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**Condensed Consolidated Interim Financial Statements  
Three Months Ended July 31, 2014 and 2013  
(Expressed in Canadian Dollars)  
(Unaudited)**

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## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended July 31, 2014 and comparatives for the three months ended July 31, 2013 were prepared by management and have not been reviewed or audited by the Company's auditors.

**Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars, Unaudited)

		Three Months Ended	
		July 31,	
	Note	2014	2013
<b>Expenses</b>			
Administration	\$	-	\$ 31,500
Consulting		31,080	37,251
Exploration and evaluation, net of recoveries	6(e)	95,267	(121,919)
Independent directors' fees		2,250	6,316
Investor relations		17,770	27,688
Office and general		2,374	8,744
Professional fees		19,380	51,248
Regulatory fees and taxes		43	221
Shareholders' communications		1,118	643
Transfer agent		1,296	3,922
Travel and promotion		398	-
		<b>170,976</b>	<b>45,614</b>
<b>Foreign exchange loss</b>		5,477	7,635
<b>Interest income</b>		-	(129)
<b>Loan interest accretion</b>		599	605
<b>Realized gain on sale of investment</b>		(4,975)	-
		<b>1,101</b>	<b>8,111</b>
<b>Net Loss for the Period</b>	\$	<b>172,077</b>	\$ <b>53,725</b>
<b>Other Comprehensive Loss (Income)</b>			
Reclassification adjustment for realized gain on sale of investment included in net loss		4,975	-
Unrealized loss (gain) on investment, net of taxes		25	(1,000)
<b>Net Loss and Comprehensive Loss for the Period</b>	\$	<b>177,077</b>	\$ <b>52,725</b>
Loss per share - basic and diluted	\$	0.00	\$ 0.00
Weighted average number of common shares outstanding		169,979,059	114,698,909

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars, Unaudited)

As at	Note	July 31, 2014	April 30, 2014
<b>Current Assets</b>			
Cash		\$ 54,166	\$ 121,247
Taxes and other receivables		2,229	132,031
Marketable securities	4	-	16,000
Prepays		21,533	32,692
		<b>77,928</b>	<b>301,970</b>
<b>Non-Current Assets</b>			
Reclamation bonds	5	43,143	43,881
Mineral properties	6	1,351,177	1,378,892
		<b>1,394,320</b>	<b>1,422,773</b>
		<b>\$ 1,472,248</b>	<b>\$ 1,724,743</b>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	7(g)	\$ 564,595	\$ 656,433
Due to related parties	7	186,130	170,309
Loans payable	8	52,029	51,430
		<b>802,754</b>	<b>878,172</b>
<b>Equity</b>			
Share capital	9	29,551,475	29,551,475
Share-based payments reserve		888,010	891,522
Warrants reserve		66,270	66,270
Accumulated other comprehensive income		-	5,000
Deficit		(29,836,261)	(29,667,696)
		<b>669,494</b>	<b>846,571</b>
		<b>\$ 1,472,248</b>	<b>\$ 1,724,743</b>

Approved on behalf of the Board

*"Lawrence Page"*

*"Dale Janowsky"*

Lawrence Page, Q.C.

Dale Janowsky

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

	Share Capital		Share-based	Warrants	Accumulated		
	Number	Amount	Payments	Reserve	Other	Deficit	Total
	of Shares		Reserve		Comprehensive		
					Income (Loss)		
<b>Balance as at April 30, 2013</b>	144,698,909	\$ 29,073,186	\$ 1,054,446	\$ 66,270	\$ (2,000)	\$ (27,739,367)	\$ 2,452,535
Fair value of options and warrants expired	-	-	(4,479)	-	-	4,479	-
Unrealized gain on marketable securities	-	-	-	-	1,000	-	1,000
Net loss for the period	-	-	-	-	-	(53,725)	(53,725)
<b>Balance as at July 31, 2013</b>	144,698,909	29,073,186	1,049,967	66,270	(1,000)	(27,788,613)	2,399,810
<b>Balance as at April 30, 2014</b>	169,979,059	\$ 29,551,475	\$ 891,522	\$ 66,270	\$ 5,000	\$ (29,667,696)	\$ 846,571
Fair value of options and warrants expired	-	-	(3,512)	-	-	3,512	-
Other comprehensive loss	-	-	-	-	(5,000)	-	(5,000)
Net loss for the period	-	-	-	-	-	(172,077)	(172,077)
<b>Balance as at July 31, 2014</b>	169,979,059	\$ 29,551,475	\$ 888,010	\$ 66,270	\$ -	\$ (29,836,261)	\$ 669,494

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

**Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

	2014	2013
<b>Operating Activities</b>		
Net loss for the period	\$ (172,077)	\$ (53,725)
<b>Items not involving cash:</b>		
Interest accretion	599	605
Realized gain on sale of investment	(4,975)	-
Unrealized foreign exchange loss	1,100	1,533
	(175,353)	(51,587)
<b>Changes in non-cash working capital</b>		
Taxes and other receivables	129,802	17,613
Prepays	11,159	4,234
Accounts payable and accrued liabilities	(91,838)	(96,302)
Due to related parties	15,821	48,325
	64,944	(26,130)
<b>Cash Used in Operating Activities</b>	(110,409)	(77,717)
<b>Investing Activities</b>		
Mineral property recovery	27,715	8,167
Proceeds on sale of investment	15,975	-
Reclamation bond recovery	-	75,574
<b>Cash Provided by (Used in) Investing Activities</b>	43,690	83,741
<b>Foreign Exchange Effect on Cash</b>	(362)	92
<b>(Decrease) Increase in Cash During the Period</b>	(67,081)	6,116
<b>Cash, Beginning of Period</b>	121,247	16,054
<b>Cash, End of Period</b>	\$ 54,166	\$ 22,170

Supplemental cash flow information (Note 12)

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

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### **1. Nature of Operations and Going Concern**

Southern Silver Exploration Corp. (the "Company") is an exploration stage company incorporated under the laws of British Columbia, Canada. The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements. The Company's registered office is 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These condensed consolidated interim financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2014, the Company had a working capital deficiency of \$724,826 (April 30, 2014 - \$576,202). The Company incurred a net loss of \$172,077 for the three months ended July 31, 2014 (2013 - \$53,725) and had an accumulated deficit of \$29,836,261 as at July 31, 2014 (April 30, 2014 - \$29,667,696).

