



1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670
www.southernsilverexploration.com

**Consolidated Financial Statements
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)**

| <u>Index</u> | <u>Page</u> |
|---|--------------------|
| Independent Auditors' Report to the Shareholders | 2 |
| Consolidated Financial Statements | |
| Consolidated Statements of Comprehensive Loss | 3 |
| Consolidated Statements of Financial Position | 4 |
| Consolidated Statements of Changes in Equity | 5 |
| Consolidated Statements of Cash Flows | 6 |
| Notes to the Consolidated Financial Statements | 7-28 |

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOUTHERN SILVER EXPLORATION CORP.

We have audited the accompanying consolidated financial statements of Southern Silver Exploration Corp., which comprise the consolidated statements of financial position as at April 30, 2017 and 2016 and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Southern Silver Exploration Corp. as at April 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
August 24, 2017

Vancouver
7th Floor 355 Burrard St
Vancouver, BC V6C 2G8
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

| | Note | 2017 | 2016 |
|---|-------|---------------------|---------------------|
| Expenses | | | |
| Administration | 9 | \$ 60,000 | \$ 60,000 |
| Consulting | 9 | 178,241 | 172,608 |
| Exploration and evaluation | 7 & 9 | 969,192 | 2,552,601 |
| Investor relations | 9 | 408,368 | 147,058 |
| Office and general | 9 | 37,817 | 34,384 |
| Professional fees | 9 | 169,206 | 179,618 |
| Regulatory fees and taxes | | 44,398 | 28,793 |
| Share-based payments | 10 | 409,926 | 195,532 |
| Shareholders' communications | | 16,403 | 8,948 |
| Transfer agent | | 38,732 | 10,445 |
| Travel and promotion | | 1,187 | 15,898 |
| | | 2,333,470 | 3,405,885 |
| Foreign exchange gain | | (35,069) | (15,946) |
| Mineral property impairment | 7 | - | 21,477 |
| Gain on loss of control of subsidiary | 8 | (333,794) | - |
| Share of loss in equity accounted investment | 8 | 666,886 | - |
| | | 298,023 | 5,531 |
| Net Loss and Comprehensive Loss for the Year | | \$ 2,631,493 | \$ 3,411,416 |
| Attributable to: | | | |
| Equity holders | | \$ 2,407,241 | \$ 2,909,525 |
| Non-controlling interest | | 224,252 | 501,891 |
| | | \$ 2,631,493 | \$ 3,411,416 |
| Loss per share attributable to equity holders - basic and diluted | | \$ 0.03 | \$ 0.05 |
| Weighted average number of common shares outstanding | | 81,914,607 | 54,434,750 |

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

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| As at | Note | April 30, 2017 | April 30, 2016 |
|--|------|---------------------|---------------------|
| Current Assets | | | |
| Cash | 13 | \$ 2,401,026 | \$ 1,738,352 |
| Taxes and other receivables | | 29,528 | 26,269 |
| Prepays | | 59,981 | 46,327 |
| | | 2,490,535 | 1,810,948 |
| Non-Current Assets | | | |
| Reclamation bonds | 6 | 31,067 | 38,231 |
| Mineral properties | 7 | 59,753 | 2,200,910 |
| Investment in associate | 8 | 4,043,938 | - |
| | | 4,134,758 | 2,239,141 |
| | | \$ 6,625,293 | \$ 4,050,089 |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 275,833 | \$ 511,138 |
| Due to related parties | 9 | 76,774 | 16,320 |
| | | 352,607 | 527,458 |
| Equity | | | |
| Share capital | 10 | 34,258,500 | 31,974,567 |
| Share-based payments reserve | | 836,198 | 599,601 |
| Warrants reserve | | 931,156 | 1,016,000 |
| Other reserve | | 9,270 | 999,495 |
| Deficit | | (29,762,438) | (27,373,083) |
| Equity attributable to shareholders | | 6,272,686 | 7,216,580 |
| Non-controlling interest | | - | (3,693,949) |
| | | 6,272,686 | 3,522,631 |
| | | \$ 6,625,293 | \$ 4,050,089 |

Approved on behalf of the Board

"Lawrence Page"

Lawrence Page, Q.C.

"Eugene Spiering"

Eugene Spiering

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

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Changes in Equity
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

| | Share Capital | | Share-based | | | Deficit | Equity | Non- | Total |
|--|------------------|---------------|------------------|------------------|---------------|-----------------|--------------------------------|----------------------|--------------|
| | Number of Shares | Amount | Payments Reserve | Warrants Reserve | Other Reserve | | Attributable to Equity Holders | Controlling Interest | |
| Balance as at April 30, 2015 | 44,483,436 | \$ 30,655,145 | \$ 580,265 | \$ 800,000 | \$ 9,270 | \$ (30,411,672) | \$ 1,633,008 | \$ - | \$ 1,633,008 |
| Issued | | | | | | | | | |
| Private placements | 22,000,000 | 1,380,000 | - | 220,000 | - | - | 1,600,000 | - | 1,600,000 |
| Exercise of options and warrants | 192,500 | 15,400 | - | - | - | - | 15,400 | - | 15,400 |
| Issuance of shares by subsidiary | - | - | - | - | - | 5,763,908 | 5,763,908 | (3,192,058) | 2,571,850 |
| Proceeds received on account of earn-in | - | - | - | - | 990,225 | - | 990,225 | - | 990,225 |
| Share issue costs | - | (85,742) | 13,774 | - | - | - | (71,968) | - | (71,968) |
| Share-based payments | - | - | 195,532 | - | - | - | 195,532 | - | 195,532 |
| Fair value of options and warrants exercised | - | 9,764 | (5,764) | (4,000) | - | - | - | - | - |
| Fair value of options and warrants expired | - | - | (184,206) | - | - | 184,206 | - | - | - |
| Net loss | - | - | - | - | - | (2,909,525) | (2,909,525) | (501,891) | (3,411,416) |
| Balance as at April 30, 2016 | 66,675,936 | 31,974,567 | 599,601 | 1,016,000 | 999,495 | (27,373,083) | 7,216,580 | (3,693,949) | 3,522,631 |
| Issued | | | | | | | | | |
| Private placements | 11,000,000 | 1,100,000 | - | - | - | - | 1,100,000 | - | 1,100,000 |
| Exercise of options and warrants | 9,498,512 | 1,002,691 | - | - | - | - | 1,002,691 | - | 1,002,691 |
| Proceeds received on account of earn-in | - | - | - | - | 393,420 | - | 393,420 | - | 393,420 |
| Share issue costs | - | (77,595) | 18,550 | - | - | - | (59,045) | - | (59,045) |
| Share-based payments | - | - | 409,926 | - | - | - | 409,926 | - | 409,926 |
| Fair value of options and warrants exercised | - | 258,837 | (173,993) | (84,844) | - | - | - | - | - |
| Fair value of warrants expired | - | - | (17,886) | - | - | 17,886 | - | - | - |
| Net loss | - | - | - | - | - | (2,407,241) | (2,407,241) | (224,252) | (2,631,493) |
| Adjustment on loss of control of subsidiary | - | - | - | - | (1,383,645) | - | (1,383,645) | 3,918,201 | 2,534,556 |
| Balance as at April 30, 2017 | 87,174,448 | \$ 34,258,500 | \$ 836,198 | \$ 931,156 | \$ 9,270 | \$ (29,762,438) | \$ 6,272,686 | \$ - | \$ 6,272,686 |

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

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

| | 2017 | 2016 |
|--|----------------|----------------|
| Operating Activities | | |
| Net loss | \$ (2,631,493) | \$ (3,411,416) |
| Items not involving cash: | | |
| Gain on loss of control of subsidiary | (333,794) | - |
| Mineral property impairment | - | 21,477 |
| Share of loss in equity investment | 666,886 | - |
| Share-based payments | 409,926 | 195,532 |
| Unrealized foreign exchange (gain) loss | (2,697) | 42,054 |
| | (1,891,172) | (3,152,353) |
| Changes in non-cash working capital | | |
| Taxes and other receivables | (4,668) | (2,077) |
| Prepays | (52,546) | (22,524) |
| Accounts payable and accrued liabilities | (175,418) | 80,882 |
| Due to related parties | 60,454 | (128,120) |
| | (172,178) | (71,839) |
| Cash Used in Operating Activities | (2,063,350) | (3,224,192) |
| Investing Activities | | |
| Mineral property acquisition | (192,613) | (166,900) |
| Reclamation bond | (29,631) | - |
| Net outflow arising on deconsolidation of subsidiary | (153,989) | - |
| Cash Used in Investing Activities | (376,233) | (166,900) |
| Financing Activities | | |
| Advances from associate, net | 663,089 | - |
| Proceeds from shares issued by Company, net | 2,043,646 | 1,543,432 |
| Proceeds from shares issued by subsidiary | - | 2,571,850 |
| Proceeds received on account of earn-in | 393,420 | 990,225 |
| Cash Provided by Financing Activities | 3,100,155 | 5,105,507 |
| Foreign Exchange Effect on Cash | 2,102 | (39,212) |
| Increase in Cash During the Year | 662,674 | 1,675,203 |
| Cash, Beginning of Year | 1,738,352 | 63,149 |
| Cash, End of Year | \$ 2,401,026 | \$ 1,738,352 |

Supplemental cash flow information (Note 13)

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

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

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

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

These 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 April 30, 2017 the Company had working capital of \$2,137,928 (2016 - \$1,283,490). The Company incurred a net loss of \$2,631,493 for the year ended April 30, 2017 (2016 - \$3,411,416) and had an accumulated deficit of \$29,762,438 as at April 30, 2017 (2016 - \$27,373,083).

