



Interim Consolidated Financial Statements

For the Six Months Ended October 31, 2010 and 2009

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Southern Silver Exploration Corp.
(Exploration Stage Company)

Notice of No Auditor Review of Interim Statements

These interim consolidated financial statements of the Company for the six months ended October 31, 2010, and comparatives for the six months ended October 31, 2009 were prepared by management and have not been reviewed or audited by the Company's auditors.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Balance Sheets as at

		October 31, 2010		April 30, 2010
		Unaudited		Audited
Assets				
Current				
Cash		\$ 860,644	\$	656,457
Receivables		64,499		38,607
Prepays		36,420		42,979
		961,563		738,043
Mineral properties	Note 5	3,465,921		3,312,020
Reclamation bonds		55,419		54,000
		\$ 4,482,903	\$	4,104,063
Liabilities				
Current				
Accounts payable and accrued liabilities		\$ 171,596	\$	82,080
Due to related parties	Note 6	62,720		5,116
		234,316		87,196
Shareholders' Equity				
Share capital	Note 7	21,846,918		21,008,918
Contributed surplus	Note 7	3,336,490		3,281,090
Deficit		(20,934,821)		(20,273,141)
		4,248,587		4,016,867
		\$ 4,482,903	\$	4,104,063

Nature of operations and going concern (Note 1)

Contingencies and commitments (Note 11)

Subsequent events (Note 12, 5 and 7(b))

Approved on behalf of the Board

"Lawrence Page"

"Terry Eyton"

Lawrence Page, Q.C.

Terry Eyton

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Operations and Deficit for the three months ended July 31,

	Three months ended		Six months ended	
	October 31,		October 31,	
	2010	2009	2010	2009
Expenses				
Administration	\$ 24,000	\$ 24,000	\$ 48,000	\$ 48,000
Consulting				
Services	54,317	67,225	112,330	135,237
Independent directors' fees				
Services	9,632	8,854	18,598	16,922
Investor relations	56,163	9,814	99,655	17,310
Office and general	16,880	12,696	35,479	29,272
Professional fees	72,007	37,934	106,899	81,829
Regulatory fees and taxes	13,073	7,451	17,036	13,063
Shareholders' communications	2,702	1,212	3,431	2,130
Transfer agent	1,404	1,295	2,916	2,459
Travel and promotion	23,941	2,756	25,185	2,756
	274,119	173,237	469,529	348,978
Other Items				
Interest income	(363)	-	(682)	-
Foreign exchange (gain) loss	576	725	(3,582)	31,697
Share purchase warrants modification	-	-	-	109,494
General exploration	22,974	23,396	72,825	70,588
Write-off of mineral properties	-	-	123,590	45,296
	23,187	24,121	192,151	257,075
Net Loss and Comprehensive Loss for the Period	297,306	197,358	661,680	606,053
Deficit, Beginning of the Period	20,637,515	18,316,136	20,273,141	17,907,441
Deficit, End of the Period	\$ 20,934,821	\$ 18,513,494	\$ 20,934,821	\$ 18,513,494
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	65,126,150	42,925,663	65,126,150	42,816,821

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Cash Flows for the three months ended July 31,

Cash provided by (used for):	Three months ended		Six months ended	
	October 31,		October 31,	
	2010	2009	2010	2009
Net loss for the period	\$ (297,306)	\$ (197,358)	\$ (661,680)	\$ (606,053)
Items not involving cash:				
Share purchase warrants modification	-	-	-	109,494
Foreign exchange on transactions	(3,262)	(2,004)	(10,717)	1,027
Write-off of mineral properties	-	-	123,590	45,296
	(300,568)	(199,362)	(548,807)	(450,236)
Changes in Non-Cash Working Capital				
Receivables	(24,007)	3,044	(25,892)	4,290
Prepays	8,592	11,591	6,559	19,948
Accounts payable and accrued liabilities	82,816	43,911	74,911	42,440
Due to related parties	48,581	82,146	50,574	82,793
	115,982	140,692	106,152	149,471
Cash Used in Operating Activities	(184,586)	(58,670)	(442,655)	(300,765)
Investing Activities				
Expenditures on mineral properties	(181,659)	(54,255)	(250,856)	(103,931)
Cash Used in Investing Activities	(181,659)	(54,255)	(250,856)	(103,931)
Financing Activity				
Proceeds from private placements, net of share issue costs	888,400	6,484	888,400	6,484
Cash Provided by Financing Activities	888,400	6,484	888,400	6,484
Foreign Exchange Effect on Cash	2,507	1,743	9,298	132
Increase /(Decrease) in Cash During the Period	524,662	(104,698)	204,187	(398,080)
Cash , Beginning of the Period	335,982	155,821	656,457	449,203
Cash , End of the Period	\$ 860,644	\$ 51,123	\$ 860,644	\$ 51,123

Supplemental cash flow information (Note 10)

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2010 and 2009

1. Nature of Operations and Going Concern

Southern Silver Exploration Corp. (the "Company") is an exploration stage enterprise incorporated under the laws of British Columbia. The Company and its subsidiaries are engaged in the acquisition and exploration of mineral properties and do not have any mineral properties in production.

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 current or future value.

These consolidated 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 October 31, 2010, the Company had working capital of \$727,247 (April 30, 2010 working capital - \$650,847).

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of \$20,934,821 as at October 31, 2010 (April 30, 2010 - \$20,273,141).

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 intends to continue relying upon the issuance of share capital to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These unaudited interim financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company's annual audited consolidated financial statements ("AFS") for the fiscal year ended April 30, 2010. All material adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods, have been reflected in these statements. The results for the three months ended October 31, 2010 are stated using the same accounting policies and methods of application as the most recent annual audited consolidated financial statements, but are not necessarily indicative of the results to be expected for the full year.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
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2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation and Consolidation, continued

The Company's reporting currency is the Canadian dollar and all dollar amounts in these statements are in Canadian dollars, unless otherwise stated. These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Minera Plata del Sur S.A de C.V., incorporated in Mexico, Southern Silver Exploration (US) Corp. incorporated in Nevada USA and Southern Silver Holdings Ltd., incorporated in the British Virgin Islands.

All intercompany accounts and transactions were eliminated upon consolidation.

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted in the current year.

A summary of significant accounting policies is disclosed in Note 2 to the AFS.

(b) Future Accounting Changes

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended July 31, 2011, which must include restated interim results for the period ended July 31, 2010 prepared on the same basis. The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures.

The Company has identified current GAAP applicable to the Company that will be affected by the changeover and differences with the corresponding IFRSs and has outlined appropriate policy choices allowed under IFRS. The management submitted a document outlining the differences between current GAAP and IFRS, appropriate policy choices and their impact on the Company's financial statements and business processes to the Audit Committee for Approval.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interest". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for a non-controlling interest in a subsidiary.

Southern Silver Exploration Corp.
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Notes to Consolidated Financial Statements
Six months ended October 31, 2010 and 2009

2. Summary of Significant Accounting Policies, continued

(c) Future Accounting Changes, continued

(ii) Business Combinations

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners.

Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Early adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

3. Financial Instruments

The carrying value of financial assets by category at October 31, 2010 and April 30, 2010 are as follows:

Financial Assets	October 31, 2010		April 30, 2010	
	Held-for-trading	Loans and Receivables	Held-for-trading	Loans and Receivables
Cash	\$ 860,644	\$ -	\$ 656,457	\$ -
Reclamation bonds	-	55,419	-	54,000
Receivables	-	-	-	8,905
	\$ 860,644	\$ 55,419	\$ 656,457	\$ 62,905

The carrying value of financial liabilities by category at October 31, 2010 and April 30, 2010 are as follows:

Financial Liabilities	October 31, 2010	April 30, 2010
	Other financial Liabilities	Other financial Liabilities
Accounts payable and accrued liabilities	\$ 171,596	\$ 82,080
Due to related parties	\$ 62,720	\$ 5,116
	\$ 234,316	\$ 87,196

Southern Silver Exploration Corp.
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3. Financial Instruments, continued

Fair Value

The carrying values of cash, reclamation bonds, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short term to maturity.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit Risk

The Company is exposed to credit risk with respect to managing its cash position. This risk is mitigated by risk management policies that require deposits or short-term investments to be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration and the Company has no exposure to asset-backed commercial paper.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. However, October 31, 2010 cash balance of \$860,644 would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral property interests and continuing with its exploration program in the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in 2010/2011 (Note 7(b) and 12). At October 31, 2010, the Company had accounts payable and accrued liabilities of \$171,596 and amounts due to related parties of \$62,720 due within 30 days.