As at July 31, 2014, the Company does not have sufficient working capital to meet its administrative overheads and continue its exploration programs. The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance future activities through private placements and the exercise of options and warrants. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists that casts substantial doubt over the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

### **2. Basis of Preparation**

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standards 34: *Interim Financial Reporting* on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments measured at fair value, and include the accounts of the Company and its wholly-owned integrated subsidiaries: Minera Plata del Sur S.A de C.V. and Exploraciones Magistral S.A de C.V., both incorporated in Mexico, Southern Silver Exploration (US) Corp., incorporated in the United States, and Southern Silver Projects Ltd. and Southern Silver Holdings Ltd., both incorporated in the British Virgin Islands.

All inter-company transactions and balances have been eliminated upon consolidation.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

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### **2. Basis of Preparation, continued**

The Company's functional and presentation currency is the Canadian dollar.

These condensed consolidated interim financial statements do not include all of the information required for complete annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and, therefore, should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended April 30, 2014.

The same accounting policies are used in the preparation of these condensed consolidated interim financial statements as for the most recent audited annual consolidated financial statements and reflect all the adjustments necessary for fair presentation of the results for the interim periods presented.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on September 25, 2014.

### **3. Financial Instruments**

The Company's financial instruments include cash, other receivables, reclamation bonds, accounts payable and accrued liabilities, amounts due to related parties and loans payable. The carrying values of these financial instruments approximates their fair values.

These financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk. The Company's exposure to these risks is not considered significant.

### **4. Marketable Securities**

On January 14, 2013, the Company entered into an agreement and granted Desert Star Resources Ltd. ("Desert Star") an option to acquire up to a 70% interest in the Oro property (Note 6(c)). Under the option agreement, Desert Star issued 100,000 common shares to the Company.

On May 16, 2014, the Company sold its entire holding for gross proceeds of \$15,795.

### **5. Reclamation Bonds**

With respect to a 1% net smelter return ("NSR") royalty payable on the El Magistral mineral concession (Note 6(b)), the Company has posted a non-interest-bearing reclamation bond of \$43,143 (Mexican peso 523,778) (April 30, 2014 - \$43,881 (Mexican peso 523,778)) as security for future reclamation costs that is being held in escrow by the Mexican government and will be released after required reclamation is satisfactorily completed.



## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

### 6. Mineral Properties

Mineral property acquisition costs as at July 31, 2014 were as follows:

	Mexico		USA		Total
	Cerro Las Minitas	Minas de Ameca	Oro	Dragoon	
	\$	\$	\$	\$	\$
Balance as at April 30, 2013	1,459,225	363,205	1,133,280	103,911	3,059,621
Additions, net	(80,333)	6,405	3,767	14,792	(55,369)
Impairments	-	(369,610)	(1,137,047)	(118,703)	(1,625,360)
Balance as at April 30, 2014	1,378,892	-	-	-	1,378,892
Additions, net	(27,715)	-	-	-	(27,715)
<b>Balance as at July 31, 2014</b>	<b>1,351,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,351,177</b>

Terms of the agreements for the above properties are described below:

#### (a) Cerro Las Minitas - Mexico

Pursuant to an agreement dated November 18, 2010, as amended, the Company can earn a 100% interest in the Cerro Las Minitas property located in Durango, Mexico.

Remaining staged payments are due as follows (plus applicable local taxes):

- (i) US \$50,000 on October 18, 2014;
- (ii) US \$150,000 on November 18, 2014;
- (iii) US \$150,000 on March 18, 2015;
- (iv) US \$100,00 on July 18, 2015; and
- (v) US \$400,000 on December 18, 2015 (conditional upon optionor delivering registered title to one non-core concession upon closing).

The agreement also provides rights to the optionor to mine four specific concessions until December 31, 2015.

Pursuant to an agreement dated October 19, 2012, the Company granted Freeport-McMoRan Exploration Corporation ("FMEC") the right to earn an indirect 70% interest in the property. On September 11, 2014, the Company received notice from FMEC of termination of the earn-in agreement.

As part of the termination, FMEC will assign to the Company, for no consideration, its option to acquire a 100% unencumbered interest in the El Sol Concession, which comprises 63 hectares and is situated contiguous to the northwest boundary of Cerro Las Minitas.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

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### **6. Mineral Properties, continued**

#### **(a) Cerro Las Minitas - Mexico, continued**

Remaining staged payments are due as follows (plus applicable local taxes):

- (i) US \$600,000 on June 28, 2015; and
- (ii) US \$850,000 on June 28, 2016.

#### **(b) Minas de Ameca (Magistral) - Mexico**

Pursuant to an agreement dated July 4, 2006, as amended, the Company could earn a 65% interest in the Magistral I mining exploration concession ("Magistral") located in Mexico.

On October 18, 2006, the Company purchased a 100% interest in the 1,366 hectare El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico. The mineral concession is subject to a 1% NSR payable to the Mexican government.

The Company has not been compliant with some underlying terms of the Magistral agreement since July 2011 and has been negotiating a revised agreement since that date, including sale to a third party.

#### **(c) Oro - New Mexico, USA**

Pursuant to an agreement dated August 28, 2006, as amended, the Company owns a 100% interest in several patented and unpatented mining claims in the Eureka Mining District, Grant County, New Mexico.

The property is subject to a 2% NSR payable to the optionors whom have granted the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 for each increment.

Pursuant to an agreement effective December 1, 2007, as amended, the Company owns a 100% interest in the American Mine claims consisting of eight patented lode mining claims and surface rights to a contiguous property. The American Mine claims are adjacent to the above claims.

Pursuant to a lease with option to purchase agreement dated May 1, 2011, the Company can earn a 100% interest in six unpatented lode mining claims in the Eureka Mining District, Grant County, New Mexico.

