Reverse Cycle ("RC") drilling in 482 holes. In addition to the RC drilling, 652 metres of diamond core drilling has been completed. A program of bulk sampling started in March 2010 with the commencement of the sinking of the first of a series of four winzes. The four winzes have been completed providing approximately 300 tonnes of sample material. Selected samples have been sent to Mintek in Johannesburg for beneficiation test work. Preliminary results from the beneficiation test work suggest that the bulk of the Los Pumas mineralisation is amenable to concentration using heavy media separation.

A Technical Report dated October 14, 2010 from Coffey Mining contained an estimate of the manganese resources of the project. The table below provides a summary of the Los Pumas resource estimate:

LOS PUMAS PROJECT
RESOURCE ESTIMATION – OCTOBER 2010

	Resource	**Tonnes (Mt)**	**Mn (%)**	**SiO_2 (%)**	**Fe_2O_3 (%)**	**Al (%)**	**K (%)**	**P (%)**
High Grade	Measured	7.31	8.36	56.52	2.60	5.61	3.19	0.05
	Indicated	5.55	7.78	55.92	2.86	5.75	3.11	0.05
	Measured plus indicated	**12.86**	**8.11**	**56.26**	**2.71**	**5.67**	**3.17**	**0.04**
	Inferred	2.63	7.55	57.76	2.97	6.01	3.08	0.05
Low Grade	Measured	0.40	5.51	74.72	4.06	7.44	3.62	0.05
	Indicated	1.04	5.50	67.60	3.56	7.32	2.94	0.06
	Measured plus indicated	**1.44**	**5.50**	**69.58**	**3.70**	**7.35**	**3.13**	**0.06**
	Inferred	1.38	5.23	49.94	2.92	5.46	2.1	0.06

During the last quarter Coffey Mining were retained to update the resource estimate. The results of this work have been received, please refer to the News Release of February 8, 2011.

A Project Manager has been appointed to manage the completion of the preliminary assessment and feasibility study for the Los Pumas project. As part of these study processes the Company has engaged the international engineering and construction management group SNC-Lavalin Group Inc. to prepare detailed designs and cost estimates for the proposed mining and processing operations at Los Pumas. The majority of this work has been completed. The results of ongoing metallurgical test work being carried out by the Company and its processing consultants are however required before a feasibility study can be completed.

An easement agreement with the local community over the use of their land for the Project has been executed. Agreement has also been reached with the local community owners of land for the company to purchase water. The land owners are currently seeking the legal registration of their water rights

On August 3, 2010, following the advice of the Corporation's environmental consultants, the Company lodged an Environmental Impact Declaration with the Region XV Committee in Arica, Chile who made no challenges within the prescribed time period. However, during January 2011 there have been successful challenges by indigenous communities in the Chilean Supreme Court, of other parties' approved Environmental Impact Declarations, which resulted in the requirement for those parties to each lodge a more detailed Environmental Impact Statement that involves greater consultation between the regional authority and indigenous communities. Considering the successful recent legal challenges, it was decided that it would be prudent for the Company to withdraw its Environmental Impact Declaration and substitute it with an Environmental Impact Statement, which could not be challenged on similar grounds in the courts, thus avoiding possible time consuming legal actions. Accordingly, the Company withdrew its Environmental Impact Declaration on January 25, 2011 and will lodge its Environmental Impact Statement with the Region XV Committee for their review and further consultations with the local community. The Company is working closely with and has received assurance from the Region XV Authorities that they will provide every assistance to expedite their review of the Company's Environmental Impact Statement and further consultations with the local community, during which time the Company will finalise the Los Pumas feasibility study and continue with its copper/gold exploration program.

The changed circumstances regarding environmental approvals will cause a delay and the Company is now aiming to have the Los Pumas Project operational during the second half of 2012.

Currently, diamond core drilling is being undertaken at Los Pumas. Core from this program will be used for further metallurgical test work.

El Arrayan

A RC drilling program at the El Arrayan was commenced during the last quarter of 2010. The program is targeting copper mineralisation. Initial results are expected to be released shortly.

San Jose

Minimal activities were carried out on the San Jose project in the quarter.

Las Santas

Minimal activities were carried out on the Las Santas project in the quarter.

Sociedad Servicios E Inversiones Futuro Limitada

The Company's wholly owned Chilean subsidiary Sociedad Servicios E Inversiones Futuro Limitada holds the legal title to concessions known as the Mantos Grandes project.

During the quarter there was minimal activity on the Mantos Grandes project.