(c) Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and other price risk. These are discussed further below:

(i) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of October 31, 2010.

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars and Mexican pesos). The Company does not manage currency risks through hedging or other currency management tools.

Southern Silver Exploration Corp.
(Exploration Stage Company)
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3. Financial Instruments, continued

(ii) Currency Risk, continued

As at October 31, 2010, the Company has financial instruments denominated in foreign currencies as below and are exposed to currency risk as follows:

	US	Peso
Cash	\$ 166,694	26,118
Bonds	11,457	510,000
Accounts payable and accrued liabilities	(42,181)	(57,345)
	\$ 135,970	478,773

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of \$13,872 in the Company's deficit, or a corresponding change in the Mexico peso would result in an increase/decrease of \$3,932 in the Company's deficit.

(iii) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company is not exposed to any other price risks.

4. Management of Capital

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders.

The Company's capital includes components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been funded by the issuance of common shares and convertible notes to investors in the past. The Company will continue these financing methods in the future depending on market and economic conditions at the time.

5. Mineral Properties

The Company has interests in base and precious metal properties as follows:

- **Mexico**
 - (i) Jalisco - Minas de Ameca Magistral properties, which include Magistral I and EI Magistral
 - (ii) Chihuahua - Pinabete property
 - (iii) Durango - Cerro Las Minitas

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
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5. Mineral Properties, continued

- **USA**
 - (i) Arizona - Dragoon properties
 - (ii) New Mexico – Oro property

Deferred mineral property costs by property for the year ended October 31, 2010 are as follows:

Mineral Properties	Minas de Ameca \$	Pinabete (Note 12 (i)) \$	Oro \$	Dragoon \$	San Juan \$	Cerro Las Minitas \$	Total \$
Acquisition							
Balance as at April 30, 2010	208,412	237,049	494,253	76,623	53,996	-	1,070,333
Additions during the period	20,628	24,259	54,066	857	632	65,664	166,106
Write-offs during the period	-	-	-	-	(54,628)	-	(54,628)
Balance as at October 31, 2010	229,040	261,308	548,319	77,480	-	65,664	1,181,811
Exploration							
Balance as at April 30, 2010	1,563,434	-	557,782	59,090	61,381	-	2,241,687
Additions during the period:							
Air Support	-	-	22,686	-	-	-	22,686
Assays and Geochemistry	-	-	-	-	327	-	327
Camp, Utilities and Supplies	1,460	-	244	-	226	3,627	5,557
Equipment/Rentals/Supplies	434	-	230	-	753	1,043	2,460
Geological and Geophysics	-	-	9,820	2,163	88	619	12,690
General Exploration	-	-	-	-	62	92	154
Project Supervision	7,069	-	2,594	6,061	3,988	36,080	55,792
Project Support	224	-	192	-	-	2,763	3,179
Travel	1,595	-	770	-	-	1,389	3,754
Environmental	-	-	2,649	-	2,138	-	4,787
Total additions during the period	10,782	-	39,185	8,224	7,581	45,613	111,385
Write - off during the period	-	-	-	-	(68,962)	-	(68,962)
Balance as at October 31, 2010	1,574,216	-	596,967	67,314	-	45,613	2,284,110
Total mineral properties expenditures as at October 31, 2010	1,803,256	261,308	1,145,286	144,794	-	111,277	3,465,921

Terms of the agreements for these properties are described in Note 5 to the AFS.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
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5. Mineral Properties, continued

Cerro Las Minitas – Durango, Mexico

During the three months ended October 31, 2010 the Company acquired announced that it signed a letter of intent with a private vendor to acquire a 100% interest in the Cerro Las Mintas property located in Durango, Mexico. Upon signing the letter on intent the Company paid US\$50,000 to secure exclusive right to the property while due diligence proceeds.

On December 1, 2010 the Company announced that it has executed a formal agreement to acquire 100% interest in the property.

Pursuant to the agreement, the Company's commitments are as follows:

- (i). Pay US\$ 50,000 (paid) upon signing of the letter of intent
- (ii). Pay US\$250,000 (paid subsequent to the quarter) up on signing of the agreement
- (iii). Pay US\$300,000 six months from signing of the agreement
- (iv). Pay US\$300,000 twelve months from signing of the agreement
- (v). Pay US\$300,000 eighteen months from signing of the agreement
- (vi). Pay US\$800,000 twenty four months from signing of the agreement
- (vii). Pay US\$1,000,000 thirty months from signing of the agreement
- (viii). Pay US\$1,000,000 thirty six months from signing of the agreement

Total commitment is US\$4,000,000 over 36 months.

San Juan Property

During the quarter the Company relinquish the right to the above property in Mexico and the capitalized acquisition and exploration costs in the amount of \$123,590 was written off during the quarter July 31, 2010.

Oro Property

The Company was the successful bidder for two lease land parcels of New Mexico State Land which were critical for future exploration on Oro property. The Company extended option payment of US\$ 200,000 due on August 28, 2010 to January 01, 2011.

Minas de Ameca Project - Jalisco, Mexico - Magistral I

Effective July 21, 2010, parties to the agreement amended the option agreement as follows:

- (i). to extend the aggregate exploration commitment of US\$1,800,000 for July 21, 2010 to July 21, 2011
- (ii). to extent the aggregate exploration commitment of US\$3,000,000 from July 21, 2011 to July 21, 2012

The Company issued 50,000 common shares at \$0.10 pursuant to the agreement.

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6. Related Party Balances and Transactions

The Company entered into the following related party transactions during the period ended October 31, 2010.

(a) Pursuant to the service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company was charged as follows:

- \$48,000 in respect of office accommodation and management services;
- \$28,568 in respect of professional services;
- \$27,170 in respect of consulting services;
- \$40,418 in respect of investor relations services;
- \$11,112 in respect of geological consulting services in relation to mineral properties;
- \$3,367 in respect of the mark-up on out-of-pocket expenses; and
- \$3,522 in respect of administrative services.

Amounts payable as at October 31, 2010 were \$51,186.

(b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$56,180 for consulting services.

(c) Fees in the amount of \$24,395 were charged by a law firm controlled by a director and an officer of the Company and included in professional fees and mineral property expenditures. Amounts payable as at October 31, 2010 were \$7,054.

(d) Consulting fees relating to office administration of \$12,000 were charged by a private company controlled by a director and an officer of the Company. Amounts payable as at October 31, 2010 were \$4,480.

(e) Consulting fees relating to geological services of \$30,907 were charged by a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are unsecured, non-interest bearing, and have no formal terms of payments.