The Company has relied mainly upon the issuance of share capital and mineral property earn-in agreements to finance its activities. The Company will be required to rely on such funding to finance future exploration and administrative activities. There can be no assurance that further financing will be available to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustment could be material.

2. Basis of Preparation and Consolidation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis, except for cash flow information and financial instruments measured at fair value. The financial statements of the Company consolidates entities controlled and equity accounts entities partially-owned by the Company as follows:

| Entity | Country of Incorporation | Principal Activity |
|---|--------------------------|---|
| Southern Silver Holdings Limited ("SSHL") | British Virgin Islands | Holding company - 40% owned by the Company (Note 8) |
| Minera Plata del Sur S.A de C.V. ("MPS") | Mexico | Mineral exploration - 100% owned by SSHL (Note 8) |
| Southern Silver Projects Limited ("SSPL") | British Virgin Islands | Holding company - 100% owned by the Company |
| Exploraciones Magistral S.A de C.V. | Mexico | Mineral exploration - 100% owned by SSPL |
| Southern Silver Exploration Corp. (US) | United States of America | Mineral exploration - 100% owned by the Company |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

2. Basis of Preparation and Consolidation, continued

All inter-company transactions and balances have been eliminated upon consolidation. The Company's functional and presentation currency is the Canadian dollar.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 24, 2017.

3. Summary of Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

Control

Management consolidates all subsidiaries and entities which it is determined that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

Determination of fair value of the remaining interest of the investment in associate on the date the Company lost control

The Company determined the fair value of the remaining interest in its investment in SSSL on the date that it lost control. The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its original cost at each reporting period.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(a) Significant Accounting Estimates and Judgments, continued

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

Determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Mexican Value Added Tax

The recoverability of taxes receivable related to value added tax incurred in Mexico is dependent on various factors such as local policy, historical collectability and the general economic environment. Management uses all relevant facts to determine if the taxes receivable are recoverable.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(b) Mineral Properties

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when receivable, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production.

If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when receivable, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(c) Investment in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income (loss) of the associate.

When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

(d) Share Capital

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants.

(e) Share-based Payments

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of stock options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payment reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry, related fair value previously recorded is transferred from share-based payment reserve to deficit.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(f) Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

(g) Reclamation Bonds

Reclamation bonds are recorded at amortized cost and held by government agencies or in trust.

(h) Foreign Currency Translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the reporting date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date.

Deferred tax assets also result from unused tax losses carried forward, resource related tax pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies, continued

(j) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

(k) Financial Instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss ("FVTPL")

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

Available-for-sale ("AFS")

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. Summary of Significant Accounting Policies, continued

(k) Financial Instruments, continued

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date.

(l) Future Accounting Standards Changes

IFRS 9: *Financial Instruments* will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*.

All financial assets are classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions.

In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date from January 1, 2013 to annual periods beginning on or after January 1, 2018. The amendments also provided relief from the requirement to restate comparative consolidated financial statements for the effects of applying IFRS 9. The Company is currently assessing these effects.

4. Financial Instruments

(a) Categories of Financial Instruments

The Company's financial instruments include cash, reclamation bonds, accounts payable and accrued liabilities and amounts due to related parties.

The Company has classified its financial instruments into the following categories:

| Financial Instrument | Category | Carrying Value |
|--|-----------------------------|----------------|
| Cash | FVTPL | Fair Value |
| Reclamation Bonds | Loans and Receivables | Amortized Cost |
| Accounts Payable and Accrued Liabilities | Other Financial Liabilities | Amortized Cost |
| Due to Related Parties | Other Financial Liabilities | Amortized Cost |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

4. Financial Instruments, continued

(b) Fair Value

The carrying values of accounts payable and accrued liabilities and amounts due to related parties approximate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing, have no maturity date and their carrying values approximate fair value.

(c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, interest rate risk, credit risk, currency risk, and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. 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, anticipated investing and financing activities and through management of its capital structure.

As at April 30, 2017, all of the Company's financial liabilities are either due immediately or have contractual maturities of less than 90 days.

(ii) 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 is not exposed to interest rate risk as no current financial instruments earn or accrue interest.

(iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations.

The Company is exposed to credit risk mainly in respect to managing its cash, which is held with Canadian financial institutions. The Company mitigates credit risk by risk management policies that require significant cash deposits or any short-term investments 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.

(iv) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred, funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars and Mexican pesos).

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

4. Financial Instruments, continued

(c) Financial Risk Management, continued

(iv) Currency Risk, continued

The Company does not manage currency risks through hedging or other currency management tools. As at April 30, 2017, cash totalling \$1,083,827 (2016 - \$1,047,996) was held in US dollars and \$nil (2016 - \$2,436) in Mexican Pesos. As at April 30, 2017, accounts payable and accrued liabilities totalling \$241,270 (2016 - \$366,728) were payable in US dollars and \$14,241 (2016 - \$43,823) in Mexican Pesos. Based on forecast exchange rate movements for the next twelve months assuming all other variables remain constant, the Company considers its financial performance and cash flows would not be materially affected by a weakening or strengthening of the US dollar or Mexican peso.

(v) Other Price Risk

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

5. Capital Management

The Company's capital includes components of equity. The Company's objectives in managing its capital are 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. 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 substantially funded by the issuance of equity instruments and mineral property earn-in agreements. The Company will continue to rely on such funding depending upon market and economic conditions at the time. There have been no changes in the Company's approach to capital management during the year ended April 30, 2017.

6. Reclamation Bonds

The Company is required to post non-interest-bearing reclamation bonds against any potential land restoration costs that may be incurred in the future. The funds are held in trust and may be released after required reclamation is satisfactorily completed.

As at April 30, 2017, amounts on deposit were \$31,067 (US \$22,760) with respect to Oro (2016 - \$38,231 (Mexican Peso 523,778) with respect to a 1% net smelter return ("NSR") royalty payable at Minas del Ameca (Note 7(b)).

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

7. Mineral Properties

Mineral property acquisition costs as at April 30, 2017 were as follows:

| | Cerro Las Minitas | Minas de Ameca | Oro | Total |
|-------------------------------------|------------------------------|---------------------------|---------------|---------------|
| | \$ | \$ | \$ | \$ |
| Balance as at April 30, 2015 | 2,055,487 | - | - | 2,055,487 |
| Additions, net | 145,423 | - | 21,477 | 166,900 |
| Impairments | - | - | (21,477) | (21,477) |
| Balance as at April 30, 2016 | 2,200,910 | - | - | 2,200,910 |
| Additions, net | 132,860 | - | 59,753 | 192,613 |
| Adjustment on deconsolidation | (2,333,770) | - | - | (2,333,770) |
| Balance as at April 30, 2017 | - | - | 59,753 | 59,753 |

(a) Cerro Las Minitas - Mexico

The property consists of twenty mineral concessions located in Durango, Mexico, of which the Company owns an indirect 40% interest (Note 8).

During the year ended April 30, 2017, obligations were completed to acquire certain equipment and surface lots by making a final payment, excluding applicable local taxes, of US \$100,000.

(b) Minas de Ameca - Mexico

On October 18, 2006, the Company acquired the El Magistral mineral claim in the Ameca region in the State of Jalisco, Mexico located about 80 kilometres west of Guadalajara. The property includes the San Luis claim.

The El Magistral claim is subject to a 1% NSR payable to the Mexican government.

The Company is continuing efforts to option the claims to a third party and previously considered this to be an indicator of impairment recording an impairment provision against all capitalized costs relating to these claims.

The Company now owns an indirect 40% interest in the property (Note 8).

(c) Oro - New Mexico, USA

The property consists of certain unpatented mining claims in the Eureka Mining District, Grant County, New Mexico, eight patented lode mining claims, which are adjacent to these claims, and surface rights to a contiguous property. The property is subject to a 2% NSR payable to the optionors whom have granted the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 for each increment.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

7. Mineral Properties, continued

(c) Oro - New Mexico, USA, continued

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

Remaining lease payments are due as follows:

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

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

During the year ended April 30, 2016, the Company continued to assess its planned course of action with respect to the property and determined this to be an indicator of impairment. As no recoverable amount could be estimated, an impairment provision was recorded against all capitalized costs relating to these claims of \$21,477 in accordance with Level 3 of the fair value hierarchy.