Remaining lease payments are due as follows:

- (i) US \$6,000 annually from May 1, 2015 to May 1, 2017;
- (ii) US \$30,000 annually from May 1, 2018 to May 1, 2024; and
- (iii) US \$60,000 annually from May 1, 2025 to May 1, 2031.

The Company can purchase the property at any time by paying any amounts remaining under the lease, subject to a 1% NSR payable to the optionors, which terminates when aggregate payments thereunder equal US \$500,000.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

### 6. Mineral Properties, continued

#### (c) Oro - New Mexico, USA, continued

Pursuant to an agreement dated January 14, 2013, the Company granted Desert Star the right to earn up to an undivided 70% interest in the property. On July 8, 2014, the Company received notice of termination of this agreement from Desert Star.

#### (d) Dragoon - Arizona, USA

Pursuant to an agreement dated August 28, 2007, as amended, the Company could earn a 100% interest in certain claims located in the state of Arizona. The Company was unable to pay the final remaining staged payment due on or before August 28, 2013 and relinquished its interest in the property accordingly.

#### (e) Exploration and Evaluation Expenses

Exploration expenditures incurred for the three months ended July 31, 2014 and 2013, were as follows:

	Mexico		USA					
	Cerro Las Minitas		Oro		Dragoon		Total	
	\$	\$	\$	\$	\$	\$	\$	\$
	2014	2013	2014	2013	2014	2013	2014	2013
Assays and geochemistry	14,495	21,306	-	-	-	-	14,495	21,306
Camp, utilities and supplies	4,129	4,940	-	(652)	-	-	4,129	4,288
Drilling	64,172	282,741	-	-	-	-	64,172	282,741
Environmental	-	43	-	-	-	-	-	43
Equipment and field supplies	10,016	10,389	-	-	-	-	10,016	10,389
Geological and geophysics	50,089	40,935	-	-	-	-	50,089	40,935
Land fees	62,157	49,001	307	-	-	-	62,464	49,001
Project supervision	24,025	31,736	-	1,288	-	1,145	24,025	34,169
Project support	2,364	4,455	-	-	-	-	2,364	4,455
Taxes	82,014	98,309	-	-	-	-	82,014	98,309
Travel	-	203	-	-	-	-	-	203
Recoveries	(220,800)	(673,556)	-	-	-	-	(220,800)	(673,556)
	<b>92,661</b>	<b>(129,498)</b>	<b>307</b>	<b>636</b>	<b>-</b>	<b>1,145</b>	<b>92,968</b>	<b>(127,717)</b>
General exploration - other							2,299	5,798
							<b>95,267</b>	<b>(121,919)</b>

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

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### 7. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these condensed consolidated interim financial statements, the company entered into the following related party transactions during the three months ended July 31, 2014:

(a) Under a service agreement, ceased effective February 1, 2014 (Note 11), between the Company and a private company controlled by a director and an officer of the Company, the Company was charged as follows:

- \$nil (2013 - \$31,500) for office space and general administration services;
- \$nil (2013 - \$16,759) for professional services;
- \$nil (2013 - \$4,671) for consulting services;
- \$nil (2013 - \$15,550) for investor relations services;
- \$nil (2013 - \$9,553) for geological consulting services in relation to mineral properties;
- \$nil (2013 - \$(27)) for the mark-up on out-of-pocket expenses; and
- \$nil (2013 - \$68) for office and general.

Amounts payable as at July 31, 2014 were \$8,914 (April 30, 2014 - \$25,577).

(b) Fees in the amount of \$28,080 (2013 - \$28,080) were charged by a director and an officer of the Company for consulting services. Amounts payable as at July 31, 2014 were \$123,035 (April 30, 2014 - \$93,551).

(c) Fees in the amount of \$nil (2013 - \$nil) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at July 31, 2014 were \$22,225 (April 30, 2014 - \$22,225).

(d) Fees in the amount of \$nil (2013 - \$2,500) were charged by a private company controlled by a director and an officer of the Company for consultancy services. Amounts payable as at July 31, 2014 were \$3,350 (April 30, 2014 - \$3,350). Agreement expired effective May 30, 2013.

(e) Fees in the amount of \$nil (2013 - \$nil) were charged by a private company controlled by a former director and officer of the Company for consultancy services and included in consulting fees and share issue costs. Amounts payable as at July 31, 2014 were \$15,106 (April 30, 2014 - \$15,106).

(f) Fees in the amount of \$3,000 (2013 - \$2,000) were charged by an officer of the Company for consultancy services. Amounts payable as at July 31, 2014 were \$13,500 (April 30, 2014 - \$10,500).

(g) Fees of \$2,250 (2013 - \$6,316) were payable with respect to independent directors' fees. As at July 31, 2014, \$59,863 was outstanding and included in accounts payable and accrued liabilities (April 30, 2014 - \$57,613).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

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### 7. Related Party Balances and Transactions, continued

The key management personnel of the Company are the directors and officers of the Company. One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at July 31, 2014 was \$102,960. The Company has no long-term employee or post-employment benefits.

Compensation awarded to key management, included in (b), (d), (e), (f) and (g) above, was as follows:

	2014	2013
Short-term benefits	\$ 33,330	\$ 38,896
Total	\$ 33,330	\$ 38,896

### 8. Loans Payable

During August 2012, the Company entered into two loan agreements, one with a private company controlled by a director and the other with a private company controlled by a consultant, for \$33,000 and \$15,000 respectively. The initial term of the loans was for a period of six months with interest payable quarterly at prime plus two percent per annum. As further consideration for providing the loans, the lenders also received common shares equal to ten per cent of the value of the loan.

No principal amounts were repaid and therefore all outstanding balances are now repayable on demand. The Company, in its sole discretion, can elect to repay all interest and loan balances by the issuance of common shares.

### 9. Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value (Note 13).

#### (a) Stock Options

The Company has a rolling stock option plan (the "Plan") that allows for the reservation of common shares issuable under the Plan to a maximum of 10% of the number of issued and outstanding common shares of the Company at any given time.