Southern Silver Exploration Corp.
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Notes to Consolidated Financial Statements
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7. Share Capital

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

(a) Issued and Outstanding

The issued common shares are as follows:

	No. of Shares	Amount	Contributed Surplus
Balance as at April 30, 2009	42,874,321	19,000,984	2,702,685
Issued			
Private placement	18,160,000	1,816,000	-
Issued to acquire mineral properties	100,000	10,250	-
Exercised share purchase warrants	3,777,775	377,778	-
Fair value of warrants exercised	-	63,637	(63,637)
Stock base compensation	-	-	480,000
Share purchase warrants modification Note 7(e)	-	-	109,494
	64,912,096	21,268,649	3,228,542
Share issuance cost	-	(259,731)	52,548
Balance as at April 30, 2010	64,912,096	\$ 21,008,918	\$ 3,281,090
Issued			
Private placement (1st tranche)	9,900,000	990,000	-
Issued to acquire mineral properties	50,000	5,000	-
	74,862,096	21,013,918	3,281,090
Share issuance cost	-	(157,000)	55,400
Balance as at October 31, 2010	74,862,096	\$ 20,856,918	\$ 3,336,490

Southern Silver Exploration Corp.
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Notes to Consolidated Financial Statements
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7. Share Capital, continued

(b) Private Placements

A non-brokered unit private placement was announced on October 13, 2010 and amended on November 24, 2010 to issue up to 25,000,000 common shares at a price of \$0.10 per unit to raise \$2,500,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one common share at \$0.20 for a period of two years. The private placement closed in three tranches, October 27, 2010, November 29, 2010 and December 10, 2010.

The first tranche, for 9,900,000 units at \$0.10 per unit, closed on October 27, 2010 for gross proceeds of \$990,000. Share issue cost incurred up to October 27, 2010 was \$157,000 consists of finder's fees, general share issue costs and cost of agent's warrants issued (597,000 exercisable at \$0.20) and calculated using Black-Scholes option pricing model.

(c) Shares Issued for Mineral Properties

The Company issued 50,000 common shares at \$0.10 pursuant to the agreement with Fury Exploration for Magistral 1 property.

d) Stock Options

As at October 31, 2010, the Company had a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The terms of any stock option granted under the Plan may not exceed five 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. Except those options issued to persons providing investor relation services, which vest in stages over 12 months with no more than one-quarter of such options so granted vesting in any three-month period, the Board of Directors shall have complete discretion to set the terms of any vesting schedule at the date of grant. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

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7. Share Capital, continued

d) Stock Options, continued

Exercise Price	Fair Value (*)	Expiry Date	Balance April 30, 2010	Granted	Cancelled or Expired	Balance October 31, 2010
\$0.30	\$0.27	October 13, 2010	205,000	-	205,000	-
\$0.51	\$0.43	November 8, 2010	400,000	-	-	400,000
\$0.83	\$0.64	January 16, 2011	175,000	-	-	175,000
\$0.82	\$0.72	March 27, 2011	125,000	-	-	125,000
\$0.88	\$0.80	June 1, 2011	435,000	-	65,000	370,000
\$0.58	\$0.54	March 1, 2012	1,145,000	-	10,000	1,135,000
\$0.58	\$0.41	March 26, 2012	100,000	-	-	100,000
\$0.58	\$0.37	October 19, 2012	25,000	-	-	25,000
\$0.58	\$0.39	December 4, 2012	25,000	-	25,000	-
\$0.21	\$0.12	March 26, 2013	525,000	-	35,000	490,000
\$0.16	\$0.15	January 8, 2015	3,200,000	-	200,000	3,000,000
			6,360,000	-	540,000	5,820,000
Weighted average exercise price			\$ 0.36	-	0.33	\$0.36
Weighted average contractual life (in years)						2.66

e) Share Purchase Warrants

Exercise Price	Expiry Date	Balance April 30, 2010	Granted	Cancelled or Expired	Exercised	Balance October 31, 2010
\$0.20	December 10, 2011	14,570,000	-	-	-	14,570,000
\$0.20	December 10, 2011	653,400	-	-	-	653,400
\$0.20	December 24, 2011	3,590,000	-	-	-	3,590,000
\$0.20	December 24, 2011	166,800	-	-	-	166,800
\$0.20	October 27, 2012	-	9,900,000	-	-	9,900,000
\$0.20	October 27, 2012	-	597,000	-	-	597,000
		18,980,200	10,497,000	-	-	29,477,200
Weighted average exercise price		\$0.20	\$0.20	-	-	\$0.20
Weighted average remaining contractual life (in years)						1.43

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Six months ended October 31, 2010 and 2009

7. Share Capital, continued

(f) Fair Value Determination

The fair value of stock options granted was estimated using the Black-Scholes option pricing model, was calculated using the following weighted average assumptions:

	October 31, 2010		October 31, 2009	
	Options	Warrants	Options	Warrants
Risk-free interest rate	N/A	1.45%	N/A	1.07%
Expected share price volatility	N/A	136.14%	N/A	158.54%
Expected option/warrant life in years	N/A	2.00%	N/A	0.8
Expected dividend yield	N/A	N/A	N/A	0%

9. Segmented Information

The Company's assets are distributed by geographic area as follows:

	October 31, 2010		April 30, 2010	
	\$	%	\$	%
Canada	924,748	21%	622,799	15%
Mexico	2,256,297	50%	2,281,879	56%
USA	1,301,858	29%	1,199,385	29%
	4,482,903	100%	4,104,063	100%

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2010 and 2009

10. Supplemental Cash Flow Information

	Oct 31, 2010	Oct 31, 2009
Cash Items		
Interest received	\$ 682	\$ -
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Non-Cash Items		
Investing Activities		
Mineral property costs included in accounts payable	\$ 30,856	\$ 7,308
Mineral property costs included in due to related parties	\$ 9,800	\$ 10,235
Financing Activities		
Shares issued for mineral property	\$ 5,000	\$ 4,251

11. Contingencies and Commitments

(A) Contingencies

Certain claims have been filed against the Company.

(a) A claim for US \$80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was instigated in October 1998 and since then no further claims or legal proceedings have taken place.

(b) A claim for \$6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

These financial statements do not reflect the liability, if any, which may result from these claims as the outcome of either claim is indeterminable at this time. The impact to any outcome will be recorded at the time of settlement and, accordingly, may impact future results of operations and cash flows.

Under a service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company is charged \$8,000 monthly for office accommodation and administration services. The agreement may be cancelled at any time upon one year's notice and expires on October 31, 2012.

Southern Silver Exploration Corp.
(Exploration Stage Company)
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11. Contingencies and Commitments

(B) Commitments

The fee commitment for the next three years is as follows:

Year ending April 30,	Commitment \$
Balance to 2011	48,000
2012	96,000
2013	16,000

(C) Mineral properties interests

Over the next two years, pursuant to the terms of its option agreements and amendments thereto, the Company has the following commitments to maintain the properties and earn its interests therein:

(a) Magistral properties:

- Incur an aggregate of at least US\$ 1,800,000 by July 21, 2011
- Incur an aggregate of at least US\$ 3,000,000 by July 21, 2012;
- Issue 250,000 common shares to Fury Explorations Ltd. on or before July 21, 2011.

(b) Oro property:

- US \$50,000 on or before December 1, 2010 (paid subsequent to the quarter end);
- US \$200,000 on or before January 1, 2011;
- US \$300,000 on or before August 28, 2011;
- US \$75,000 on or before December 1, 2011;
- US \$75, 000 on or before December 1, 2012

(c) Cerro Las Minitas property

- US\$300,000 six months from signing of the agreement
- US\$300,000 twelve months from signing of the agreement
- US\$300,000 eighteen months from signing of the agreement
- US\$800,000 twenty four months from signing of the agreement
- US\$1,000,000 thirty months from signing of the agreement
- US\$1,000,000 thirty six months from signing of the agreement

Southern Silver Exploration Corp.
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12. Subsequent Events

The following events occurred subsequent to October 31, 2010:

(i). Private placement

The Company closed the 2nd tranche and the final tranche on November 26, 2010 and December 10, 2010 respectively. The second tranche consisted of 10,601,000 units for gross proceeds of \$1,060,100 and the final tranche consisted of 4,499,000 units for gross proceeds of \$499,900. Including 1st tranche (Note 7 b) the Company raised a total of \$2,500,000.

(ii). Stock Options

Pursuant to the Company stock option plan (Note 7 (d)), the Company granted a total of 2,815,000 stock options with an exercise price of \$0.17 and life of five years, to the directors, officers, consultants and management company employees.