(d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the years ended April 30, 2017 and 2016 were as follows:

| | Cerro Las Minitas | | Oro | | Total | |
|------------------------------|-------------------|------------------|----------------|---------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assays and geochemistry | 57,003 | 128,799 | 49,352 | 1,406 | 106,355 | 130,205 |
| Camp, utilities and supplies | 3,984 | 97,411 | 2,397 | 5,075 | 6,381 | 102,486 |
| Drilling | 266,448 | 1,313,318 | 105,448 | - | 371,896 | 1,313,318 |
| Equipment and field supplies | 31,391 | 38,397 | - | - | 31,391 | 38,397 |
| Geological and geophysics | 42,934 | 105,299 | 110,494 | 16,644 | 153,428 | 121,943 |
| Land fees | 44,694 | 49,681 | - | - | 44,694 | 49,681 |
| Project supervision | 170,222 | 485,198 | 12,785 | 6,883 | 183,007 | 492,081 |
| Project support | 1,783 | 5,044 | - | - | 1,783 | 5,044 |
| Taxes | 60,868 | 276,017 | - | - | 60,868 | 276,017 |
| Travel | 1,733 | 20,391 | - | - | 1,733 | 20,391 |
| | 681,060 | 2,519,555 | 280,476 | 30,008 | 961,536 | 2,549,563 |
| General exploration - other | | | | | 7,656 | 3,038 |
| | | | | | 969,192 | 2,552,601 |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

7. Mineral Properties, continued

(e) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

(f) Title to Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties.

The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title.

Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(g) Realization of Assets

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal.

The attainment of commercial production is in turn dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

8. Investment in Associate

Pursuant to an agreement with Electrum Global Holdings L.P. (“Electrum”) for the right to earn an indirect 60% interest in the Cerro Las Minitas property, Electrum previously contributed US\$2,000,000 for a 30.1% interest in SSHL. Electrum had the right to earn an additional 20% by contributing US\$1,500,000 and a final 10% interest by contributing an additional US\$1,500,000. On November 2, 2016, Electrum completed the earn-in.

Following the earn-in period, each SSHL shareholder is to proportionately participate in all costs and expenditures in accordance with their respective participating interest or have their participating interest diluted in accordance with an applicable dilution formula. If a participating interest is diluted to less than 10%, that interest will be surrendered in exchange for a 2% NSR.

As the Company has retained a 40% interest and is able to exert significant influence, SSHL is considered to be an associate effective from November 2, 2016 and as at April 30, 2017. On completion of the earn-in, the retained interest was fair valued to \$5,373,913, resulting in a gain upon deconsolidation of \$333,794 as:

| | 2017 | 2016 |
|---------------------------------|--------------|------|
| Fair value of retained interest | \$ 5,373,913 | \$ - |
| Net assets derecognized | (2,505,563) | - |
| NCI balance derecognized | (3,918,201) | - |
| Other reserves derecognized | 1,383,645 | - |
| Total | \$ 333,794 | \$ - |

The interest is now accounted for as an investment in an associate using the equity method as:

| | 2017 | 2016 |
|------------------------------|--------------|------|
| Investment amount | \$ 5,373,913 | \$ - |
| Advances from associate, net | (663,089) | - |
| Share of net loss | (666,886) | - |
| Total | \$ 4,043,938 | \$ - |

With respect to Cerro Las Minitas, the Company will be expected to contribute at its participating interest to the following:

- On April 20, 2017, two contiguous concessions were acquired by staking. One of these claims is subject to a finder’s fee whereby minimum periodic payments are due on a semi-annual basis accelerating from US \$5,000 to US \$25,000 over a ninety-six month period and a 1% NSR with such periodic payments being credited to NSR payments. Subsequent to payment of US \$5,000,000 in NSR payments the royalty is reduced to 0.5%.
- One additional concession may be acquired if the underlying owner can deliver registered title on or before September 27, 2017, by making a payment, excluding applicable local taxes, of US \$400,000.

Southern Silver Exploration Corp.
 (An Exploration Stage Company)
 Notes to the Consolidated Financial Statements
 Years Ended April 30, 2017 and 2016
 (Expressed in Canadian Dollars)

8. Investment in Associate, continued

Summarized financial information for SSSL and MPS after inter-company eliminations is as follows:

| | 2017 | 2016 |
|-------------------------------|------------|------------|
| Current assets (USD) | \$ 609,525 | \$ 55,782 |
| Non-current assets (USD) | 2,195,474 | 2,091,543 |
| Current liabilities (USD) | 296,972 | 143,264 |
| Non-current liabilities (USD) | 10,678,245 | 10,599,189 |
| Net loss (USD) | 1,825,091 | 1,979,927 |

9. Related Party Balances and Transactions

Except as disclosed elsewhere in these consolidated financial statements, the Company entered into the following related party transactions:

(a) Pursuant to a service agreement between the Company and a private company controlled by a director and officer of the Company, the Company was charged as follows:

- \$60,000 (2016 - \$60,000) for office space and general administration services;
- \$34,700 (2016 - \$26,250) for professional services;
- \$27,921 (2016 - \$31,788) for consulting services;
- \$94,078 (2016 - \$42,883) for investor relations services;
- \$61,318 (2016 - \$155,005) for geological services;
- \$60,667 (2016 - \$nil) for geological services (charged to investment in associate); and
- \$7,043 (2016 - \$1,383) for the mark-up on out-of-pocket expenses.

Amounts payable as at April 30, 2017 were \$35,731 (2016 - \$3,992).

(b) Fees in the amount of \$112,320 (2016 - \$112,320) were charged by a director and officer of the Company for consulting services. Amounts payable as at April 30, 2017 were \$9,828 (2016 - \$9,828).

(c) Fees in the amount of \$52,766 (2016 - \$25,047) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs, mineral property expenditures or charged to investment in associate. Amounts payable as at April 30, 2017 were \$28,590 (2016 - \$nil).

(d) Fees in the amount of \$30,000 (2016 - \$28,500) were charged by an officer of the Company for consulting services. Amounts payable as at April 30, 2017 were \$2,625 (2016 - \$2,500).

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

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

9. Related Party Balances and Transactions, continued

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. Compensation awarded to key management, included in (b) and (d) above, was as follows:

| | 2017 | 2016 |
|----------------------|------------|------------|
| Short-term benefits | \$ 142,320 | \$ 140,820 |
| Share-based payments | 283,221 | 133,643 |
| Total | \$ 425,541 | \$ 274,463 |

One executive officer is also entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at April 30, 2017 was \$243,360.

10. Share Capital

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

(a) Equity Financings

Year ended April 30, 2017

On May 19, 2016, the Company closed a private placement and issued 11,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,100,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of five years at an exercise price of \$0.15 per share.

The Company also issued 72,000 finders' share purchase warrants exercisable to purchase one common share for a period of five years at an exercise price of \$0.15 per share. The warrants were fair valued at \$18,550 using the Black-Scholes option pricing model (Note 10(d)).

Year ended April 30, 2016

On June 26, 2015, the Company closed a private placement by issuing 10,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of five years at an exercise price of \$0.15 per share.

On March 4, and April 8, 2016, the Company closed two tranches of a private placement and issued 12,000,000 units at a price of \$0.05 per unit for gross proceeds of \$600,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of five years at an exercise price of \$0.08 per share.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

10. Share Capital, continued

(a) Equity Financings, continued

The Company also issued a total of 242,400 finders' share purchase warrants exercisable to purchase one common share for a period of five years at an exercise price of \$0.08 per share. The warrants were fair valued at \$13,774 using the Black-Scholes option pricing model (Note 10(d)).

(b) Stock Options

The Company has a rolling stock option plan (the "Plan") that allows for the reservation of common shares issuable under the Plan to a maximum of 10% of the number of issued and outstanding common shares of the Company at any given time. The term of stock options granted under the Plan may not exceed ten years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

On June 3, 2016, the Company granted 1,625,000 stock options to directors, officers and consultants exercisable for a period of five years at an exercise price of \$0.30 per share. Included within this grant were 75,000 stock options that vest on September 3, 2016 (25%), December 3, 2016 (25%), March 3, 2017 (25%) and June 3, 2017 (25%).