Minera Panamericana SCM

The Company's wholly owned Chilean subsidiary Minera Panamericana SCM ("MPA") holds legal title to a number of concessions.

During the quarter there was minimal activity on the MPA projects, which include the Angel, Santa Gracia and Chitigua projects.

Minera Americana del Sur SCM

The Company's wholly owned Chilean subsidiary Minera Americana del Sur SCM ("MAS") holds legal title to a number of concessions.

During the quarter there was minimal activity on the MAS projects, which include the Carboneras, Meteoritica, Romeral, Tres Cruces and Cunlagua projects.

Future Developments

The main focus of the Company in the coming months will be to progress the Los Pumas feasibility study. This will, among other things, involve completion of the resource modelling, further beneficiation test work, detailed plant design, advancement of regulatory and community agreements, and resultant amendment to the financial model of the Project

Apart from the work associated with the Los Pumas feasibility study the Company also has plans to continue exploration on its other projects including drilling programs at El Arrayan, Chitigua, Santa Gracia/Chacay and Mantos Grandes.

Selected Financial Data

The following selected financial information is derived from the unaudited consolidated interim financial statements of the Company.

Results of Operations:

	December 31, 2010 (3 months) $	**December 31, 2009 (3 months) $**
Income	53,459	18,911
Expenses *(1)*	605,826	360,393
Net loss	552,367	341,482
Dividends per share	Nil	Nil
Basic and diluted loss per share	(0.005)	(0.005)

(1) *Expense are shown net of foreign exchange differences*

During the three months ended December 31, 2010 the Company reported a net loss of $552,367 compared to a net loss of $341,482 in the corresponding 2009 period. Specific expenses of note during the three months ended December 31, 2010 include: - 1) Salaries & Wages ($304,670) which have increased as a result of the strengthening of corporate staff levels in Australia. The increase is primarily attributable to engaging two of the directors as full time employees effective from the date of the Company's listing on the ASX. The expense is materially consistent with the September 2010 quarter. 2) Professional fees ($67,612) including tax advice and tenement manager costs. 3) Legal Fees ($192,533) increasing as a result of the advice sought during the three tranche raising conducted in Australia and Canada and associated filings, dual compliance obligations and various ad hoc matters during the course of the Los Pumas feasibility study. 4) Transfer Agent and filing Fees ($49,152) associated with dual listing on the ASX and TSX-V.

As the Company is in the exploration stage of evaluating mineral interests it has no revenue. Interest income is generated from cash on deposit with financial institutions.

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

	31 Dec 10	**30 Sep 10**	**30 Jun 10**	**31 Mar 10**	**31 Dec 09**	**30 Sep 09**	**30 Jun 09**	**31 Mar 09**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Income	53,459	43,363	67,522	64,449	18,911	11,733	7,787	15,556
Expenses	605,826	666,426	341,949	892,957	360,393	144236	131,532	157,093
Net Loss	552,367	623,063	247,427	828,508	341,482	132,503	123,745	141,537
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Basic and diluted loss per share	(0.005)	(0.006)	(0.005)	(0.008)	(0.005)	(0.002)	(0.002)	(0.003)

Financial Condition:

	December 31, 2010	**June 30, 2010**
	$	**$**
Working capital	14,375,606	3,906,342
Total assets	32,411,179	17,390,770
Total liabilities	1,177,697	174,799
Accumulated deficit	(5,424,973)	(4,249,543)

Mineral exploration costs comprise the bulk of the Company's expenditures. The cumulative costs of exploration expenditures capitalised for each project are set out in Note 6 of the December 31, 2010 unaudited consolidated interim financial statements. Details of exploration activities conducted during the period are described in "Project Update" in this MD&A.

Liquidity and Capital Resources:

At December 31, 2010, the Company had a net working capital balance of $14,375,606, including cash and cash equivalents of $14,757,948. The following table summarizes the Company's cash and cash equivalents on hand, cash flows and contributed surplus for the three months ended December 31 2010 and December 31 2009.

	December 31, 2010	**December 31, 2009**
	$	**$**
Cash and cash equivalents	14,757,948	8,928,437
Cash used in operating activities	649,511	214,504
Cash used in investing activities	1,279,774	1,234,500
Cash used in / (provided by) financing activities	(13,341,383)	(7,255,039)

The Company believes that it currently has sufficient financial resources to conduct anticipated exploration programs and meet anticipated corporate administration costs for the upcoming twelve months. However, exploration activities may change due to ongoing results and recommendations, or the Company may acquire additional properties, which may entail significant funding or exploration commitments. In the event that the occasion arises, the Company may be required to obtain additional financing. The Company has no debt and has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financing should the need arise.