(iii) Mineral Property - Pinabite Property

The Company gave notice to relinquish the property on December 16, 2010.



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Management's Discussion and Analysis
In respect of the six months ended October 31, 2010
Dated: December 16, 2010

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Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2010

Dated December 16, 2010

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Southern Silver Exploration Corp., formerly known as Newcoast Silver Mines Ltd., (the "Company") compares results for the six months ended October 31, 2010 to the same period in the previous year. These statements should be read in conjunction with the unaudited consolidated financial statements for the six months ended October 31, 2010 and the audited consolidated financial statements for the twelve months ended April 30, 2010. All notes referenced herein may be found in the consolidated financial statements for the six months ended October 31 2010.

The Company's financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries Minera Plata Del Sur SA De SV (Mexico), Southern Silver Exploration (US) Corp. (USA), and Southern Silver Holdings Ltd. (British Virgin Islands). This MD&A, dated December 16, 2010, was prepared to conform with National Instrument 51-102 F1 and was approved by the Board of Directors prior to its release.

The Company is a reporting issuer in British Columbia and Alberta and its shares trade on the Tier 2 Board of the TSX Venture Exchange ("TSX") under the symbol SSV and on the Frankfurt Stock Exchange under the symbol "SEG.F".

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

Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. These are subject to significant risks and uncertainties that may cause actual results or events to differ materially from projected results or events.

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 and on SEDAR at www.sedar.com.

B. Qualified Persons

Robert W. J. Macdonald, P. Geo., is the qualified person under National Instrument 43-101 *Standards for Disclosure for Mineral Properties* ("NI 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 B.C. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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B. Qualified Persons, continued

Adrian Robles Salazar, provides consulting services to the Company as Exploration Manager for Mexico. Mr. Robles has extensive experience with Mexican projects that was gained through his association with Minera Kennecott S.A. de C.V. and Western Silver Corporation.

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

	Canadian Dollars per US Dollar ⁽¹⁾		
	Period ended		Year ended
	Oct 31	Oct 31	April 30
	2010	2009	2010
Rate at end of period	1.0202	1.0819	1.0624
Average rate for period	1.0312	1.0754	1.0536
High for period	1.0665	1.1072	1.0819
Low for period	1.0048	1.0259	1.0234

Imperial	Conversion Table ⁽²⁾	
		Metric
1 Acre	0.404686	Hectares
1 Foot	0.304800	Meters
1 Mile	1.609344	Kilometres
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

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C. Exchange Information and Conversion Tables, continued

Precious metal units and conversion factors ⁽²⁾

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

(1) Information from www.bankofcanada.ca

(2) Information from www.onlineconversion.com

D. Description of Business

The Company acquires and explores mineral properties in North America. It is currently exploring for precious and base metals in Mexico (Jalisco, Sinaloa and Chihuahua) and the USA (Arizona and New Mexico).

E. Description of Mineral Properties

i) Cerro Las Minitas – Durango, Mexico

During the three months ended October 31, 2010 the Company announced that it has signed a letter of intent with a private vendor to acquire a 100% interest in the Cerro Las Minitas property located in Durango, Mexico. Upon signing the letter on intent the Company paid US\$50,000 to secure exclusive right to the property while due diligence proceeds.

On December 1, 2010 the Company announced that it has executed a formal agreement to acquire 100% interest in the property.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2010

Dated December 16, 2010

E. Description of Mineral Properties, continued

i) Cerro Las Minitas – Durango, Mexico, continued

Pursuant to the agreement, the Company's commitments are as follows:

- (i). Pay US\$ 50,000 (paid) upon signing of the letter of intent
- (ii). Pay US\$250,000 (paid subsequent to the quarter) up on signing of the agreement
- (iii). Pay US\$300,000 six months from signing of the agreement
- (iv). Pay US\$300,000 twelve months from signing of the agreement
- (v). Pay US\$300,000 eighteen months from signing of the agreement
- (vi). Pay US\$800,000 twenty four months from signing of the agreement
- (vii). Pay US\$1,000,000 thirty months from signing of the agreement
- (viii). Pay US\$1,000,000 thirty six months from signing of the agreement

Total commitment is US\$4,000,000 over 36 months.

The Cerro Las Minitas Property, comprising 17 concessions and totaling 10,980 hectares, lies within the Faja de Plata (Belt of Silver) of north-central Mexico, 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.

Small-scale mining, which has been active on the property since colonial times, has identified several types of silver-, lead- and zinc-enriched massive-sulphide pipes, veins and replacement deposits distributed in the skarn-altered margins of a large intrusive body in a similar geological environment 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).

Southern Silver has initiated a detailed mapping and sampling program of surface exposures and trenches in the area of the historic mining and exploration to be followed by underground mapping of critical workings. Acquisition and reprocessing of available regional geochemical and geophysical data is underway and will be used to guide further airborne and surface geophysical studies over the property in early 2011 with an anticipated +3,000 metre Phase I drill program to follow this work.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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Dated December 16, 2010

E. Description of Mineral Properties, continued

i) Cerro Las Minitas – Durango, Mexico, continued

Limited historical drilling on the project by Noranda (not independently verified by Southern Silver) returned numerous intervals of higher grade silver and base metals including a 11.45 metre interval (down hole) grading 123g/t silver, 1.55% lead and 7.79% zinc from drill hole HGV-00-02 and a 1.41 metre interval (down hole) grading 529g/t silver, 6.99% lead and 1.27% zinc from drill hole NGV-00-06.

Mapping and sampling by Southern Silver has confirmed the general tenor of historically reported mineralization on the property: Six of 44 initial grab and chip samples returned values in excess of 100g/t silver including 464g/t silver and 15.7% lead and 1.16% zinc from a sample of mill feed, and 360g/t silver and 6.95% lead from sample 10CM-40. The company plans more systematic sampling of select surface exposures and historical trenches and 3-dimensional rendering of the historic drill database and workings.

ii) Minas de Ameca Project - Jalisco, Mexico

The **Minas de Ameca project** encompasses a 131 sq. km claim package assembled in part through option agreements between the Company and Fury Explorations Ltd. now merged with Golden Predator Mines Inc. and with the purchase from the Mexican Government of the El Magistral claim which includes a historic producing mine from which copper was extracted, with some gold credits, from chalcopyrite, bornite and oxide ores. The concessions that make up the project include the Magistral I claims and the El Magistral claims.

The district is located along the western margin of the Sierra Madre Occidental terrane. Geological reconnaissance has identified several strongly mineralized, copper-rich breccias located at volcanic-intrusive contacts and numerous structurally controlled, quartz-hematite vein systems which occur along a 8 km long mineralized trend extending southeast through the project area.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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E. Description of Mineral Properties, continued

ii) Minas de Ameca Project - Jalisco, Mexico, continued

Magistral I

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd. ("Fury"), the Company has an option to acquire a 65% interest in the property (see Note 5 (a) to the audited consolidated financial statements dated April 30, 2010). Effective July 21, 2010, parties to the agreement amended the option agreement as follows:

- (i) to extend the aggregate exploration commitment of US\$1,800,000 for July 21, 2010 to July 21, 2011
- (ii) to extend the aggregate exploration commitment of US\$3,000,000 from July 21, 2011 to July 21, 2012

The Magistral I property is accessible via a series of gravel roads from the town of Ameca (population 50,000), which is located 80 kilometers southwest of Guadalajara.

Since acquisition, the Company has completed a total of 4,832 metres of drilling in 20 drill holes in two states on the San Luis vein system and adjacent targets. Seventeen drill holes had tested an 800 metre strike length of the main **San Luis** vein structure and to depths of up to 500 metres. Additional drill holes tested the Cerrito de la Cruz vein system and two adjacent geophysical anomalies. Higher grade results include an **8.0 metre interval of 1.05 g/t Au and 0.49% Cu within a 30 metre interval grading 0.39 g/t Au and 0.17% Cu**. The system remains open along strike and down dip.