The term of stock options granted under the Plan may not exceed ten years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

### 9. Share Capital, continued

#### (a) Stock Options, continued

Stock options outstanding and exercisable as at July 31, 2014 and 2013, were as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance			Balance July 31, 2014
			April 30, 2014	Granted	Expired	
\$0.16	\$0.15	January 8, 2015	2,110,000	-	-	2,110,000
\$0.17	\$0.13	November 29, 2015	2,115,000	-	-	2,115,000
\$0.17	\$0.11	December 13, 2015	285,000	-	-	285,000
\$0.10	\$0.06	June 5, 2017	350,000	-	-	350,000
\$0.10	\$0.03	March 14, 2018	6,870,000	-	120,000	6,750,000
\$0.05	\$0.01	March 24, 2019	500,000	-	-	500,000
			<b>12,230,000</b>	<b>-</b>	<b>120,000</b>	<b>12,110,000</b>
Weighted average exercise price			\$0.12		\$0.10	\$0.12
Weighted average remaining life in years			2.90			2.63

  

Exercise Price	Grant Date Fair Value	Expiry Date	Balance			Balance July 31, 2013
			April 30, 2013	Granted	Expired	
\$0.16	\$0.15	January 8, 2015	2,410,000	-	-	2,410,000
\$0.17	\$0.13	November 29, 2015	2,290,000	-	-	2,290,000
\$0.17	\$0.11	December 13, 2015	315,000	-	-	315,000
\$0.15	\$0.13	November 8, 2016	250,000	-	-	250,000
\$0.10	\$0.06	June 5, 2017	350,000	-	-	350,000
\$0.10	\$0.03	March 14, 2018	7,824,000	-	-	7,824,000
			<b>13,439,000</b>	<b>-</b>	<b>-</b>	<b>13,439,000</b>
Weighted average exercise price			\$0.13			\$0.13
Weighted average remaining life in years			3.82			3.56

## Southern Silver Exploration Corp.

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Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

### 9. Share Capital, continued

#### (b) Share Purchase Warrants

Share purchase warrants outstanding as at July 31, 2014 and 2013, were as follows:

Exercise Price	Expiry Date	Balance			Balance July 31, 2014
		April 30, 2014	Issued	Expired	
\$0.17	April 23, 2015	6,809,000	-	-	6,809,000
\$0.30	Note 1	250,000	-	-	250,000
\$0.40	Note 2	250,000	-	-	250,000
\$0.10	January 31, 2016	8,452,000	-	-	8,452,000
\$0.10	February 28, 2016	7,873,000	-	-	7,873,000
\$0.05	September 13, 2016	7,030,150	-	-	7,030,150
\$0.05	October 11, 2016	18,367,500	-	-	18,367,500
		<b>49,031,650</b>	<b>-</b>	<b>-</b>	<b>49,031,650</b>
Weighted average exercise price		\$0.09			\$0.09
Weighted average remaining life in years		1.99			1.74

  

Exercise Price	Expiry Date	Balance			Balance July 31, 2013
		April 30, 2013	Issued	Expired	
\$0.22	July 20, 2013	15,400,177	-	15,400,177	-
\$0.22	August 16, 2013	5,146,627	-	-	5,146,627
\$0.22	August 29, 2013	45,534	-	-	45,534
\$0.20	December 5, 2013	6,821,000	-	-	6,821,000
\$0.20	January 5, 2014	440,000	-	-	440,000
\$0.17	April 23, 2015	6,809,000	-	-	6,809,000
\$0.30	Note 1	250,000	-	-	250,000
\$0.40	Note 2	250,000	-	-	250,000
\$0.10	January 31, 2016	8,452,000	-	-	8,452,000
\$0.10	February 28, 2016	7,873,000	-	-	7,873,000
		<b>51,487,338</b>	<b>-</b>	<b>15,400,177</b>	<b>36,087,161</b>
Weighted average exercise price		\$0.17		\$0.22	\$0.15
Weighted average remaining life in years		1.33			1.55

Note 1: Exercisable two years from the date on which FMEC exercises its option to acquire a 51% indirect interest in the Cerro Las Minitas property. Expired September 11, 2014.

Note 2: Exercisable two years from the date on which FMEC gives notice of its election to acquire an additional 19% indirect interest in the Cerro Las Minitas property. Expired September 11, 2014.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

### 10. Segmented Information

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. The Company's non-current assets were distributed by geographic location as follows:

	July 31, 2014		April 30, 2014	
	\$	%	\$	%
Mexico	1,394,320	100%	1,422,773	100%
USA	-	0%	-	0%
	<b>1,394,320</b>	<b>100%</b>	<b>1,422,773</b>	<b>100%</b>

### 11. Commitments

Effective July 1, 2012, under a service agreement originally expiring on August 31, 2017, between the Company and a private company controlled by a director and officer of the Company, the Company was charged \$10,500 per month for office accommodation and services ("Basic Rent") and \$1,750 per month per dedicated office ("Specific Rent"). The Company could terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term.

Effective February 1, 2014, the Company received notice that it was in default of the service agreement and that office accommodation and other personnel services would no longer be provided until the default is remedied.

### 12. Supplemental Cash Flow Information

	2014	2013
Cash items		
Interest received	\$ -	\$ 129
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

### 13. Events After the Reporting Period

In addition to the events disclosed elsewhere in these condensed consolidated interim financial statements, the following occurred subsequent to July 31, 2014:

- On August 5, 2014, the Company issued 500,000 common shares in accordance with a shares for services agreement.



## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2014 and 2013

(Expressed in Canadian Dollars, Unaudited)

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### **13. Events After the Reporting Period, continued**

- On August 31, 2014, 730,000 stock options with an exercise price of \$0.16 per share, 825,000 stock options with an exercise price of \$0.17 per share and 1,908,000 stock options with an exercise price of \$0.10 per share, expired unexercised.
- On September 17, 2014, the Company completed a capital consolidation of its issued and outstanding common shares on a one new share for ten old shares basis.
- On September 23, 2014, 7,500 post-consolidation stock options with a post-consolidation exercise price of \$1.60 per share, 7,500 post-consolidation stock options with a post-consolidation exercise price of \$1.70 per share and 30,000 post-consolidation stock options with a post-consolidation exercise price of \$1.00 per share, expired unexercised.