Stock options outstanding and exercisable as at April 30, 2017 and 2016 were as follows:

| Exercise Price | Expiry Date | Balance | | | Balance April 30, 2017 |
|---|--------------------|------------------|------------------|------------------|------------------------|
| | | April 30, 2016 | Granted | Exercised | |
| \$1.00 | June 5, 2017 | 35,000 | - | - | 35,000 |
| \$1.00 | March 14, 2018 | 150,000 | - | - | 150,000 |
| \$0.08 | March 14, 2018 | 220,200 | - | 141,000 | 79,200 |
| \$0.50 | March 24, 2019 | 50,000 | - | - | 50,000 |
| \$0.08 | March 26, 2020 | 3,429,000 | - | 911,000 | 2,518,000 |
| \$0.08 | July 29, 2020 | 1,000,000 | - | 250,000 | 750,000 |
| \$0.08 | September 28, 2020 | 250,000 | - | 60,000 | 190,000 |
| \$0.11 | April 22, 2021 | 1,350,000 | - | 161,500 | 1,188,500 |
| \$0.30 | June 3, 2021 | - | 1,625,000 | - | 1,625,000 |
| Options outstanding | | 6,484,200 | 1,625,000 | 1,523,500 | 6,585,700 |
| Options exercisable | | 6,284,200 | | | 6,566,950 |
| Weighted average exercise price, outstanding | | \$0.12 | \$0.30 | \$0.07 | \$0.17 |
| Weighted average exercise price, exercisable | | \$0.12 | \$0.30 | \$0.07 | \$0.17 |
| Weighted average remaining life in years, outstanding | | 4.06 | | | 3.35 |
| Weighted average remaining life in years, exercisable | | 3.92 | | | 3.34 |

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

10. Share Capital, continued

(b) Stock Options, continued

| Exercise Price | Expiry Date | Balance | | | | Balance April 30, 2016 |
|---|--------------------|------------------|------------------|---------------|----------------|------------------------|
| | | April 30, 2015 | Granted | Exercised | Expired | |
| \$1.70 | November 29, 2015 | 50,000 | - | - | 50,000 | - |
| \$0.08 | November 29, 2015 | 61,500 | - | - | 61,500 | - |
| \$1.70 | December 13, 2015 | 10,000 | - | - | 10,000 | - |
| \$1.00 | June 5, 2017 | 35,000 | - | - | - | 35,000 |
| \$1.00 | March 14, 2018 | 180,000 | - | - | 30,000 | 150,000 |
| \$0.08 | March 14, 2018 | 220,200 | - | - | - | 220,200 |
| \$0.50 | March 24, 2019 | 50,000 | - | - | - | 50,000 |
| \$0.08 | March 26, 2020 | 3,503,500 | - | 74,500 | - | 3,429,000 |
| \$0.08 | July 29, 2020 | - | 1,000,000 | - | - | 1,000,000 |
| \$0.08 | September 28, 2020 | - | 250,000 | - | - | 250,000 |
| \$0.11 | April 22, 2021 | - | 1,350,000 | - | - | 1,350,000 |
| Options outstanding | | 4,110,200 | 2,600,000 | 74,500 | 151,500 | 6,484,200 |
| Options exercisable | | 4,110,200 | | | | 6,284,200 |
| Weighted average exercise price, outstanding | | \$0.16 | \$0.10 | \$0.08 | \$0.90 | \$0.12 |
| Weighted average exercise price, exercisable | | \$0.16 | \$0.10 | \$0.08 | \$0.90 | \$0.12 |
| Weighted average remaining life in years, outstanding | | 4.55 | | | | 3.92 |
| Weighted average remaining life in years, exercisable | | 4.55 | | | | 4.06 |

(c) Share Purchase Warrants

Share purchase warrants outstanding as at April 30, 2017 and 2016 were as follows:

| Exercise Price | Expiry Date | Balance | | | | Balance April 30, 2017 |
|--|--------------------|-------------------|-------------------|------------------|------------------|------------------------|
| | | April 30, 2016 | Issued | Exercised | Expired | |
| \$0.50 | September 13, 2016 | 703,015 | - | - | 703,015 | - |
| \$0.50 | October 11, 2016 | 1,836,750 | - | 65,000 | 1,771,750 | - |
| \$0.08 | March 4, 2020 | 2,217,407 | - | 958,112 | - | 1,259,295 |
| \$0.08 | March 5, 2020 | 15,884,593 | - | - | - | 15,884,593 |
| \$0.08 | March 11, 2020 | 1,810,000 | - | - | - | 1,810,000 |
| \$0.15 | June 26, 2020 | 10,000,000 | - | 1,000,000 | - | 9,000,000 |
| \$0.08 | March 4, 2021 | 7,716,000 | - | 1,716,000 | - | 6,000,000 |
| \$0.08 | April 8, 2021 | 4,526,400 | - | 2,226,400 | - | 2,300,000 |
| \$0.15 | May 19, 2021 | - | 11,072,000 | 2,009,500 | - | 9,062,500 |
| | | 44,694,165 | 11,072,000 | 7,975,012 | 2,474,765 | 45,316,388 |
| Weighted average exercise price | | \$0.12 | \$0.15 | \$0.11 | \$0.50 | \$0.11 |
| Weighted average remaining life in years | | 4.01 | | | | 3.34 |

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

10. Share Capital, continued

(c) Share Purchase Warrants, continued

| Exercise Price | Expiry Date | Balance | | | | Balance April 30, 2016 |
|--|--------------------|-------------------|-------------------|----------------|------------------|------------------------|
| | | April 30, 2015 | Issued | Exercised | Expired | |
| \$1.00 | January 31, 2016 | 845,200 | - | - | 845,200 | - |
| \$1.00 | February 28, 2016 | 787,300 | - | - | 787,300 | - |
| \$0.50 | September 13, 2016 | 703,015 | - | - | - | 703,015 |
| \$0.50 | October 11, 2016 | 1,836,750 | - | - | - | 1,836,750 |
| \$0.08 | March 4, 2020 | 2,335,407 | - | 118,000 | - | 2,217,407 |
| \$0.08 | March 5, 2020 | 15,884,593 | - | - | - | 15,884,593 |
| \$0.08 | March 11, 2020 | 1,810,000 | - | - | - | 1,810,000 |
| \$0.15 | June 26, 2020 | - | 10,000,000 | - | - | 10,000,000 |
| \$0.08 | March 4, 2021 | - | 7,716,000 | - | - | 7,716,000 |
| \$0.08 | April 8, 2021 | - | 4,526,400 | - | - | 4,526,400 |
| | | 24,202,265 | 22,242,400 | 118,000 | 1,632,500 | 44,694,165 |
| Weighted average exercise price | | \$0.19 | \$0.11 | \$0.08 | \$1.00 | \$0.12 |
| Weighted average remaining life in years | | 4.22 | | | | 4.01 |

(d) Fair Value Determination

The weighted average fair value of stock options granted was \$0.25 (2016 - \$0.08) and finders warrants issued was \$0.26 (2016 - \$0.06).

Fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | 2017 | | 2016 | |
|--------------------------------------|---------|----------|---------|----------|
| | Options | Warrants | Options | Warrants |
| Risk-free interest rate | 0.61% | 0.75% | 0.86% | 0.70% |
| Expected share price volatility | 128.60% | 125.32% | 126.74% | 126.54% |
| Expected option/warrant life (years) | 5.00 | 5.00 | 5.00 | 5.00% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years Ended April 30, 2017 and 2016
(Expressed in Canadian Dollars)

10. Share Capital, continued

(d) Fair Value Determination, continued

The total calculated fair value of share-based payments recognized was as follows:

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Consolidated Statements of Comprehensive Loss | | |
| Directors and officers | \$ 283,221 | \$ 133,643 |
| Consultants | 126,705 | 61,889 |
| | 409,926 | 195,532 |
| Consolidated Statements of Changes in Equity | | |
| Finders' warrants | 18,550 | 13,774 |
| Total | \$ 428,476 | \$ 209,306 |

11. Segmented Information

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties.

As at April 30, 2017, the Company's non-current assets were located in the British Virgin Islands (\$4,043,938) and in the United States of America (\$90,820).

12. Prior Period

Certain prior period figures have been reclassified to conform to the current period presentation.