Dividends

The Company has not paid any dividends in the past and does not anticipate paying dividends in the near future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Changes in Accounting Policies

Please refer to the audited consolidated financial statements as at and for the year ended June 30, 2010 posted on SEDAR for a complete description of our critical accounting policies.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board 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.

The Company has not yet finalized its determination of the potential impacts of the differences between GAAP and IFRS, however due to the Company being in the exploration stage, it is not anticipated that the required changes in accounting policies will materially impact on the Company's financial operating results, though there may be an impact in terms of disclosure and presentation.

The Company reviewed its existing accounting system along with its internal and disclosure control process and concluded that they would not need significant modification as a result of the Company's conversion to IFRS.

The Company has determined that it would rely on certain exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" as of the transition date. Under IFRS 1, the IFRS standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company intends to apply the following exemptions to its opening balance sheet.

1) Business Combinations
IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combination retrospectively to business combinations that occurred before the date of transition to IFRS. The Company will take advantage of this election and will apply IFRS 3 to business combinations that occurred on or after July 1, 2011. There is no adjustment required to the financial statements on the transition date.

2) IAS 27 – Consolidated and Separate Financial Statements
In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively. Therefore, there is no change to the financial statements on the transition date.

The Company will meet its IFRS reporting requirements for its transition date.

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 recoverability of resource properties, valuation of options and warrants and the ability to continue as a going concern. In the opinion of management, all adjustments necessary for fair presentation of the results for the periods presented are reflected in the December 31, 2010 unaudited consolidated interim financial statements.

The Company's significant accounting policies are those that affect the financial statements and are summarized in the notes to the unaudited consolidated interim financial statements for the period ended December 31, 2010.

Transactions with Related Parties

1) During the six months ended December 31, 2010 the Company had certain arrangements in place with related parties to provide administrative, accounting, and management services that the Company required. These services are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the Company and the related parties.

   Andes Consulting Pty Ltd - $14,890

   Andes Consulting Pty Ltd is an Australian incorporated company controlled by a director and shareholder of the Company. Non-executive directors' fees are paid to the company on a monthly basis and consulting fees are paid as and when the Company uses the director controlled entity for management services.

2) The Company will purchase a number of tenements from Centralian Mining Pty Ltd, an Australian incorporated company controlled by directors Trevor Tennant, James Pearson and Eduardo Valenzuela. These tenements are considered prospective for the production of iron from sands. The consideration payable to Centralian Mining Pty Ltd under this agreement is $680,402 and is reflected as a loan due to a related party in the Company's accounts. The consideration will take the form of common shares in the Company.

Risks & Uncertainties

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged, not least are adverse movements in commodity prices, which are impossible to forecast. The Company seeks to counter this risk, as far as possible, by selecting exploration areas on the basis of their recognised geological potential to host economic deposits.

Nature of Mineral Exploration and Mining

The Company 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 the Company should be considered speculative in nature.

The business of exploring for manganese, gold and copper involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Southern Hemisphere Mining Limited's properties are in the exploration or feasibility stage, and at present none of the Company's properties have a known commercial manganese, 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.

The Company's operations are subject to all the hazards and risks normally associated with the exploration for manganese, 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, labour 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 manganese, 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 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.

Requirement of Additional Financing

The exploration and development of the Company's concessions, including continuing exploration projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing. Additional financing will also be required for working capital, to pay instalments to acquire mineral property interests under agreements held by the Company at the date of this document and any such agreements which are subsequently entered into by the Company. The Company does not currently have sufficient funds to explore and develop its concessions and to maintain its interest in all its projects. No assurance can be given that the Company will be able to raise the additional financing necessary to explore and develop its concessions, or exercise its options (current or future). Failure to obtain sufficient financing for any projects will result in a delay or indefinite postponement of exploration, development or production on properties covered by the Company's concessions or even the loss of a concession. The only source of funds currently available to the Company is through the issue of equity capital, debt financing, the sale of concessions or other assets, royalty interests or the entering into of joint ventures. In addition, the Company's ability to obtain further financing will depend in part on the price of manganese and copper and the industry's perception of future prices and other factors outside the Company's control. Additional financing may not be available when needed, or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to shareholders. In the absence of adequate funding the Company may not be able to continue as a going concern in which event the carrying value of the Company’s exploration projects would be impaired.