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**Management's Discussion and Analysis  
For the Three Months Ended July 31, 2014  
Dated: September 25, 2014**

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## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

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### A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating results and financial condition of Southern Silver Exploration Corp. (the "Company") is for the three months ended July 31, 2014 and is dated September 25, 2014. This MD&A was prepared to conform to National Instrument 51-102F1 and was approved by the Board of Directors prior to its release. This analysis should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended July 31, 2014, and the Company's audited consolidated financial statements for the year ended April 30, 2014, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares trade on both the TSX Venture Exchange under the symbol "SSV.V" and on the Frankfurt Stock Exchange under the symbol "SEG.F".

The Company's functional and reporting currency is the Canadian dollar and all dollar amounts included herein are in Canadian dollars, unless otherwise indicated.

Additional information relating to the Company, including detailed drill results previously disclosed in news releases, is available on the Company's website at [www.southernsilverexploration.com](http://www.southernsilverexploration.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### B. Qualified Person

Robert W. J. Macdonald, P. Geo., is the qualified person under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

### C. Foreign Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

	Canadian Dollars per US Dollar <sup>(1)</sup>		Conversion Table <sup>(2)</sup>		
	Three Months ended		Imperial	=	Metric
	July 31, 2014	2013			
Rate at end of period	1.0904	1.0272	1 Acre	=	0.404686 Hectares
Average rate for period	1.0817	1.0306	1 Foot	=	0.304800 Meters
High for period	1.0980	1.0567	1 Mile	=	1.609344 Kilometres
Low for period	1.0639	1.0033	1 Ton	=	0.907185 Tonnes
			1 Ounce (troy)/ton	=	34.285700 Grams/Tonne

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

### C. Foreign Exchange Information and Conversion Tables, continued

Precious metal units and conversion factors <sup>(2)</sup>				
- Part per billion	1 ppb	=	0.0010 ppm	= 0.000030 oz/t
- Part per million	100 ppb	=	0.1000 ppm	= 0.002920 oz/t
- Ounce (troy)	10,000 ppb	=	10.0000 ppm	= 0.291670 oz/t
- Ounce per ton (avdp.)	1 ppm	=	1.0000 ug/g	= 1.000000 g/tonne
- Gram				
- gram per metric ton	1 oz/t	=	34.2857 ppm	
- milligram	1 Carat	=	41.6660 mg/g	
- kilogram	1 ton (avdp.)	=	907.1848 kg	
- microgram	1 oz (troy)	=	31.1035 g	

(1) Information from [www.bankofcanada.ca](http://www.bankofcanada.ca)

(2) Information from [www.onlineconversion.com](http://www.onlineconversion.com)

### D. Summary of Mineral Properties

The Company is engaged in the acquisition, exploration and development of high-grade precious / base metals properties within North America and Mexico.

The Company is continuing to advance its core asset - the Cerro Las Minitas silver-lead-zinc property located in Durango State, Mexico. At over 136 square kilometers in size, the property features a large land position within the prolific Faja de Plata (Belt of Silver) of northern Mexico.

The Company also continues to advance the wholly owned gold-silver-copper-lead-zinc Oro property located in New Mexico, USA. At 1,150 hectares, the property features a classic porphyry zonation over a six square kilometre area within the highly prospective Laramide Porphyry belt of the southern USA. The Company is actively seeking a partner to finance further exploration on this property.

#### Cerro Las Minitas - Durango, Mexico

The property is located about 70 kilometres to the northeast of the city of Durango in Durango State, Mexico, and is accessed easily by road. The property comprises 18 concessions totaling 15,125 hectares in one of the most significant silver producing regions in the world with current reserves/resources and historic production in excess of 3 billion ounces of silver. Certain claims are subject to receipt of registered title, failing receipt of which, will result in a reduction to final option payment obligations.

Since acquisition in 2010, and subsequent to an earn-in agreement with Freeport-McMoRan Exploration Corporation ("FMEC") from October 2012 to September 2014, drilling has totaled 23,310 metres in 75 core holes and has resulted in the identification of two high-grade silver-polymetallic deposits, the Blind Zone and El Sol Zone, which have been only partially delineated. New discoveries have been made at the North Skarn and South Skarn targets and in extensions to the historic deposits at Mina Santo Nino and Mina La Bocona.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

### D. Summary of Mineral Properties, continued

#### Cerro Las Minitas - Durango, Mexico, continued

Mineralization occurs as massive-sulphide pipes, veins and replacements in sub-vertical structures that demonstrate good continuity between drill holes. Mineralization is open on-strike and at depth in a similar geological environment to that of major Mexican Carbonate Replacement Deposits (CRDs) such as Santa Eulalia (45Mt of 310g/t Ag, 7.1% Zn and 8.2% Pb) and Skarn deposits such as San Martin (60Mt of 118g/t silver, 0.9% copper and 3.9% zinc).

Geological modeling of the Blind and El Sol deposit using a nominal 80g/t AgEq cut-off has identified multiple distinct mineralized structures with a 820 metre cumulative strike-length and with depth projections of up to 350 metres below surface. Deeper mineralization has also been identified at the El Sol and Santo Nino zones.