Most recently, 25 line-kilometers of detailed gradient IP geophysics was been completed over portions of the San Luis vein system. The survey showed some correlation between chargeability anomalies and Cu- and Au-enriched drill hole intercepts. Several untested chargeability highs occur to the north of previously tested veins and may represent additional veins within the mineralizing system.

Final targets for a 10-hole 1,500 metre diamond drilling program on the San Luis prospect have been selected. Future drilling will test the on-strike and down-dip potential of the San Luis vein system and for additional adjacent veins.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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E. Description of Mineral Properties, continued

ii) Minas de Ameca Project - Jalisco, Mexico, continued

Magistral I, continued

Significant assays from the 2007-08 drilling program include:

Drill Hole Number	Collar Data			Est. True						
	AZ Deg	Dip Deg	Depth m	From m	To m	Interval m	Thcknss m	Au g/t	Ag g/t	Cu %
07SL-03	180	-71	237.00	179.50	199.20	19.70	9.60	1.01	11.20	0.95
Includes				195.85	199.20	3.35	1.92	5.07	49.81	4.32
				214.10	216.90	2.80	1.61	1.33	9.20	0.84
07SL-04**	180	-60	149.80	24.60	35.25	10.65	9.00	0.13	6.00	0.82
				65.85	69.45	3.60	2.20	0.51	10.00	1.18
				103.25	113.50	10.26	7.25	2.05	12.88	0.34
Includes				107.80	110.30	2.50	1.77	4.58	30.80	0.65
07SL-05**	180	-60	246.00	155.25	159.25	4.00	3.00	0.37	11.80	1.04
				174.95	196.35	21.40	15.13	1.03	12.15	0.58
Includes				187.30	189.80	2.50	1.77	3.44	6.10	2.29
07SL-06	0	-65	351.00	115.15	116.10	0.95	0.61	0.52	2.40	0.06
07SL-07	180	-46	299.20	247.90	250.00	2.10	1.89	0.51	13.70	0.58
07SL-08	190	-50	328.00	258.30	260.40	2.10	1.82	1.01	25.79	1.52
Includes				273.75	284.35	10.60	9.18	1.14	7.70	0.86
Includes				279.80	282.00	2.20	1.91	4.14	11.70	2.40
07SL-09	180	-55	270.00	159.00	161.20	2.20	2.20	0.60	12.92	0.75
				189.90	190.60	0.70	0.55	0.31	13.00	1.22
				202.90	207.60	4.70	3.85	0.45	5.13	0.31
07SL-11	180	-55	152.20	81.40	93.60	12.20	10.57	1.50	1.26	0.28
Includes				86.60	88.60	2.00	1.73	5.92	2.60	0.23
				98.00	100.00	2.00	1.73	1.96	4.20	0.31
07SL-12	180	-50	199.85	122.80	125.20	2.40	1.50	0.52	5.40	0.18
07SL-16	0	-50	198.00	57.15	59.75	2.60	2.00	1.20	2.90	0.08
07SL-17	180	-75	290.00	211.10	215.25	4.15	2.70	0.47	4.70	0.57
07SL-18	180	-61	459.00	102.95	109.80	6.85	4.00	2.02	14.00	0.84
				289.50	292.30	2.80	2.80	0.30	22.00	1.93
08SL-19	180	-74	650.00	163.05	166.60	3.55	2.50	0.12	13.00	0.86

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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E. Description of Mineral Properties, continued

ii) Minas de Ameca Project - Jalisco, Mexico, continued

El Magistral – Mexico

On October 18, 2006, the Company announced that it was the successful bidder in an auction conducted by the Mexican federal government with respect to the sale of the El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico.

The Company has agreed to purchase the 1,366 hectare mineral concession by the payment of \$15,600 (Mexican Peso 150,000) over a twenty-four month period (paid) to earn a 100% interest. During the fiscal year the company earned 100% interest. (see Note 5 (a) in the audited consolidated financial statements for the year ended April 30, 2010).

The El Magistral concession adjoins to the south La Sorpresa claims and in turn is bound, to the east and south by the Magistral I concession. This concession forms part of the Magistral I property subject to the terms of its options agreement.

Five core drill holes, of which three were completed to target depth, tested the Magistral Mine target for a total of 747.1 metres of drilling. Several narrow intervals of anomalous silver, copper and precious metal values were returned from three of the drill holes. Only weakly anomalous values were returned from the drilling.

iii) Pinabete Property – Chihuahua, Mexico

During the quarter ended October 31, 2008, the Company decided to relinquish its right to the property. The decision to relinquish the property was mainly driven by availability of cash in the treasury and adverse market conditions for equity financing.

However on February 25, 2009, Parties to the option agreement amended the option agreement to extend the exploration commitment date from December 12, 2008 to December 12, 2010 and to issue 100,000 additional common shares subject to regulatory approval.

The Company has written down the property by \$990,956 during the year ended April 30, 2009. The Company gave notice to relinquish the property on December 16, 2010.

Southern Silver Exploration Corp. (An Exploration Stage Company)

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E. Description of Mineral Properties, continued

iiiv) Oro Property – New Mexico, USA

On August 28, 2006, the Company entered into an agreement to acquire a 100% interest in the Oro Claims, a prospect in Grant County, New Mexico from Philip Sterling.

On October 26, 2007, the Company entered into an agreement to earn a 100% interest in the American Mine claims, New Mexico, USA consisting of eight patented lode-mining claims inclusive of surface rights to contiguous property. The American Mine claims are adjacent to Oro property claims and are reported under Oro property claims. (See Note 5 (d) in the audited consolidated financial statements for the year ended April 30, 2010 for further details on these agreements). Negotiations are currently underway to amend the option agreements.

On September 30, 2010, the company announced that it was the successful bidder for two parcels of New Mexico State Land, which are critical to the further evaluation of its Oro property. This lease acquisition increases the project area to 1,127 hectares and will allow testing of several targets that historically has been hampered by fragmented land holdings in the District.

The Company has compiled available historical data, mapped the area and carried out a rock and biogeochemical sampling over a mineralized corridor largely untested by modern exploration. Geological mapping indicates the presence of a prospective northwest trending structural zone. Precious and base-metal geochemical anomalies are indicative of a widespread and zoned mineral system with the potential to develop both copper-gold porphyry and silver-rich, polymetallic skarn/carbonate replacement deposits.

A phase one drilling program, consisting of 1,200 metres in five core holes has been completed on the property. The drill holes tested several targets below levels of historic mining and prospective Cretaceous-age stratigraphy within the mineralized corridor identified through surface mapping. Samples have been delivered to the assay laboratory, results are pending.

Two of the holes were particularly encouraging because they intersected thick intervals of anomalous metals associated with silicified and pyritized hornfels, skarn, and intrusions.

Hole OR10-001 tested an area close to an exposed intrusion and intersected strong skarn and hornfels alteration with anomalous Zn, Pb, Ag, and Cu near the top of the hole and a thick zone of anomalous Cu deeper; the bottom 61m of the hole averages 0.028% Cu, with low concentrations of Ag, Pb and Zn. This zoning is consistent with a copper porphyry or a copper-rich skarn deposit at depth.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2010

Dated December 16, 2010

E. Description of Mineral Properties, continued

iiiv) Oro Property – New Mexico, USA, continued

Hole OR10-002 intersected strongly silicified limestone and altered dikes that contain several intervals of anomalous gold, including 5.2m of 1.15g/t Au and 0.38% Zn (true thickness unknown due to limited drill data). Arsenic, a pathfinder element, is also strongly anomalous in this hole. The hole was located at the northern end of the target area and did not intersect the structures that contain the highest gold values in surface samples; however, the newly acquired State leases will allow these structures to be properly drill tested. Other holes intersected generally lower concentrations of anomalous metals.

The Company plans to conduct geophysical surveys upon the mobilization of the contractors, and follow-up with diamond drilling after new sites have been chosen and permitted. This program is expected to be completed by late Winter of 2011.