13. Supplemental Cash Flow Information

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Cash comprised of: | | |
| Cash | \$ 1,444,386 | \$ 743,910 |
| Cash reserved for exploration expenditures | 956,640 | 994,442 |
| | \$ 2,401,026 | \$ 1,738,352 |
| Cash items | | |
| Interest received | \$ - | \$ - |
| Income tax paid | \$ - | \$ - |
| Interest paid | \$ - | \$ - |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

14. Income Tax

A reconciliation of the income tax charge computed at statutory rates to the reported loss before taxes is as follows:

| | 2017 | 2016 |
|--|------------|------------|
| Income tax benefit at statutory rate of 26.00% (2016 - 26.00%) | \$ 684,187 | \$ 886,969 |
| Permanent differences | (266,224) | (64,979) |
| Temporary differences | 41,851 | 62,173 |
| Change in timing differences | 59,712 | (405,146) |
| Foreign exchange gains or losses | 191,486 | 177,935 |
| Adjustment attributable to income taxes of other countries | 12,963 | 114,185 |
| Unused tax losses and tax offsets not recognized | (723,975) | (771,137) |
| | \$ - | \$ - |

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

| | 2017 | 2016 |
|---|------|--------------|
| Deferred income tax assets | | |
| Tax value over book value of non-capital losses | \$ - | \$ 775,871 |
| | - | 775,871 |
| Deferred income tax liabilities | | |
| Book value over tax value of mineral properties | \$ - | \$ (775,871) |
| Net deferred tax assets | \$ - | \$ - |

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

| | 2017 | 2016 |
|---|---------------|---------------|
| Non-capital losses | \$ 14,947,056 | \$ 27,177,849 |
| Capital losses | 53,597 | 53,597 |
| Share issue costs | 134,871 | 144,945 |
| Tax value over book value of mineral properties | 5,634,765 | 5,207,525 |
| Tax value over book value of income tax credits | 1,534 | 1,534 |
| Tax value over book value of equipment | 26,139 | 26,139 |
| | \$ 20,797,962 | \$ 32,611,589 |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

14. Income Tax, continued

The Company's approximate unrecognized non-capital losses expire as follows:

| | CDN \$ | US \$ | Mexican Pesos |
|------|------------|-----------|---------------|
| 2022 | - | - | 6,000 |
| 2023 | - | - | 504,000 |
| 2024 | - | - | 52,000 |
| 2026 | 830,000 | - | - |
| 2027 | 1,206,000 | - | - |
| 2028 | 1,142,000 | 2,000 | - |
| 2029 | 760,000 | 1,719,000 | - |
| 2030 | 1,035,000 | 11,000 | - |
| 2031 | 1,061,000 | 5,000 | - |
| 2032 | 1,565,000 | 4,000 | - |
| 2033 | 1,004,000 | 46,000 | - |
| 2034 | 886,000 | 241,000 | - |
| 2035 | 743,000 | 54,000 | - |
| 2036 | 724,000 | 54,000 | - |
| 2037 | 939,000 | 70,000 | - |
| | 11,895,000 | 2,206,000 | 562,000 |

15. Events After the Reporting Period

Other than events disclosed elsewhere in these consolidated financial statements, the following occurred subsequent to April 30, 2017:

- On June 5, 2017, a total of 35,000 stock options with an exercise price of \$1.00 per share expired unexercised.
- On May 18, 2017, the Company engaged Gravitas Securities Inc. to complete a brokered private placement to issue up to 12,500,000 units at a price of \$0.40 per unit for gross proceeds of \$5,000,000. Each unit will consist of one common share and one transferable share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of three years at an exercise price of \$0.55 per share. The Company has an over-allotment option to offer up to that number of additional units as is equal to 15% of the number of units in the private placement, increasing the size of the private placement to a maximum of 14,375,000 units. If this option is exercised in full, an additional \$750,000 will be raised and the aggregate gross proceeds will be \$5,750,000.

On June 13, 2017, the Company closed the first tranche of this private placement and issued 6,372,500 units for gross proceeds of \$2,549,000.



1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670
www.southernsilverexploration.com

Management's Discussion and Analysis
For the Year Ended April 30, 2017
Dated: August 24, 2017

| | | |
|----------|---|----|
| A | Introduction | 2 |
| B | Qualified Person | 2 |
| C | Foreign Exchange Information and Conversion Tables | 2 |
| D | Summary of Mineral Properties | 3 |
| E | Results of Operations | 8 |
| F | Summary of Quarterly Results | 9 |
| G | Fourth Quarter | 10 |
| H | Summary of Annual Information | 10 |
| I | Related Party Transactions | 11 |
| J | Financial Condition, Liquidity and Capital Resources | 12 |
| K | Outstanding Equity and Convertible Securities | 12 |
| L | Financial Instruments | 13 |
| M | Events After the Reporting Period and Outlook | 14 |
| N | Off-balance Sheet Arrangements | 14 |
| O | Disclosure Controls and Procedures | 14 |
| P | Risks and Uncertainties | 14 |
| Q | Changes in Accounting Policies Including Initial Adoption | 17 |
| R | Proposed Transactions | 17 |
| S | Forward-Looking Statements | 17 |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating results and financial condition of Southern Silver Exploration Corp. (the "Company") is for the year ended April 30, 2017 and is dated August 24, 2017. This MD&A was prepared to conform to National Instrument ("NI") 51-102F1 and was approved by the Board of Directors prior to its release.

This analysis should be read in conjunction with the Company's audited consolidated financial statements for the year ended April 30, 2017, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares trade on the TSX Venture Exchange ("SSV"), the Frankfurt Stock Exchange ("SEG1"), the Santiago Stock Exchange, Venture ("SSVCL") and the OTCQB Marketplace ("SSVFF").

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

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

B. Qualified Person

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

C. Foreign Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

| Canadian Dollars per US Dollar ⁽¹⁾ | | | Conversion Table ⁽²⁾ | | |
|---|------------|--------|---------------------------------|---|---------------------|
| | Year ended | | | | |
| | April 30, | | Imperial | | Metric |
| | 2017 | 2016 | | | |
| Rate at end of period | 1.3650 | 1.2548 | 1 acre | = | 0.404686 hectares |
| Average rate for period | 1.3177 | 1.3152 | 1 foot | = | 0.304800 meters |
| | | | 1 mile | = | 1.609344 kilometres |
| | | | 1 ton | = | 0.907185 tonnes |
| | | | 1 Ounce (troy)/ton | = | 34.285700 g/t |

(1) www.bankofcanada.ca (2) www.onlineconversion.com

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

C. Foreign 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/t |
| g | - Gram | | | | |
| g/t | - 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 | |

D. Summary of Mineral Properties

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements.

The Company is continuing to advance its core asset - Cerro Las Minitas - a silver-lead-zinc property located in Durango State, Mexico. The property is a large land position and lies within the prolific Faja de Plata (Belt of Silver) of north central Mexico. On May 14, 2015, the Company granted Electrum Global Holdings L.P. ("Electrum") the right to earn an indirect 60% interest in the property by funding exploration and development expenditures of US \$5,000,000 over a maximum 48 month period. During November 2016, Electrum accelerated and completed this funding and earned an indirect 60% interest in the property.

The Company also continues to advance Oro - a gold-silver-copper-lead-zinc property located in New Mexico, USA. The property features a classic porphyry zonation within the highly prospective Laramide Porphyry belt of the southern USA.

Cerro Las Minitas - Durango, Mexico

The property is located about 70 kilometres to the northeast of the city of Durango in Durango State, Mexico, and is accessed easily by road. The property comprises 20 concessions totaling approximately 23,240 hectares in one of the most significant silver producing regions in the world.

Since acquisition in 2010 the Company has completed 105 drill holes totaling over 46,000 metres. Drilling has identified three high-grade silver-polymetallic deposits, the Blind Zone and El Sol zones, several new discoveries including the North Skarn and South Skarn targets and extensions to the historic deposits at Mina Santo Nino and Mina La Bocona. Mineralization occurs as massive-sulphide pipes, veins and replacements in sub-vertical structures that demonstrate good continuity between drill holes. Mineralization is open on-strike and at depth in a similar geological environment to that of major Mexican Carbonate Replacement Deposits (CRDs) such as Santa Eulalia (45Mt of 310g/t Ag, 7.1% Zn and 8.2% Pb) and Skarn deposits such as San Martin (60Mt of 118g/t Ag, 0.9% Pb and 3.9% Zn).

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

D. Summary of Mineral Properties, continued

Cerro Las Minitas - Durango, Mexico, continued

On March 21, 2016, the Company released an initial NI 43-101 resource for the property of 10.8Mozs Ag, 189Mlbs Pb and 207Mlbs Zn (36.5Mozs AgEq) Indicated and 17.5Mozs Ag, 237Mlbs Pb and 626Mlbs Zn (77.3Mozs AgEq) Inferred.

