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Interim Consolidated Financial Statements

For the Six Months Ended October 31, 2008

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Notice of No Auditor Review of Interim Statements

These interim consolidated financial statements of the Company for the six months ended October 31, 2008, were prepared by management and have not been reviewed or audited by the Company's auditors.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Balance Sheets as at October 31, 2008 and April 30, 2008

		Unaudited October 31, 2008	Audited April 30, 2008
Assets			
Current			
Cash and cash equivalents		\$ 1,143,685	\$ 2,575,224
Receivables		97,753	148,998
Prepays and deposits		62,838	237,369
		1,304,276	2,961,591
Equipment	Note 4	7,660	13,564
Mineral properties	Note 5	4,483,874	5,988,026
Bonds		57,982	68,307
		\$ 5,853,792	\$ 9,031,488
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 43,787	\$ 296,727
Due to related parties	Note 6	18,411	51,757
		62,198	348,484
Shareholders' Equity			
Share capital	Note 7	18,992,008	18,981,258
Contributed surplus	Note 7	2,702,686	2,692,687
Deficit		(15,903,100)	(12,990,941)
		5,791,594	8,683,004
		\$ 5,853,792	\$ 9,031,488

Nature of operations (Note 1)

Contingencies and commitments (Note 10)

Subsequent events (Note 11)

Approved on behalf of the Board

"Lawrence Page"
Lawrence Page, Q.C.

"Nazlin Rahemtulla"
Nazlin Rahemtulla

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Operations and Deficit For

	Three months ended		Six months ended	
	October 31,		October 31,	
	2008	2007	2008	2007
Expenses				
Administration	\$ 24,000	\$ 30,000	\$ 48,000	\$ 60,000
Amortization	2,823	2,727	5,723	2,982
Consulting				
Services	68,526	75,587	133,635	139,828
Stock-based compensation	-	45,454	9,999	45,454
Independent directors' fees				
Services	12,331	10,174	21,195	20,514
Investor relations	36,124	53,050	102,049	95,551
Office and general	20,214	22,695	57,171	44,956
Professional fees	38,454	24,746	116,286	53,124
Regulatory fees and taxes	7,651	2,904	14,564	5,282
Shareholders' communications	764	5,821	1,438	11,118
Transfer agent	1,153	1,607	2,271	2,738
Travel and promotion	6,299	21,183	24,955	73,909
Wages and benefits				
Stock-based compensation	-	8,632	-	8,632
	218,339	304,580	537,286	564,088
Other items				
Interest income	(3,316)	(54,651)	(10,675)	(123,811)
Foreign exchange loss (gain)	(197,900)	414,958	(221,096)	646,440
General exploration	34,124	9,085	46,368	14,073
Write-off of mineral property	2,560,276	-	2,560,276	-
	2,393,184	369,392	2,374,873	536,702
Net loss for the period	2,611,523	673,972	2,912,159	1,100,790
Deficit, beginning of the period	13,291,577	11,680,647	12,990,941	11,253,829
Deficit, end of the period	\$ 15,903,100	\$ 12,354,619	\$ 15,903,100	\$ 12,354,619
Loss per share - basic and diluted	\$ (0.06)	\$ (0.02)	\$ (0.07)	\$ (0.03)
Weighted average number of shares outstanding	42,749,321	40,588,914	42,727,854	40,290,149

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Cash Flows For

Cash provided by (used for):	Three months ended		Six months ended	
	October 31,		October 31,	
	2008	2007	2008	2007
Net loss for the period	\$ (2,611,523)	\$ (673,972)	\$ (2,912,159)	\$ (1,100,790)
Items not involving cash:				
Amortization	3,004	2,727	5,904	2,982
Stock-based compensation	-	54,086	9,999	54,086
Foreign exchange adjustment on bonds	-	5,098	-	7,959
Interest income accrued	-	6,882	-	9,262
Unrealized (gain) loss on foreign exchange	(206,435)	520,877	(225,649)	722,717
Write - off of mineral properties	2,560,276	-	2,560,276	-
	(254,678)	(84,302)	(561,629)	(303,784)
Change in Non-Cash Working Capital				
Receivables	(16,536)	(79,799)	51,245	(133,699)
Prepaid and deposits	7,896	(11,569)	174,531	(699)
Accounts payable and accrued liabilities	(30,469)	(9,519)	(4,710)	24,969
Due to related parties	(7,784)	18,308	(31,934)	39,030
	(46,893)	(82,579)	189,132	(70,399)
Cash Used in Operating Activities	(301,571)	(166,881)	(372,497)	(374,183)
Investing Activities				
Expenditures on equipment	-	(18,066)	-	(20,813)
Expenditures on mineral properties	(259,785)	(492,891)	(1,295,016)	(1,257,566)
Bonds	11,464	(7,523)	10,325	(7,523)
Cash Used in Investing Activities	(248,321)	(518,480)	(1,284,691)	(1,285,902)
Financing Activities				
Shares issued for cash	-	657,750	-	771,750
Cash Provided by Financing Activities	-	657,750	-	771,750
Foreign Exchange Effect on Cash	206,435	(520,877)	225,649	(722,717)
Decrease in cash and cash equivalents	(343,457)	(548,488)	(1,431,539)	(1,611,052)
Cash, beginning of period	1,487,142	5,199,181	2,575,224	6,261,745
Cash, end of period	\$ 1,143,685	\$ 4,650,693	\$ 1,143,685	\$ 4,650,693
Supplemental cash flow information				
Cash and cash equivalents consists of:				
Cash	1,143,685	1,774,657	1,143,685	1,774,657
Short-term deposits	-	2,876,036	-	2,876,036
	\$ 1,143,685	\$ 4,650,693	\$ 1,143,685	\$ 4,650,693