Table 1: Oro project: Selected Intercepts from 2010 Drilling

Hole No.	From (m) metres	To (m) metres	Inerval (m) metres	Au g/t	Ag g/t	Cu %	Pb %	Zn %
OR10-001	43	47.2	4.3	---	15.8	0.12	---	0.14
	102.1	112.8	10.7	---	---	0.01	---	0.35
	187.4	193.2	5.8	---	---	0.10	---	---
	303.3	364.5	61.3	---	---	0.03	---	---
OR10-002	35.1	39.6	4.6	0.2	11.0	0.03	0.27	---
	39.6	77.7	38.1	---	---	0.02	---	---
	161.5	163.7	2.1	0.4	---	0.01	---	---
	195.1	217.9	19.8	0.1	---	---	---	---
	255.7	260.9	5.2	1.1	---	---	---	0.38
<i>inc</i>	259.5	260.9	1.4	2.0	---	---	---	0.21
OR09-003	118.9	121.3	2.4	0.5	10.1	0.36	---	0.11
	126.2	130.1	4.0	0.2	---	---	---	0.15

Analyzed by FA/AA for gold and ICP-MS for other metals by Skyline Labs, Tucson, Arizona
 Value below 0.1g/t for Au, 10g/t for Ag, 0.02% for Cu, and 0.1% for Pb and Zn are not reported.
 True Thicknesses unknown due to limited drill information.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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E. Description of Mineral Properties, continued

v) Dragoon Property – Arizona, USA

On August 28, 2007, the Company, through its subsidiary in the USA, signed a letter agreement to enter into an option to acquire a 100% interest in Dragoon claims, Cochise County, Arizona (see Note 5 (e) in the audited consolidated financial statements for the year ended April 30, 2010).

On August 26, 2009, the Company signed an earn-in agreement with Freeport-McMoRan Exploration Corporation ("FMEC"), for the property. FMEC has the exclusive right and option to acquire a 70% ownership interest in the property by spending US\$ 3 million on the property by December 31, 2012 which includes drilling one hole of approximately 300 metres on or before December 31, 2010. FMEC will assume all annual property maintenance requirements with the State and Federal authorities as well as assuming all payments pertaining to the underlying option agreement.

The Dragoon property is a contiguous block of 1,280 ha comprising 68 unpatented mining claims and four State leases that contain areas of exposed Cu-Mo mineralization, Laramide-age monzogranite porphyry and geothitic "leached capping" which occur in the eastern part of the property and a larger down-dropped block of prospective Paleozoic stratigraphy in the gravel-covered western portion of the property. .

In August 2010, FMEC indicated it completed a single RC/core drill hole to a depth of 1,065 metres within the gravel covered western side of the project area. This hole, which was drilled beyond the target depth of 900 metres, tested a down-thrown fault block of prospective Paleozoic stratigraphy adjacent to an exposed Laramide-age porphyry system in the eastern part of the property.

FMEC reported that the hole intersected thick gravel cover to 380 metres depth followed by variable to strong skarn alteration and silicification within the underlying Paleozoic stratigraphy. Extensive oxidation of the primary sulphide minerals (known as leached capping) is noted to a depth of 820 metres where the hole then intersected, across a faulted contact, a sulphide-bearing footwall schist.

Southern is encouraged by the extent of alteration of the host lithologies in the drill hole and overall thickness of the oxidized rock. The presence and relative thickness of the leached oxide zone is significant as it may overlie supergene-enriched copper oxides at depth in the relatively under-explored gravel covered western portion of the property.

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E. Description of Mineral Properties, continued

v) Dragoon Property – Arizona, USA, continued

FMEC has advised it plans to drill a second hole located approximately 400 metres to the southeast of the first hole. Permitting for this hole is ongoing.

Exploration on the Dragoon property is targeting a deeply buried porphyry Copper-Molybdenum system. Arizona is a major producer of copper and is host to "World-Class" copper deposits (>5mT Cu) including Resolution (1.34gT averaging 1.51% Cu), **Morenci** (4.7gT averaging 0.52%Cu) and **Ray** (1.6gT averaging 0.68%).

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 5 to the audited consolidated financial statements for the twelve months ended April 30, 2010 and unaudited consolidated financial statements for the six months ended October 31, 2010. The deferred mineral property costs as at October 31, 2010 were as follows:

	Balance		Write off	Addition		Balance
	October 31, 2010	Year to Date		Q2	Q1	April 30, 2010
	\$	\$	\$	\$	\$	
Minas de Ameca	1,803,256	31,410	-	10,026	21,384	1,771,846
Pinabete	261,308	24,259	-	-	24,259	237,049
Cerro Las Minitas	111,277	111,277		111,277	-	-
Oro	1,145,286	93,251	-	89,782	3,469	1,052,035
Dragoon	144,794	9,081	-	6,514	2,567	135,713
San Juan	-	(115,377)	(123,590)	-	8,213	115,377
Total	3,465,921	153,901	(123,590)	217,599	59,892	3,312,020

Southern Silver Exploration Corp. (An Exploration Stage Company)

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F. Mineral Properties Deferred Costs, continued

	Minas de Ameca	Pinabete	Oro	Dragoon	Cerro Las Minitas	Total
	\$	\$	\$	\$	\$	\$
Acquisitions/ Land and property	229,040	261,308	548,315	77,480	65,664	1,181,807
Advance	-	-	22,686	-	-	22,686
Assays & geochemistry	56,813	-	39,542	-	-	96,355
Camp, utilities and supplies	33,186	-	15,012	1,321	3,627	53,146
Drilling services	669,352	-	234,300	-	-	903,652
Equipment/rentals/supplies	124,480	-	20,214	766	1,043	146,503
Geological & geophysics	278,444	-	180,936	48,652	619	508,651
General exploration	61,310	-	7,383	1,897	92	70,682
Project supervision/Manex	232,912	-	53,024	12,269	36,080	334,285
Project support	88,648	-	11,033	1,395	2,763	103,839
Travel	27,302	-	10,192	1,014	1,389	39,897
Environmental	1,769	-	2,649	-	-	4,418
Total	1,803,256	261,308	1,145,286	144,794	111,277	3,465,921

Southern Silver Exploration Corp. (An Exploration Stage Company)

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G. Results of Operations

	Six months ended Oct 31,		Variance	
	2010	2009	Increase/(Decrease)	
	\$	\$	\$	%
Expenses				
Administration	48,000	48,000	-	N/A
Consulting	112,330	135,237	(22,907)	(17)%
Independent directors' fees	18,598	16,922	1,676	10%
Investor relations	99,655	17,310	82,345	476%
Office and general	35,479	29,272	6,207	21%
Professional fees	106,899	81,829	25,070	31%
Regulatory fees and taxes	17,036	13,063	3,973	30%
Shareholders' communications	3,431	2,130	1,301	61%
Transfer agent fees	2,916	2,459	457	19%
Travel and promotion	25,185	2,756	22,429	814%
Other Items				
Interest income	(682)	-	(682)	N/A
Foreign exchange loss/(gain)	(3,582)	31,697	(35,279)	(111)%
Share purchase warrants modification	-	109,494	(109,494)	N/A
General exploration	72,825	70,588	2,237	3%
Write-off of mineral properties	123,590	45,296	78,294	173%

The Company reported a net loss of \$661,680 for the six months ended October 31, 2010 ("2010") compared to a net loss of \$606,053 for the six months ended October 31, 2009 ("2009").

Share purchase warrants modification is a non-cash item representing the fair value determined under the Black-Scholes model, which was allocated to the consolidated statement of operations and Deficit. During the six months ended October 31, 2010 the Company recognized \$Nil (2009 - \$109,494) as cost of share purchase warrants modification.

Excluding share purchase warrant modification and mineral property write off of \$123,590 (2009 - \$45,496), the net loss in 2010 was \$538,090 compared to the net loss of \$451,263 in 2009. The \$86,827 increase in loss was primarily due to increase in operational expenses.