*Select composites from the 2013-2014 drilling programs:*

Hole No.	From m	To m	Interval m	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t
13CLM-063	228.60	230.15	1.55	160.00	1.03	0.09	3.25	0.36	319.20
13CLM-066	62.75	63.80	1.05	3.80	8.63	0.00	0.07	0.06	472.40
13CLM-066	88.35	97.50	9.15	401.24	0.10	0.13	8.49	5.05	777.17
inc	92.90	94.95	2.05	1,190.00	0.20	0.04	21.62	12.95	2,119.81
13CLM-066	573.00	585.15	12.15	45.06	0.01	0.02	1.70	10.82	379.29
13CLM-066	633.30	642.60	9.30	9.42	0.00	0.13	0.07	13.04	368.78
inc	638.20	640.35	2.15	13.60	0.01	0.41	0.01	20.60	597.28
13CLM-067	194.10	195.60	1.50	2.50	0.15	0.01	1.94	0.26	69.50
13CLM-068	209.70	213.10	3.40	78.00	0.22	0.03	2.30	0.90	178.00
13CLM-068	285.40	299.30	13.90	135.82	0.24	0.03	2.41	1.31	250.44
inc	285.40	287.80	2.40	545.50	0.18	0.15	10.27	3.85	942.81
13CLM-068	307.00	307.90	0.90	1,140.00	0.42	0.10	18.10	21.00	2,207.07
13CLM-069	380.50	382.70	2.20	225.00	0.72	0.17	3.50	0.47	384.57
13CLM-071	591.00	595.50	4.50	115.00	0.01	0.02	2.70	4.20	301.00
inc	594.00	595.50	1.50	238.00	0.02	0.06	5.70	9.10	634.70
13CLM-072	101.00	107.80	6.80	13.00	0.02	0.10	0.20	0.10	22.00
inc	102.50	102.80	0.30	87.00	0.03	0.11	1.90	1.00	176.00
13CLM-073	433.50	433.90	0.40	21.00	0.22	0.70	-	3.40	193.00
13CLM-073	449.60	454.20	4.60	15.00	0.06	0.43	-	-	59.00
13CLM-074	160.50	165.20	4.80	16.00	0.33	0.01	0.70	1.50	91.00
inc	163.90	165.20	1.30	46.00	1.12	0.02	1.80	4.90	284.00
13CLM-074	418.70	423.20	4.80	24.00	0.13	0.51	-	0.10	80.00
13CLM-075	850.80	852.50	1.70	129.00	0.06	0.04	0.20	-	143.00

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

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### **D. Summary of Mineral Properties, continued**

#### **Cerro Las Minitas - Durango, Mexico, continued**

On September 11, 2014, the Company received notice from FMEC of termination of the earn-in agreement. As part of the termination, FMEC will assign to the Company its option to acquire a 100% unencumbered interest in the El Sol Concession at no cost to the Company. The El Sol Concession comprises 63 hectares, is situated contiguous to the northwest boundary of the Cerro Las Minitas project and covers an 800 metre strike-length of the northwestern projection of the Blind Zone deposit.

The El Sol Concession is in the early stage of exploration with no indicated resource; however, the high grade silver-lead-zinc system in which it lies has showings that have had small production in the past, and strong IP geophysics demonstrate buried intrusive bodies and sulfide mineralization that indicate excellent drill targets.

The work to date by the Company and FMEC provides the basis for future discoveries and the development of potential Ag-Pb-Zn resources on the property including off-set drilling of the modeled mineralized zones at the Blind Zone and El Sol deposits, further delineation of potential resources at the North Skarn and South Skarn targets, and further testing of the remaining geophysical and geochemical targets on the project.

#### **Minas de Ameca - Jalisco, Mexico**

The Company has not been compliant with some underlying terms of the Magistral agreement since July 2011 and has been negotiating a revised agreement since that date, including sale to a third party.

#### **Oro - New Mexico, USA**

The Oro Project comprises a contiguous block of Federal, State and private land totaling 17.2 square kilometres in the historic Eureka mining district in Grant County, New Mexico and is located approximately 80 kilometres southwest of the Silver City porphyry copper district.

The claims surround a highly prospective six square kilometre quartz-sericite-pyrite alteration footprint, interpreted to overlie an unexposed porphyry centre. Classic porphyry system zonation is indicated by surface gold and copper mineralization associated with Laramide-age intrusions in this core area, flanked by lead-zinc skarn mineralization and distal sediment-hosted gold occurrences. In addition to bulk-tonnage porphyry copper-molybdenum-gold potential, the Oro project claims also include the high-grade sediment-hosted Stock Pond gold target. Reconnaissance rock sampling has been completed over a strike length of 140 metres, yielding values up to 4.8 grams per tonne gold. Gold mineralization is interpreted to be related to the main porphyry centre, located 4 kilometres to the southwest.

Pursuant to an agreement dated January 14, 2013, the Company granted Desert Star the right to earn up to an undivided 70% interest in the property. On July 8, 2014, the Company received notice of termination of this agreement from Desert Star.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

### D. Summary of Mineral Properties, continued

#### Acquisition costs

During the three months ended July 31, 2014 and 2013, the Company incurred acquisition costs on its mineral properties as follows:

	Mexico		USA		Total \$
	Cerro Las Minitas \$	Minas de Ameca \$	Oro \$	Dragoon \$	
	Balance as at April 30, 2013	1,459,225	363,205	1,133,280	
Additions, net	(10,197)	-	-	2,030	(8,167)
Balance as at July 31, 2013	1,449,028	363,205	1,133,280	105,941	3,051,454
Balance as at April 30, 2014	1,378,892	-	-	-	1,378,892
Additions, net	(27,715)	-	-	-	(27,715)
<b>Balance as at July 31, 2014</b>	<b>1,351,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,351,177</b>

#### Exploration costs

During the three months ended July 31, 2014 and 2013, the Company incurred exploration costs on its mineral properties as follows:

	Mexico		USA				Total	
	Cerro Las Minitas		Oro		Dragoon		Total	
	\$ 2014	\$ 2013	\$ 2014	\$ 2013	\$ 2014	\$ 2013	\$ 2014	\$ 2013
Assays and geochemistry	14,495	21,306	-	-	-	-	14,495	21,306
Camp, utilities and supplies	4,129	4,940	-	(652)	-	-	4,129	4,288
Drilling	64,172	282,741	-	-	-	-	64,172	282,741
Environmental	-	43	-	-	-	-	-	43
Equipment and field supplies	10,016	10,389	-	-	-	-	10,016	10,389
Geological and geophysics	50,089	40,935	-	-	-	-	50,089	40,935
Land fees	62,157	49,001	307	-	-	-	62,464	49,001
Project supervision	24,025	31,736	-	1,288	-	1,145	24,025	34,169
Project support	2,364	4,455	-	-	-	-	2,364	4,455
Taxes	82,014	98,309	-	-	-	-	82,014	98,309
Travel	-	203	-	-	-	-	-	203
Recoveries	(220,800)	(673,556)	-	-	-	-	(220,800)	(673,556)
	<b>92,661</b>	<b>(129,498)</b>	<b>307</b>	<b>636</b>	<b>-</b>	<b>1,145</b>	<b>92,968</b>	<b>(127,717)</b>
General exploration - other							2,299	5,798
							<b>95,267</b>	<b>(121,919)</b>