Table 1: Base-case Mineral Resource Estimate utilizing a 150g/t AgEq cut-off value

| Indicated | | | | | | | | | | | | | |
|------------------|--------------|-----------|-------------|------------|------------|-------------|------------|---------------|---------------|--------------|--------------|-------------|-------------------|
| Zone | Tonnes (Kt) | Ag (g/t) | Au (g/t) | Pb (%) | Zn (%) | Cu (%) | AgEq (g/t) | Ag (ozs*1000) | Au (ozs*1000) | Pb (Mlbs) | Zn (Mlbs) | Cu (Mlbs) | AgEq (Oz) (000's) |
| Blind Zone | 2,641 | 99 | 0.07 | 2.4 | 2.1 | 0.10 | 303 | 8,442 | 5.7 | 139.4 | 123.3 | 5.6 | 25,720 |
| El Sol Zone | 1,083 | 69 | 0.02 | 2.1 | 3.5 | 0.09 | 311 | 2,392 | 0.6 | 49.8 | 83.6 | 2.0 | 10,812 |
| Total | 3,724 | 90 | 0.05 | 2.3 | 2.5 | 0.09 | 305 | 10,834 | 6.3 | 189.2 | 206.9 | 8 | 36,532 |
| Inferred | | | | | | | | | | | | | |
| Zone | Tonnes (Kt) | Ag (g/t) | Au (g/t) | Pb (%) | Zn (%) | Cu (%) | AgEq (g/t) | Ag (ozs*1000) | Au (ozs*1000) | Pb (Mlbs) | Zn (Mlbs) | Cu (Mlbs) | AgEq (Oz) (000's) |
| Blind Zone | 2,863 | 91 | 0.28 | 1.6 | 3.9 | 0.21 | 364 | 8,370 | 25.9 | 98.0 | 249.0 | 13.1 | 33,498 |
| El Sol Zone | 2,909 | 71 | 0.09 | 1.9 | 4.1 | 0.11 | 339 | 6,594 | 8.6 | 121.8 | 264.4 | 7.2 | 31,719 |
| Santo Nino Zone | 839 | 95 | 0.03 | 0.9 | 6.1 | 0.47 | 446 | 2,568 | 0.8 | 17.5 | 113.0 | 8.6 | 12,036 |
| Total | 6,611 | 82 | 0.17 | 1.6 | 4.3 | 0.20 | 363 | 17,533 | 35.4 | 237.3 | 626.4 | 29.0 | 77,252 |

Notes:

1. The current Resource Estimate was prepared by Garth Kirkham, P.Ge., of Kirkham Geosystems Ltd.
2. CIM definitions were followed for classification of Mineral Resources
3. Mineral resources were constrained using mainly geological constraints and approximate 10g/t AgEq grade shells
4. Mineral Resources were estimated using a long-term prices of prices of \$15/oz. silver, \$1,100/oz. gold, \$2.75/lb Cu, \$0.90/lb lead and \$0.90/lb zinc and metal recoveries of 82% silver, 86% lead and 80% zinc. All prices are stated in \$USD.

In November 2016, the Company commenced a US\$2,000,000, 2016-17 exploration program on the property financed by funding from Electrum. By August 2017, the Company had completed over 12,500 metres of drilling in 16 core holes. A final drill hole is in progress and is expected to be completed in late August or early September.

Highlights from this most recent 2016-17 drilling program include:

- a 15.1m down hole interval (14.8m est. True Thickness) averaging 39.4g/t Ag, 0.1% Pb and 10.2% Zn (410.7g/t AgEq; 11.6% ZnEq) in drill hole 16CLM-091, including a higher grade 4.8m interval (4.7m est. TT) averaging 38.7g/t Ag, 0.12% Cu, 0.1% Pb and 23.2% Zn (877g/t AgEq; 24.8% ZnEq)
- a 7.3m down hole interval (6.5m est. true thickness) averaging 737g/t Ag, 8.6% Pb and 21.8% Zn (1814.3g/t AgEq; 51.2% ZnEq) in drill hole 17CLM-095, including a higher grade 3.4m interval (3.0m est. TT) averaging 981g/t Ag, 11.7% Pb and 26.4% Zn (2327.9g/t AgEq; 65.7% ZnEq);

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

D. Summary of Mineral Properties, continued

Cerro Las Minitas - Durango, Mexico, continued

- a 14.5m down hole interval (8.7m est. True Thickness) averaging 288g/t Ag, 2.0% Cu, 0.8% Pb and 1.2% Zn (575g/t AgEq; 16.2% ZnEq) in drill hole 17CLM-098 including a higher grade 4.1m interval (2.5m est. TT) averaging 686g/t Ag, 3.7% Cu, 1.0% Pb and 1.7% Zn (1171g/t AgEq; 33.1% ZnEq); and
- a 17.6m down hole interval (12.5m est. True Thickness) averaging 154g/t Ag, 2.0g/t Au, 3.2% Pb and 3.9% Zn (558g/t AgEq; 15.7% ZnEq) in drill hole 17CLM-101, including a higher grade 4.2m interval (3.0m est. TT) averaging 329g/t Ag, 4.6g/t Au, 7.4% Pb and 7.3% Zn (1175g/t AgEq; 33.2% ZnEq);

The 2016-17 drill program was successful in identifying a continuous zone of new mineralization beneath the Blind and El Sol deposits. The mineralization is localized along the leading edge of the skarn which surrounds the central monzonite stock. Mineralization along this "Skarn Front" can now be traced, discontinuously, for up to 800 metres down dip and for over 650 metres along strike and remains open both to depth and laterally.

The 2016-17 drill program was also successful in establishing potential extensions to the known zones of mineralization in two areas which now provide new targets for systematic resource expansion in future drill programs including:

- an 800 metre strike-length of exploration potential along the North Skarn target area; and
- a 500 metre strike-length of exploration of both the Blind Zone deposit and the Skarn Front zone, as identified in drill hole 17CLM-101, which remain open for extension to the southeast.

The Company also reported that surface sampling on the newly staked Biznagas and Los Lenchos claims has been encouraging and has returned multiple float samples with strongly anomalous values of gold (0.25 to 1.28g/t Au), silver (11.6 to 57.2g/t Ag), arsenic (132 to 1155ppm), antimony (383 to 777ppm Sb) and mercury (6.1 to 45.9ppm Hg). Anomalous samples occur in three main clusters containing elevated silver values along a 7 kilometre NW-SE transect through the two claims as well as several other smaller target areas that require additional follow-up exploration.

Highlights of the sampling include:

- a four square kilometre area of anomalous Ag-As-Au-Pb-Zn centered in the middle of the Biznagas claim; and
- a four kilometre-long, multi-element Ag-Au-As-Hg anomaly in the southern part of the claims

Sampling has been conducted throughout the two claims over the last several months. Collected samples are of mostly quartz and rhyolite float that are likely part of the Tertiary volcanic stratigraphy. Locally quartz veins contain fine black bands and limonite after fine grained sulphides. Over 750 samples have been collected as part of this initial evaluation; results from 415 samples have been received. Additional assays are pending.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

D. Summary of Mineral Properties, continued

Cerro Las Minitas - Durango, Mexico, continued

Encouraging results of preliminary metallurgical testing were also reported from the Blind - El Sol Zone. Testing was done on a composite of ten samples taken from the high-grade dump at the La Lupita shaft. The head analyses of the composite returned 225g/t Ag, 0.06g/t Au, 0.11% Cu, 6.6%Pb and 5.4% Zn. Both lead and zinc concentrates were produced via batch flotation as follows:

- Approximately 82% of the silver, 86% of the lead and 12% of the zinc was recovered into the lead rougher concentrate assaying 2000ppm Ag, 61.5% Pb and 7.2% Zn. The concentrate was later upgraded to 2300ppm Ag and 71.1% Pb, and
- Subsequent zinc flotation recovered 79% of the zinc into a rougher concentrate at a grade of 39.5% Zn. Two-stage cleaning of the concentrate increased the grade to 49.7% Zn.

These preliminary results are significant in that two separate, high-grade concentrates were produced from mined material from the Blind Zone. Additional test-work is recommended utilizing different reagents in order to further upgrade the final concentrates. Samples charges of the composite have been retained

Minas de Ameca - Jalisco, Mexico

The Minas de Ameca project, located about 80 kilometres west of Guadalajara, comprises the El Magistral and San Luis claims. The Company's efforts continue to option the claims to a third party.

Oro - New Mexico, USA

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

The claims surround a highly prospective zone of quartz-sericite-pyrite alteration footprint, interpreted to overlie an unexposed porphyry centre. Classic porphyry system zonation is indicated by surface gold and copper mineralization associated with Laramide-age intrusions in this core area, flanked by lead-zinc skarn mineralization and distal sediment-hosted gold occurrences. In addition to bulk-tonnage porphyry copper-molybdenum-gold potential, the property also includes the sediment-hosted gold mineralization Stock Pond target located 3 kilometres to the northeast of the porphyry system.

Exploration on the Stock Pond target started in September 2016 with a short trenching program over some key target areas, followed by a 1,223 metre, 9 hole reverse circulation drill program within and around the previously outlined 500 metre x 500 metre gold-in-soil anomaly.

Drilling intersected widespread alteration and a thick zone of strongly anomalous gold mineralization in a sediment-hosted oxide-gold system located on the edge of the drill pattern, which remains open laterally to the east, north and south under thin gravel cover. Highlights from the drilling include a 9.1 metre interval averaging 0.75g/t Au, contained within a 41.2 metre interval averaging 0.42g/t Au from hole SP16-004.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

D. Summary of Mineral Properties, continued

Oro - New Mexico, USA, continued

Gold in drill hole SP16-004 is associated with up to 4.5g/t Ag and anomalous values of pathfinder elements including As, Sb, Se and Hg and forms part of a widespread alteration system with similarities to many highly productive gold systems. Elevated gold values were also returned from drill holes SP16-007 (12.2 metres averaging 0.23g/t Au) and SP16-008 (4.6 metres averaging 0.30g/t Au).