Limited Operating History

The Company has no concessions producing revenue and its ultimate success will depend on its ability to generate cash flow from concessions in the future. The Company has not earned profits to date and there is no assurance that it will do so in the future. Significant capital investment will be required to achieve commercial production from the Company's existing projects and from successful exploration efforts. There is no assurance that the Company will be able to raise the required funds to continue these activities.

Key Personnel

The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The Company has entered into agreements with certain key personnel. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management. The loss of one or more of these individuals could have a materially adverse effect on the Company.

Environmental Factors

The Company's operations are subject to environmental regulation in the jurisdictions in which the Company operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and health and safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances, which may exist on or under any of the properties covered by its concessions, or which may be produced as a result of its operations. If the Company does not comply with environmental regulations or does not file environmental impact statements in relation to each of its concessions, it may be subject to penalties, its operations may be suspended, closed and/or its concessions may be revoked. Environmental legislation and permit requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Political Risk

The Company is conducting its exploration activities in the Republic of Chile. The Company may be adversely affected by changes in economic, political, judicial, administrative or other regulatory factors such as taxation in the Republic of Chile, where the Company will operate and holds its major assets. The Republic of Chile may have a more volatile political environment and/or more challenging trading conditions than in some other parts of the world. The directors believe the Government of Chile supports the development of natural resources by foreign operators. There is no assurance that future political and economic conditions in Chile will not result in the Government of Chile adopting different policies in respect of foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital. These changes may affect both the Company's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties, in respect of which it has obtained exploration and development rights to date.

Payment Obligations

Under the mineral property agreements and certain other contractual agreements to which a member of the Company is, or may in the future become, a party, any such company is, or may become, subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by such companies. The Company may not have, or be able to obtain, financing for all such obligations as they arise.

Regulatory Approvals

The operations of the Company require approvals, licenses and permits from various regulatory authorities, governmental and otherwise. The Board believes that the Company holds or will obtain all necessary approvals, licenses and permits under applicable laws and regulations in respect of its current projects. There can be no guarantee that the Company will be able to obtain or maintain all necessary approvals, licenses and permits that may be required to explore and develop its various projects and/or commence construction or operation of mining facilities that economically justify the cost.

Competition

The Company competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees. There is significant competition for the manganese and gold/copper opportunities available and, as a result, the Company may be unable to acquire further the manganese and gold/copper concessions on terms it considers acceptable.

Conflicts of Interest

Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and consequently there is the potential for conflicts of interest. The Company expects that any such director or officer shall disclose such interest in accordance with its articles of association or his contractual obligations to the Company and any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

Outstanding Share Data

The Company’s authorized share capital is unlimited common shares without a par value. As at December 31, 2010 there were 136,938,321 issued and outstanding common shares. In addition, there were 9,439,913 stock options outstanding, at exercise prices ranging from $0.20 to $0.40 per share and 7,500,000 warrants and agents options outstanding at an exercise price of $0.40 per share. Details of common shares issued during the period are disclosed in full in Note 9 of the December 31, 2010 unaudited consolidated interim financial statements.

On February 7, 2011, the Company received the final tranche of funds from its recent capital raising totalling net proceeds of $5,578,655. 14,285,800 ordinary shares were issued in relation to this tranche of funds on February 10, 2011. As at February 14, 2011, the Company has 151,224,121 issued and outstanding common shares.

Escrowed Shares

At December 31, 2010, the Company has the following common shares in escrow:

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)
Balance of shares in escrow	150,000
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)
Balance of shares in escrow	3,300,000
Total escrowed shares	**3,450,000**

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

(2) As the conversion of the 22,000,000 special warrants, 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 special warrants 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 special warrants 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 special warrants were converted into 22,000,000 shares of the Company, effective April 18, 2008, and the initial release of 10% of the escrowed shares was effective April 22, 2008. Subsequent to period end, the final release under the escrow arrangement occurred reducing the balance of escrowed shares to nil.

Licences and Permits, Laws and regulations

The activities of the Company 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 to complete the exploration activities, 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.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules. In conducting the evaluation it has become apparent that management relies upon certain informal procedures and communication, and upon "hands on" knowledge of senior management. Management intends to formalize certain of its procedures. Due to the small staff, however, the Company will continue to rely on an active Board and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company will take whatever steps necessary to minimize the consequences thereof.

Internal Controls and Procedures over Financial Reporting

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to the Company's ICFR during the six month period ended December 31, 2010 that have materially affected, or that are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.