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

### E. Results of Operations

During the three months ended July 31, 2014, the Company recognized a net loss and comprehensive loss of \$177,077 (2013 - \$52,725). The following table summarizes the variances in the consolidated statements of comprehensive loss:

	2014	2013	Variance	
	\$	\$	\$	%
Administration	-	31,500	(31,500)	(100%)
Consulting	31,080	37,251	(6,171)	(17%)
Exploration and evaluation, net of recoveries	95,267	(121,919)	217,186	(178%)
Independent directors' fees	2,250	6,316	(4,066)	(64%)
Investor relations	17,770	27,688	(9,918)	(36%)
Office and general	2,374	8,744	(6,370)	(73%)
Professional fees	19,380	51,248	(31,868)	(62%)
Regulatory fees and taxes	43	221	(178)	(81%)
Shareholders' communications	1,118	643	475	74%
Transfer agent	1,296	3,922	(2,626)	(67%)
Travel and promotion	398	-	398	-
Foreign exchange loss (gain)	5,477	7,635	2,158	28%
Interest income	-	(129)	(129)	100%
Loan interest accretion	599	605	6	1%
Realized gain on sale of investment	(4,975)	-	4,975	-
Reclassification adjustment for realized gain on sale of investment included in net loss	4,975	-	(4,975)	-
Unrealized loss (gain) on investment, net of taxes	25	(1,000)	(1,025)	103%

Administration expenses, investor relations, office expenses and professional fees, previously provided under a services agreement, all decreased due to the cessation of the agreement that came into effect on February 1, 2014.

Consulting fees decreased as a result of fewer consultants utilized and a reduction in CFO fees.

Regulatory fees, shareholders' communications, transfer agent and travel and promotion expenses fluctuate based on the number of conferences and trade shows attended and other work performed in preparation of financing and filing activities.

As per the Company's mandate to acquire, explore, and develop mineral resource properties, the Company has continued to invest in its current properties based on financial resources that have been available. During the period, the Company continued its earn-in agreement with FMEC.

Foreign exchange gains and losses fluctuate based on the US and Canadian dollar exchange rate.



## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

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### F. Summary of Quarterly Results

The following financial data was derived from the Company's consolidated financial statements for the eight previous quarters:

	July 31, 2014 \$	Apr 30, 2014 \$	Jan 31, 2014 \$	Oct 31, 2013 \$	Jul 31, 2013 \$	Apr 30, 2013 \$	Jan 31, 2013 \$	Oct 31, 2012 \$
Net loss	172,077	1,321,479	170,114	570,446	53,725	476,895	(166,292)	282,508
Basic and diluted loss per share	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.00)	\$ 0.00

The Company earned no revenue during the periods presented other than minimal interest income due to the nature of current operations.

Quarterly fluctuations mainly relate to the cessation of a services agreement that came into effect on February 1, 2014, share-based payments which vary as stock options are granted and vest, foreign exchange gains and losses which vary with market rates and mineral property exploration expenses or impairments which occur as projects are identified and drilling results are analyzed or other indicators arise.

Significant impairment charges were recognized in the three months ended April 30, 2014.

### G. Related Party Transactions

The Company entered into the following related party transactions during the three months ended July 31, 2014:

(a) Under a service agreement, ceased effective February 1, 2014, between the Company and a private company controlled by a director and an officer of the Company, the Company was charged as follows:

- \$nil (2013 - \$31,500) for office space and general administration services;
- \$nil (2013 - \$16,759) for professional services;
- \$nil (2013 - \$4,671) for consulting services;
- \$nil (2013 - \$15,550) for investor relations services;
- \$nil (2013 - \$9,553) for geological consulting services in relation to mineral properties;
- \$nil (2013 - \$(27)) for the mark-up on out-of-pocket expenses; and
- \$nil (2013 - \$68) for office and general.

Amounts payable as at July 31, 2014 were \$8,914 (April 30, 2014 - \$25,577).

(b) Fees in the amount of \$28,080 (2013 - \$28,080) were charged by a director and an officer of the Company for consulting services. Amounts payable as at July 31, 2014 were \$123,035 (April 30, 2014 - \$93,551).

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

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### G. Related Party Transactions, continued

- (c) Fees in the amount of \$nil (2013 - \$nil) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at July 31, 2014 were \$22,225 (April 30, 2014 - \$22,225).
- (d) Fees in the amount of \$nil (2013 - \$2,500) were charged by a private company controlled by a director and an officer of the Company for consultancy services. Amounts payable as at July 31, 2014 were \$3,350 (April 30, 2014 - \$3,350). Agreement expired effective May 30, 2013.
- (e) Fees in the amount of \$nil (2013 - \$nil) were charged by a private company controlled by a former director and officer of the Company for consultancy services and included in consulting fees and share issue costs. Amounts payable as at July 31, 2014 were \$15,106 (April 30, 2014 - \$15,106).
- (f) Fees in the amount of \$3,000 (2013 - \$2,000) were charged by an officer of the Company for consultancy services. Amounts payable as at July 31, 2014 were \$13,500 (April 30, 2014 - \$10,500).
- (g) Fees of \$2,250 (2013 - \$6,316) were payable with respect to independent directors' fees. As at July 31, 2014, \$59,863 was outstanding and included in accounts payable and accrued liabilities (April 30, 2014 - \$57,613).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at July 31, 2014 was \$102,960. The Company has no long-term employee or post-employment benefits.