The results from this initial program were successful in identifying the edge of a potentially large auriferous mineralizing system and, in particular, showing open vectors to the east of the Phase I drilling which will now be the focus for further surface exploration, geophysical studies and an 8 to 10 hole, wide-spaced follow-up drill program.

The Company also completed a 300 line-kilometre airborne Z-TEM survey over the entire property at 200 metre line spacing as part of a larger evaluation of the property to identify new targets for drill testing Cu-Mo porphyry potential. Preliminary results show several potential target areas. Further 3D processing and interpretation of the data is pending.

The Z-TEM survey also covered the Stock Pond gold target where the Company is planning a follow-up program to its 2016 drill program which was successful in identifying the edge of a potentially large auriferous mineralizing system. Permit amendments have been filed for a program to test a 500 metre x 800 metre area to the east of the earlier drilling and is expected to commence in early Fall 2017.

Acquisition Costs

Mineral property acquisition costs as at April 30, 2017 were as follows:

| | Cerro Las Minitas | Minas de Ameca | Oro | Total |
|-------------------------------------|------------------------------|---------------------------|---------------|---------------|
| | \$ | \$ | \$ | \$ |
| Balance as at April 30, 2015 | 2,055,487 | - | - | 2,055,487 |
| Additions, net | 145,423 | - | 21,477 | 166,900 |
| Impairments | - | - | (21,477) | (21,477) |
| Balance as at April 30, 2016 | 2,200,910 | - | - | 2,200,910 |
| Additions, net | 132,860 | - | 59,753 | 192,613 |
| Adjustment on deconsolidation | (2,333,770) | - | - | (2,333,770) |
| Balance as at April 30, 2017 | - | - | 59,753 | 59,753 |

The Company retains an indirect 40% interest in Cerro Las Minitas and is able to exert significant influence over operations. However, effective from November 2, 2016, the Company was required to deconsolidate certain assets and liabilities as a result of the Electrum earn-in. The interest is now accounted for as an investment in an associate using the equity method.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

D. Summary of Mineral Properties, continued

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the years ended April 30, 2017 and 2016 were as follows:

| | Cerro Las Minitas | | Oro | | Total | |
|------------------------------|-------------------|------------------|----------------|---------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assays and geochemistry | 57,003 | 128,799 | 49,352 | 1,406 | 106,355 | 130,205 |
| Camp, utilities and supplies | 3,984 | 97,411 | 2,397 | 5,075 | 6,381 | 102,486 |
| Drilling | 266,448 | 1,313,318 | 105,448 | - | 371,896 | 1,313,318 |
| Equipment and field supplies | 31,391 | 38,397 | - | - | 31,391 | 38,397 |
| Geological and geophysics | 42,934 | 105,299 | 110,494 | 16,644 | 153,428 | 121,943 |
| Land fees | 44,694 | 49,681 | - | - | 44,694 | 49,681 |
| Project supervision | 170,222 | 485,198 | 12,785 | 6,883 | 183,007 | 492,081 |
| Project support | 1,783 | 5,044 | - | - | 1,783 | 5,044 |
| Taxes | 60,868 | 276,017 | - | - | 60,868 | 276,017 |
| Travel | 1,733 | 20,391 | - | - | 1,733 | 20,391 |
| | 681,060 | 2,519,555 | 280,476 | 30,008 | 961,536 | 2,549,563 |
| General exploration - other | | | | | 7,656 | 3,038 |
| | | | | | 969,192 | 2,552,601 |

E. Results of Operations

During the year ended April 30, 2017 the Company recognized a net loss and comprehensive loss of \$2,621,493 (2016 - \$3,411,416).

As per its mandate to acquire, explore, and develop mineral resource properties, the Company continued drill and surface geochemistry programs on the Cerro Las Minitas property and commenced a trenching and reverse-circulation drill program on the Oro property (*D - Summary of Mineral Properties*).

Investor relations costs increased due to the engagement of investor relations consultants and increased activity associated with on-going financing and promotional initiatives. Additional consulting, professional fees, regulatory fees and transfer agent costs were incurred with respect to obtaining a listing on the OTCQB Marketplace.

Non-cash share-based payments vary as stock options are granted and vest.

Foreign exchange gains and losses fluctuate based on the US and Canadian dollar exchange rate and the extent of transactions and balances denominated in US dollars.

During the previous period, the Company continued to assess its planned course of action with respect to the Oro property, determined this to be an indicator of impairment and, as a result, recorded an impairment provision against all capitalized costs.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

E. Results of Operations, continued

Effective November 2, 2016, the Company deconsolidated two previously fully-controlled subsidiaries as a result of the Electrum earn-in, which resulted in a gain upon deconsolidation of \$333,794. Subsequently, the Company's share of costs associated with exploration and other activities in Mexico at Cerro Las Minitas are accounted for within Share of Loss in Equity Accounted Investment.

A summary of variances is as follows:

| | 2017 | 2016 | Variance |
|--|-----------|-----------|-------------|
| | \$ | \$ | \$ |
| Administration | 60,000 | 60,000 | - |
| Consulting | 178,241 | 172,608 | 5,633 |
| Exploration and evaluation | 969,192 | 2,552,601 | (1,583,409) |
| Investor relations | 408,368 | 147,058 | 261,310 |
| Office and general | 37,817 | 34,384 | 3,433 |
| Professional fees | 169,206 | 179,618 | (10,412) |
| Regulatory fees and taxes | 44,398 | 28,793 | 15,605 |
| Share-based payments | 409,926 | 195,532 | 214,394 |
| Shareholders' communications | 16,403 | 8,948 | 7,455 |
| Transfer agent | 38,732 | 10,445 | 28,287 |
| Travel and promotion | 1,187 | 15,898 | (14,711) |
| Foreign exchange loss (gain) | (35,069) | (15,946) | (19,123) |
| Mineral property impairment | - | 21,477 | (21,477) |
| Gain on loss of control of subsidiary | (333,794) | - | (333,794) |
| Share of loss in equity accounted investment | 666,886 | - | 666,886 |

F. Summary of Quarterly Results

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

| | Apr 30, 2017 | Jan 31, 2017 | Oct 31, 2016 | Jul 31, 2016 | Apr 30, 2016 | Jan 31, 2016 | Oct 31, 2015 | Jul 31, 2015 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Net loss - equity holders | 606,691 | 222,165 | 526,037 | 1,052,348 | 543,634 | 696,396 | 1,166,173 | 503,322 |
| Net loss - non-controlling interest | - | - | 55,394 | 168,858 | 100,001 | 243,126 | 121,283 | 37,481 |
| Basic and diluted loss per share - equity holders | \$ 0.01 | \$ 0.00 | \$ 0.01 | \$ 0.01 | \$ 0.01 | \$ 0.01 | \$ 0.02 | \$ 0.01 |
| Basic and diluted loss per share - non-controlling interest | \$ - | \$ - | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

F. Summary of Quarterly Results, continued

The Company earned no revenue due to the nature of current operations.

Quarterly fluctuations mainly relate to recognition of share-based payments which occur as stock options are granted and vest, foreign exchange gains and losses which vary with market rates, mineral property exploration expenses which occur as projects are identified or impairments which occur when indicators arise and share of losses in equity accounted investment. A significant gain upon deconsolidation of certain assets and liabilities was recognized in the three months ended January 31, 2017.

G. Fourth Quarter

During the fourth quarter, a total of 181,000 stock options were exercised for gross proceeds of \$17,480 and a total of 2,892,000 share purchase warrants were exercised for gross proceeds of \$355,400. Proceeds are being utilized towards general working capital and on-going exploration costs.

H. Summary of Annual Information

During the previous three fiscal years presented below, the Company earned no revenue and main operating costs have remained materially constant, subject to additional contracts for services entered into as required and costs incurred for financing or other ad-hoc projects as undertaken. The Company continues to invest in its mineral properties as resources have permitted and impairment charges are recognized as relevant indicators arise.

During the year ended April 30, 2017, the Company deconsolidated two previously fully-controlled subsidiaries but retained a 40% interest and the ability to exert significant influence.