The variances are summarized below:

- i) Investor relations fees increased due to increase in investor relations activities.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2010

Dated December 16, 2010

G. Results of Operations, continued

The variances are summarized below, continued

- ii) Travel and promotion increased due to increase in travel in relation to investor relations and financing.
- iii) Professional fees increased due to increased requirement for professional services.
- iv) Consulting fees decrease due to decrease in number of consultants used in 2010 compared to 2009.
- v) Foreign exchange loss decreased due to favorable exchange rates prevailed during the period and less number of foreign currency transactions.

H. Quarterly Results

Declining trend of operating expenses reserved during the quarter ended October 31, 2010. This increase in operating expenses is mainly related to increase in investor relation activities and expenses incurred in conjunction with the private placements.

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

	Three months ended								
	Oct 31,	Jul 31,	Apr 30,	Jan 31,	Oct 31,	Jul 31,	Apr 30,	Jan 31,	Oct 31,
	2010	2010	2010	2010	2009	2009	2009	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating expenses	274,119	195,410	233,833	269,489	173,237	175,741	206,309	217,366	527,287
Interest earned	(363)	(319)	(249)	(402)	-	-	(44,197)	(13,593)	(10,675)
Foreign exchange loss (gain)	576	(4,158)	49,159	(3,490)	725	30,972	29,748	(23,261)	(221,096)
General exploration	22,974	49,851	(17,852)	9,518	23,396	47,193	32,521	29,602	34,124
Write off of mineral properties	-	123,590	-	814,641	-	45,296	1,569,846	-	2,560,276
Loss before the following items:	297,306	364,374	264,891	1,089,756	197,358	299,202	1,794,227	210,114	2,889,916
Share purchase warrants modification	-	-	-	-	-	109,493	-	-	-
Stock-based compensation	-	-	-	405,000	-	-	-	-	-
Net Loss	297,306	364,374	264,891	1,494,756	197,358	408,695	1,794,227	210,114	2,889,916
Loss per share - basic and diluted	\$0.00	\$0.01	\$0.01	\$0.03	\$0.00	\$0.01	\$0.04	\$0.00	\$0.07

Southern Silver Exploration Corp. (An Exploration Stage Company)

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I. 2nd Quarter Ended October 31, 2010

During the second quarter the Company announced and closed the 1st tranche of a non brokered private placement which was over subscribed and 2nd and final tranches closed on November 26, 2010 and December 10, 2010 for total gross proceeds of \$2,500,000 (section L (i)).

The Company announced that it has signed a letter of intent to purchase Cerro Las Minitas and subsequent to the quarter the Company completed the acquisition (section E (i)).

J. Selected Consolidated Financial Information

The following financial data was derived from the Company's consolidated financial statements as at the following dates:

Selected Financial Information	Oct 31, 2010	April 30, 2010	Oct 31, 2009
	\$	\$	\$
Cash and cash equivalents	860,644	656,457	51,123
Working capital	64,499	650,847	(94,412)
Total assets	36,421	4,104,063	3,489,218
Shareholders' equity	3,460,921	4,016,867	3,310,404
Accumulated deficit	20,934,821	20,273,141	18,513,494
Number of shares - issued and outstanding	74,862,096	64,912,096	42,991,821

K. Related Parties Transactions

The Company entered into the following related party transactions during the period ended July 31, 2010.

(a) Pursuant to the service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company was charged as follows:

- \$48,000 in respect of office accommodation and management services;
- \$28,568 in respect of professional services;
- \$27,170 in respect of consulting services;
- \$40,418 in respect of investor relations services;
- \$11,112 in respect of geological consulting services in relation to mineral properties;
- \$3,367 in respect of the mark-up on out-of-pocket expenses; and
- \$3,522 in respect of administrative services.

Amounts payable as at October 31, 2010 were \$51,186

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K. Related Parties Transactions, continued

- (b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$56,180 for consulting services.
- (c) Fees in the amount of \$24,395 were charged by a law firm controlled by a director and an officer of the Company and included in professional fees and mineral property expenditures. Amounts payable as at October 31, 2010 were \$7,054.
- (d) Consulting fees relating to office administration of \$12,000 were charged by a private company controlled by a director and an officer of the Company. Amounts payable as at October 31, 2010 were \$4,480.
- (e) Consulting fees relating to geological services of \$30,907 were charged by a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are unsecured, non-interest bearing, and have no formal terms of repayment.

L. Financial Conditions, Liquidity and Capital Resources

The Company has limited financial resources and finances its operations by raising capital in the equity markets. For the near future, the Company will need to rely on the sale of such securities and/or enter into joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities.

Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of 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.

The Company had a working capital of 727,247 as at October 31, 2010 compared to working capital of \$650,847 as at April 30, 2010. Cash totaled \$860,644 and \$656,457 respectively.

Southern Silver Exploration Corp. (An Exploration Stage Company)

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L. Financial Conditions, Liquidity and Capital Resources, continued

i) Equity financings

Quarter ended October 31, 2010

A non-brokered unit private placement was announced on October 13, 2010 and amended on November 24, 2010 to issue up to 25,000,000 common shares at a price of \$0.10 per unit to raise \$2,500,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one common share at \$0.20 for a period of two years. The private placement closed in three tranches, October 27, 2010, November 29, 2010 and December 10, 2010.

The first tranche, for 9,900,000 units at \$0.10 per unit, closed on October 27, 2010 for gross proceeds of \$990,000. Share issue cost incurred up to October 27, 2010 was \$157,000 consists of finder's fees, general share issue costs and cost of agent's warrants issued (597,000 exercisable at \$0.20) and calculated using Black-Scholes option pricing model.

The Company closed the 2nd tranche and the final tranche on November 27, 2010 and December 10, 2010 respectively. The second tranche consisted of 10,601,000 units for gross proceeds of \$1,060,100 and the final tranche consisted of 4,499,000 units for gross proceeds of \$499,900. Including 1st tranche the Company raised a total of \$2,500,000.

Year ended April 30, 2010

A non-brokered unit private placement was announced on November 24, 2009 and amended on December 10, 2009 to issue up to 18,000,000 common shares at a price of \$0.10 per unit to raise \$1,800,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to one common share at \$0.20 per share for a period of two years. The proceeds will fund the drill programs in New Mexico, USA and Jalisco, Mexico properties.

The private placement closed in two tranches. On December 10, 2009 and December 24, 2009.

The first tranche was closed on December 10, 2009 for gross proceeds of \$1,457,000 (14,570,000 units @ \$0.10). The final tranche was closed on December 24, 2009 for gross proceeds of \$359,000 (3,590,000 units @ \$0.10).

The Company incurred total share issuance cost of \$259,731 comprised of \$87,420 finder's fees, \$119,763 due diligence and other general share issue cost and \$52,548 representing the cost of agent's warrants issued (820,200 exercisable at \$0.20) and calculated using Black-Scholes option pricing model.

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L. Financial Conditions, Liquidity and Capital Resources, continued

ii) Funds raised by stock options and share purchase warrants exercise

Quarter ended October 31, 2010

No warrants or options exercised during the period ended October 31, 2010.

Year ended April 30, 2010

During the year ended April 30, 2010, 3,777,775 share purchase warrants were exercised for gross proceeds of \$377,778.

iii) Mineral properties expenditures

Quarter ended October 31, 2010

The Company issued 50,000 common shares at \$0.10 pursuant to the agreement with Fury Exploration for Magistral 1 property.