Compensation awarded to key management, included in (b), (d), (e), (f) and (g) above, was as follows:

	2014	2013
Short-term benefits	\$ 33,330	\$ 38,896
Total	\$ 33,330	\$ 38,896

During August 2012, the Company entered into a loan agreement with a private company controlled by a director for \$33,000. The initial term of the loan was for a period of six months with interest payable quarterly at prime plus two percent per annum. As further consideration for providing the loan, the lender also received common shares equal to ten per cent of the value of the loan.

No amounts were repaid and therefore all outstanding balances are now repayable on demand. The Company, in its sole discretion, can elect to repay all interest and loan balances by the issuance of common shares.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2014

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### **H. Financial Condition, Liquidity and Capital Resources**

As at July 31, 2014, the Company had a working capital deficiency of \$724,826 (April 30, 2014 - \$576,202). The Company has been reducing general and administration costs, where possible, negotiating extended payment terms of its trade payables, and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments. However, the Company does not generate any revenue from operations and, without further financing, the Company does not have sufficient capital to meet the requirements for its administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months.

For the foreseeable future, the Company will need to rely on raising capital in the equity markets and/or enter into further joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. Although the Company has been successful in obtaining financing through sale of its securities, there can be no assurance that the Company will be able to obtain adequate financing in the future in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors.

Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

#### *Commitments*

Effective July 1, 2012, under a service agreement originally expiring on August 31, 2017, between the Company and a private company controlled by a director and officer of the Company, the Company was charged \$10,500 per month for office accommodation and services ("Basic Rent") and \$1,750 per month per dedicated office ("Specific Rent"). The Company could terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term.

Effective February 1, 2014, the Company received notice that it was in default of the service agreement and that office accommodation and other personnel services would no longer be provided until the default is remedied.

### **I. Outstanding Equity and Convertible Securities**

#### **i) Issued and Outstanding Shares**

As at July 31, 2014, the Company had 169,979,059 common shares issued and outstanding. On August 5, 2014, the Company issued 500,000 common shares pursuant to a shares for services consulting agreement.

On September 17, 2014, the Company completed a capital consolidation of its issued and outstanding common shares on a one new share for ten old shares basis.

As at September 25, 2014, the Company had 17,047,436 common shares issued and outstanding.

## Southern Silver Exploration Corp.

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### I. Outstanding Equity and Convertible Securities, continued

#### ii) Stock Options

As at September 25, 2014, the Company had stock options outstanding as follows (adjusted retrospectively for share consolidation):

Exercise Price	Expiry Date	Balance		Balance
		July 31, 2014	Expired	September 25, 2014
\$1.60	January 8, 2015	211,000	80,500	130,500
\$1.70	November 29, 2015	211,500	77,500	134,000
\$1.70	December 13, 2015	28,500	12,500	16,000
\$1.00	June 5, 2017	35,000	-	35,000
\$1.00	March 14, 2018	675,000	220,800	454,200
\$0.50	March 24, 2019	50,000	-	50,000
		<b>1,211,000</b>	<b>391,300</b>	<b>819,700</b>
Weighted average exercise price		\$1.20	\$1.28	\$1.19
Weighted average remaining life in years		2.90		2.57

#### iii) Share Purchase Warrants

As at September 25, 2014, the Company had share purchase warrants outstanding as follows (adjusted retrospectively for share consolidation):

Exercise Price	Expiry Date	Balance		Balance
		July 31, 2014	Expired	September 25, 2014
\$1.70	April 23, 2015	680,900	-	680,900
\$3.00	Note 1	25,000	25,000	-
\$4.00	Note 2	25,000	25,000	-
\$1.00	January 31, 2016	845,200	-	845,200
\$1.00	February 28, 2016	787,300	-	787,300
\$0.50	September 13, 2016	703,015	-	703,015
\$0.50	October 11, 2016	1,836,750	-	1,836,750
		<b>4,903,165</b>	<b>50,000</b>	<b>4,853,165</b>
Weighted average exercise price		\$0.90	\$3.50	\$0.84
Weighted average remaining life in years		1.74		0.83

### J. Subsequent Events and Outlook

There are no significant events subsequent to the date of this document.

## **Southern Silver Exploration Corp.**

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### **K. Financial Instruments**

The Company's financial instruments include cash, other receivables, reclamation bonds, accounts payable and accrued liabilities, amounts due to related parties and loans payable. The carrying values of these financial instruments approximates their fair values.

These financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk. The Company's exposure to these risks is not considered significant.

### **L. Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

### **M. Disclosure Controls and Procedures**

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee meet at least quarterly with management and at least annually with the external auditors to review accounting, internal control, financial reporting and audit matters.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Audit Committee has established procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters.

The Whistleblower policy is in accordance with National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures and Internal Control Over Financial Reporting. The Company is required to file Form 52-109FV1 for annual reporting and Form 52-109FV2 for interim reporting.

### **N. Risks and Uncertainties**

The principal business of the Company is the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered:

*Exploration Stage Company*

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production.

## **Southern Silver Exploration Corp.**

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### **N. Risks and Uncertainties, continued**

The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once 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 proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

#### *No Operating History and Availability of Financial Resources*

The Company does not have an operating history and has no operating revenues and is unlikely to generate any significant amount in the foreseeable future. Hence, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the issuance of securities.

The Company will need to continue its reliance on the issuance of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favorable terms, if at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

#### *Price Volatility and Lack of Active Market*

In recent months, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

#### *Dependence on Key Personnel*

The Company is dependent on a relatively small number of key directors, officers and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

## **Southern Silver Exploration Corp.**

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### **N. Risks and Uncertainties, continued**

#### *Competition*

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped properties.

The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

#### *Government Regulations and Environmental Risks and Hazards*

The Company conduct is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated. The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any existing environmental hazards related to any of its current property interests that may result in material liability to the Company.

#### *Title to Property*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects. In addition, certain mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties.

#### *Licenses and Permits*

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

## **Southern Silver Exploration Corp.**

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### **O. Proposed Transactions**

Other than normal course review of monthly submittals, there are no new acquisitions or proposed transactions contemplated as at the date of this report.

### **P. Forward-Looking Statements**

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence. Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as but not limited to; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

Readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not assume any obligation to update or revise any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws, whether as a result of new information, future events or otherwise.