To date, the Company has not paid dividends and does not have any long-term financial liabilities.

| | 2017 | 2016 | 2015 |
|---|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Net loss - equity holders | (2,407,241) | (2,909,525) | (1,369,772) |
| Net loss - non-controlling interest | (224,252) | (501,891) | - |
| Basic and diluted loss per share - equity holders | (0.03) | (0.05) | (0.06) |
| Basic and diluted loss per share - non-controlling interest | (0.00) | (0.01) | - |
| Current assets | 2,490,535 | 1,810,948 | 111,144 |
| Other non-current assets | 4,075,005 | 38,231 | 41,073 |
| Mineral properties | 59,753 | 2,200,910 | 2,055,487 |
| Total assets | 6,625,293 | 4,050,089 | 2,207,704 |
| Total non-current financial liabilities | - | - | - |
| Cash dividends per common share | - | - | - |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

I. Related Party Transactions

Except as disclosed elsewhere, the Company entered into the following related party transactions:

(a) Pursuant to a service agreement between the Company and a private company controlled by a director and officer of the Company, the Company was charged as follows:

- \$60,000 (2016 - \$60,000) for office space and general administration services;
- \$34,700 (2016 - \$26,250) for professional services;
- \$27,921 (2016 - \$31,788) for consulting services;
- \$94,078 (2016 - \$42,883) for investor relations services;
- \$61,318 (2016 - \$155,005) for geological services;
- \$60,667 (2016 - \$nil) for geological services (charged to investment in associate); and
- \$7,043 (2016 - \$1,383) for the mark-up on out-of-pocket expenses.

Amounts payable as at April 30, 2017 were \$35,731 (2016 - \$3,992).

(b) Fees in the amount of \$112,320 (2016 - \$112,320) were charged by a director and officer of the Company for consulting services. Amounts payable as at April 30, 2017 were \$9,828 (2016 - \$9,828).

(c) Fees in the amount of \$52,766 (2016 - \$25,047) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs, mineral property expenditures or charged to investment in associate. Amounts payable as at April 30, 2017 were \$28,590 (2016 - \$nil).

(d) Fees in the amount of \$30,000 (2016 - \$28,500) were charged by an officer of the Company for consulting services. Amounts payable as at April 30, 2017 were \$2,625 (2016 - \$2,500).

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

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. Compensation awarded to key management, included in (b) and (d) above, was as follows:

| | 2017 | 2016 |
|----------------------|------------|------------|
| Short-term benefits | \$ 142,320 | \$ 140,820 |
| Share-based payments | 283,221 | 133,643 |
| Total | \$ 425,541 | \$ 274,463 |

One executive officer is also entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at April 30, 2017 was \$243,360.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

J. Financial Condition, Liquidity and Capital Resources

As at April 30, 2017 the Company had working capital of \$2,137,928 (2016 - \$1,283,490).

However, the Company does not yet generate any revenue from operations and, for the foreseeable future, the Company will need to rely upon earn-in agreements and / or issue share capital to finance future exploration and administrative activities. Although the Company has been successful in its financing initiatives, there can be no assurance that the Company will be able to obtain adequate future financing. 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.

On May 18, 2017, the Company announced a brokered private placement to issue up to 12,500,000 units at a price of \$0.40 per unit for gross proceeds of \$5,000,000. On June 13, 2017, the Company closed the first tranche of this private placement and issued 6,372,500 units for gross proceeds of \$2,549,000.

Net proceeds from this private placement are intended to be used to contribute to the Company's proportionate share of the costs associated with continuing exploration at Cerro Las Minitas and for additional working capital.

K. Outstanding Equity and Convertible Securities

i) Issued and Outstanding Shares

As at August 24, 2017, the Company had 93,546,948 common shares issued and outstanding.

ii) Share Purchase Warrants

Share purchase warrants outstanding as at August 24, 2017 were as follows:

| Exercise Price | Expiry Date | Balance April 30, 2017 | Issued | Balance August 24, 2017 |
|--|----------------|------------------------|------------------|-------------------------|
| \$0.08 | March 4, 2020 | 1,259,295 | - | 1,259,295 |
| \$0.08 | March 5, 2020 | 15,884,593 | - | 15,884,593 |
| \$0.08 | March 11, 2020 | 1,810,000 | - | 1,810,000 |
| \$0.15 | June 26, 2020 | 9,000,000 | - | 9,000,000 |
| \$0.08 | March 4, 2021 | 6,000,000 | - | 6,000,000 |
| \$0.08 | April 8, 2021 | 2,300,000 | - | 2,300,000 |
| \$0.15 | May 19, 2021 | 9,062,500 | - | 9,062,500 |
| \$0.55 | June 13, 2020 | - | 6,372,500 | 6,372,500 |
| | | 45,316,388 | 6,372,500 | 51,688,888 |
| Weighted average exercise price | | \$0.11 | \$0.55 | \$0.31 |
| Weighted average remaining life in years | | 3.34 | | 3.00 |

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

K. Outstanding Equity and Convertible Securities, continued

iii) Stock Options

Stock options outstanding and exercisable as at August 24, 2017 were as follows:

| Exercise Price | Expiry Date | Balance | | Balance August 24, 2017 |
|---|--------------------|------------------|---------------|-------------------------|
| | | April 30, 2017 | Expired | |
| \$1.00 | June 5, 2017 | 35,000 | 35,000 | - |
| \$1.00 | March 14, 2018 | 150,000 | - | 150,000 |
| \$0.08 | March 14, 2018 | 79,200 | - | 79,200 |
| \$0.50 | March 24, 2019 | 50,000 | - | 50,000 |
| \$0.08 | March 26, 2020 | 2,518,000 | - | 2,518,000 |
| \$0.08 | July 29, 2020 | 750,000 | - | 750,000 |
| \$0.08 | September 28, 2020 | 190,000 | - | 190,000 |
| \$0.11 | April 22, 2021 | 1,188,500 | - | 1,188,500 |
| \$0.30 | June 3, 2021 | 1,625,000 | - | 1,625,000 |
| Options outstanding | | 6,585,700 | 35,000 | 6,550,700 |
| Options exercisable | | 6,566,950 | - | 6,550,700 |
| Weighted average exercise price, outstanding | | \$0.17 | \$1.00 | \$0.16 |
| Weighted average exercise price, exercisable | | \$0.17 | \$1.00 | \$0.16 |
| Weighted average remaining life in years, outstanding | | 3.35 | | 3.05 |
| Weighted average remaining life in years, exercisable | | 3.34 | | 3.05 |

L. Financial Instruments

The Company's financial instruments include cash, reclamation bond, accounts payable and accrued liabilities and amounts due to related parties. The Company has classified its financial instruments into the following categories:

| Financial Instrument | Category | Carrying Value |
|--|-----------------------------|----------------|
| Cash | FVTPL | Fair Value |
| Reclamation Bond | Loans and Receivables | Amortized Cost |
| Accounts Payable and Accrued Liabilities | Other Financial Liabilities | Amortized Cost |
| Due to Related Parties | Other Financial Liabilities | Amortized Cost |

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

These financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require significant cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. In addition, all investments must be less than one year in duration.

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

M. Events After the Reporting Period and Outlook

There are no other material events subsequent to the date of this document. The Company is continuing to explore its properties and activities over the ensuing year will focus on this. The Company expects to continue its strategy of collaborating with experienced mining companies to acquire and develop other properties and to advance them to production.

N. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate entering into any such arrangements in the foreseeable future.

O. Disclosure Controls and Procedures

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The Audit Committee is composed of three directors, two of whom are independent, 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.

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

The Audit Committee has established procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The Whistleblower policy is in accordance with National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

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

P. Risks and Uncertainties

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

Exploration Stage Company

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

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

P. Risks and Uncertainties, continued

There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

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

No Operating History and Availability of Financial Resources

The Company does not have an operating history and has no operating revenues and is unlikely to generate any significant amount in the foreseeable future. Therefore, it may not have sufficient financial resources to undertake, by itself, all of its planned exploration and administrative activities.

Historically, the Company has relied mainly upon the issuance of share capital to finance its activities. In the future, the Company will be required to rely on earn-in agreements and / or issue share capital to finance future exploration and administrative activities, which may result in dilution to existing shareholders.

Furthermore, the amount of additional funds required may not be available under favorable terms, if at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

Price Volatility and Lack of Active Market

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

Dependence on Key Personnel

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

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

P. Risks and Uncertainties, continued

Government Regulations and Environmental Risks and Hazards

The Company conduct is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated.

The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties.

The Company is not aware of any existing environmental hazards related to any of its current property interests that may result in material liability to the Company.

Competition

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

Title to Property

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, aboriginal land claims or government expropriation and title may be affected by undetected defects.

Licenses and Permits

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

Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2017

Q. Changes in Accounting Policies Including Initial Adoption

Future Accounting Standards Changes

IFRS 9: *Financial Instruments* will eventually form a complete replacement for IAS 39: *Financial Instruments: Recognition and Measurement*. All financial assets are classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions.

In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date from January 1, 2013 to annual periods beginning on or after January 1, 2018. The amendments also provided relief from the requirement to restate comparative consolidated financial statements for the effects of applying IFRS 9. The Company is currently assessing these effects.

R. Proposed Transactions

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

S. Forward-Looking Statements

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence. Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan".

Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

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

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