Year ended April 30, 2010

During the year ended April 30, 2010, the Company expended \$429,304 on mineral properties (net of shares issued for acquisition costs and ending balance of accounts payable for mineral properties).

iv) Amounts receivable

As at October 31, 2010, the Company had \$64,499 refund owed for HST and the equivalent tax in Mexico and Germany.

v) Commitments

Mineral properties interests

Over the next two years, pursuant to the terms of its option agreements and amendments thereto, the Company has the following commitments to maintain the properties and earn its interests therein:

(a) Magistral properties:

- Incur an aggregate of at least US\$ 1,800,000 by July 21, 2011;
- Incur an aggregate of at least US\$ 3,000,000 by July 21, 2010;
- Issue 250,000 common shares to Fury Explorations Ltd. on or before July 21, 2011.

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L. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

Mineral properties interests, continued

(b) Oro property:

- US \$200,000 on or before January 1, 2011(As amended)
- US \$300,000 on or before August 28, 2011;
- US \$75,000 on or before December 1, 2011.

(c) Cerro Las Minitas property

- US\$300,000 six months from signing of the agreement
- US\$300,000 twelve months from signing of the agreement
- US\$300,000 eighteen months from signing of the agreement
- US\$800,000 twenty four months from signing of the agreement
- US\$1,000,000 thirty months from signing of the agreement
- US\$1,000,000 thirty six months from signing of the agreement

Other commitments

Pursuant to an agreement dated November 01, 2007 (see Note K (a) of this MD&A) the Company has committed to pay \$96,000 per year (\$8,000 per month) to a company privately held by a director and an officer of the Company for office accommodation and management services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012.

vi) Contingencies

(a) A claim for US \$80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was instigated in October 1998 and since then no further claims or legal proceedings have taken place.

(b) A claim for \$6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

Financial statements of the Company do not reflect the liability, if any, which may result from these claims as the outcome of either claim, is indeterminable at this time. The impact to any outcome will be recorded at the time of settlement and, accordingly, may impact future results of operations and cash flows.

Southern Silver Exploration Corp. (An Exploration Stage Company)

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M. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

The authorized share capital of the Company is unlimited. The issued share capital as at December 16, 2010 is as follows:

	Number of Shares	Total \$
Balance as at October 31, 2010	74,862,096	20,856,918
Transaction for the period		
Issue		
2nd and final tranche	15,100,000	1,510,000
	89,962,096	22,366,918
Share issue cost	-	(121,598)
Balance as at December 16, 2010	89,962,096	22,245,320

ii) Share Purchase Warrants

Warrants outstanding at December 16, 2010 are as follows:

Exercise Price	Expiry Date	Balance October 31, 2010	Granted	Exercised	Balance December 16, 2010
\$0.20	December 10, 2011	14,570,000	-	-	14,570,000
\$0.20	December 10, 2011	653,400	-	-	653,400
\$0.20	December 24, 2011	3,590,000	-	-	3,590,000
\$0.20	December 24, 2011	166,800	-	-	166,800
\$0.20	October 27, 2012	9,900,000	-	-	9,900,000
\$0.20	October 27, 2012	597,000	-	-	597,000
\$0.20	November 26, 2012	-	10,601,000	-	10,601,000
\$0.20	November 26, 2012	-	843,500	-	843,500
\$0.20	December 10, 2012	-	4,499,000	-	4,499,000
\$0.20	December 10, 2012	-	375,000	-	375,000
		29,477,200	16,318,500	-	45,795,700
Weighted average exercise price		\$0.20	\$0.20	-	\$0.20

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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Dated December 16, 2010

M. Outstanding Shares, Options and Share Purchase Warrants, continued

iii) Stock Options

Stock options outstanding at December 16, 2010 are as follows:

Exercise Price	Expiry Date	Balance as at October 31, 2010	Granted	Expired	Balance as at December 16, 2010
\$0.51	November 8, 2010	400,000	-	400,000	-
\$0.83	January 16, 2011	175,000	-	-	175,000
\$0.82	March 27, 2011	125,000	-	-	125,000
\$0.88	June 1, 2011	370,000	-	-	370,000
\$0.58	March 1, 2012	1,135,000	-	-	1,135,000
\$0.58	March 26, 2012	100,000	-	-	100,000
\$0.58	October 19, 2012	25,000	-	-	25,000
\$0.21	March 26, 2013	490,000	-	-	490,000
\$0.16	January 8, 2015	3,000,000	-	-	3,000,000
\$0.17	November 29, 2015	-	2,500,000	-	2,500,000
\$0.17	December 13, 2015	-	315,000	-	315,000
		5,820,000	2,815,000	400,000	8,235,000
Weighted average exercise price		\$0.35	\$0.17	\$0.51	\$0.29

N. Subsequent Events and Outlook

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

O. Financial Instruments

The carrying values of cash, receivables, accounts payable and accrued liabilities, and related parties' accounts payable approximate their fair values because of the short-term maturity of these financial instruments.

Southern Silver Exploration Corp. (An Exploration Stage Company)

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P. Off-Balance Sheet Arrangements

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

Q. Use of Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions believed to be reasonable under the circumstances. Critical accounting policies are disclosed in the annual audited financial statements.

R. Disclosure Controls and Procedures

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

Effective August, 2005, the Audit Committee adopted resolutions authorizing the establishment of 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 implementation of the whistleblower policy is in accordance with new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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S. 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.

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

Since the Company does not generate any revenues, 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 sale of securities.

The Company will need to continue its reliance on the sale 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, and will depend largely on the acquisition and exploration activities pursued.

The ability to attract capital to the Company is dependent on movements in commodity prices. Commodity prices fluctuate on a daily basis and they are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and, if warranted, discontinued.

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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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S. Risks and Uncertainties, continued

The Company conducts exploration activities in Mexico and the USA, and is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. 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 environmental hazards on any of the properties held by the Company.

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 of the 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.

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 affect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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T. Changes in Accounting Policies, Including Initial Adoptions, continued

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that the publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter ending July 31, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures.

The Company has established an implementation team to develop and implement the changeover plan to IFRS on a timely basis.

As at October 16, 2010 the Company has identified the differences between the current GAAP that will be affected by the changeover and the corresponding IFRS and is currently considering the policy choices allowed under IFRS. The management submitted a document outlining the differences between current GAAP and IFRS, appropriate policy choices and their impact on the Company's financial statements and business processes to the Audit Committee for approval.

The report defined the following accounting policies under IFRS with the greatest impact on the Company's current accounting policies: business combinations, interest in joint ventures, related parties transactions, share-based payments, provisions, and exploration costs if the Company decides to expense all exploration costs instead of capitalizing them as is the Company's current accounting policy.

Transition to the IFRS will have a medium impact on the Company's current IT system and accounting staff and will be managed with a certain amount of additional resources, mainly in respect of documentation of the new policies, drafting additional disclosure notes, and possible restatements related to expensing of exploration and evaluation costs and recognizing provisions.

The Audit Committee has not decided on the policy choices yet. Possible major impact that management expects IFRS will have on the Company's financial position are summarized in the following table. IFRS will also have more extensive disclosure and analysis of balances and transactions in the notes to the financial statements.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2010

Dated December 16, 2010

T. Changes in Accounting Policies, Including Initial Adoptions, continued

(i) International Financial Reporting Standards ("IFRS"), continued

Key areas	Canadian GAAP	IFRS	Preliminary analysis
Mineral properties and deferred exploration costs	Exploration, evaluation and development costs can be either capitalized or expensed when incurred.	IFRS has only limited guidance on this topic and currently allows the Company to carry its current treatment.	Recommend to expense the exploration evaluation and development cost.
Stock-based compensation	Stock-based compensation is determined using the Black Scholes option pricing model. Allows the option to use straight-line method or accelerated method to account for graded vesting features.	Stock-based compensation is determined using the Black Scholes option pricing model. For graded-vesting features, each installment is to be treated as a separate share option grant because each installment has a different vesting period, and hence the fair value of each installment will differ.	The recognition of the value of stock-based compensation will be higher at the early vesting stage and will decrease as options are near the final vesting stage.

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T. Changes in Accounting Policies, Including Initial Adoptions, continued

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interest". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners.

Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

U. 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.

V. 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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

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Dated December 16, 2010

W. 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; and 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.