Supplemental cash flow information (Note 9)

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

1. Nature of Operations

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

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from the sale of the mineral properties.

These consolidated financial statements were prepared on a "going concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2008, the Company had working capital of \$1,242,078 (April 30, 2008 - \$2,613,107).

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of \$15,903,100 as at October 31, 2008 (April 30, 2008 - \$12,990,941).

The Company's ability to discharge its liabilities and fulfill its commitments as they come due is dependent upon its success in obtaining equity financing and, ultimately, on locating ore reserves and attaining profitable operations. Failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). As a result, these unaudited interim financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company's annual audited consolidated financial statements for the fiscal year ended April 30, 2008. All material adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods, have been reflected. The results for the six months ended October 31, 2008 are stated utilizing the same accounting policies and methods of application as the most recent annual audited financial statements, but are not necessarily indicative of the results to be expected for the full year.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

2. Summary of Significant Accounting Policies, continued

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Minera Plata del Sur S.A de C.V., incorporated in Mexico, Southern Silver Exploration (US) Corp. incorporated in the United States, and Southern Silver Holdings Ltd., incorporated in the British Virgin Islands.

All intercompany accounts and transactions were eliminated upon consolidation.

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

(b) Equipment

Equipment and software is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets using the straight line method at an annual rate of 25% for equipment and 100% for software from May 1, 2008.

(c) Accounting Changes

(i) Effective May 1, 2008, the Company adopted CICA Handbook Sections 3862 and 3863, which describe the required disclosures and presentations related to the significance of financial instruments on the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. The adoption of this standard did not impact the consolidated financial statements of the Company.

(ii) Effective May 1, 2008, the Company adopted CICA Handbook Section 1535, which establishes standards for disclosing information about a company's capital and how it is managed to enable users of financial statements to evaluate the company's objectives, policies and procedures for managing capital.

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of its mineral properties and support any expansionary plans.

The capital of the Company consist of shareholders' equity and debt obligations net of cash and cash equivalents. The Company expects its current capital resources and projected financing will support further exploration of its mineral properties.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

2. Summary of Significant Accounting Policies, continued

(iii) Effective May 1, 2008, the Company adopted CICA Handbook Section 1400, which establishes standards for financial statement presentation, which requires management to make an assessment of a company's ability to continue as a going concern. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. Please refer Note 1 and Note 2 (c) (ii).

(d) Future Accounting Changes

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

3. Financial Instruments

(a) Fair Value

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of the short-term maturity of these financial instruments. The fair value of the financial instruments is approximated by their book values.

(b) Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

3. Financial Instruments, continued

(d) Currency Risk

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

(c) Credit Risk

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

4. Equipment

			October 31, 2008	April 30, 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Equipment	2,900	1,164	1,736	2,255
Computer	1,305	551	754	861
Software	20,646	15,476	5,170	10,448
	24,851	17,191	7,660	13,564

5. Mineral Properties

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

- **Mexico**
 - (i) Jalisco - Minas de Ameca
 - a. La Sorpresa property
 - b. Magistral properties, which include Magistral I and EI Magistral
 - c. Quila property
 - (ii) Chihuahua – Pinabete property
- **USA**
 - (i) Arizona – Tombstone and Dragoon properties
 - (ii) New Mexico – Oro property

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

5. Mineral Properties, continued

Deferred mineral property costs by property as at October 31, 2008 are as follows:

Mineral Properties	Minas de Ameca \$	Pinabete \$	Tombstone \$	Oro \$	Dragoon \$	Total \$
Acquisition costs						
Balance as at April 30, 2008	501,693	181,691	189,983	180,682	34,458	1,088,507
Additions during the period	58,780	9,119	115,819	78,102	32,571	294,391
Write-off during the year	(246,920)	(190,810)	-	-	-	(437,730)
Acquisition Balance as at Oct. 31, 2008	313,553	-	305,802	258,784	67,029	945,168
Exploration						
Balance as at April 30, 2008	2,735,694	915,131	1,118,382	96,845	33,467	4,899,519
Additions during the year:						
Assays & geochemistry	25,018	1,820	1,398	-	-	28,236
Camp, Utilities and Supplies	14,168	393	17,521	1,232	458	33,772
Drilling services	141,371	65,079	174,514	-	-	380,964
Equipment/rentals/Supplies	24,213	673	28,391	515	135	53,927
Geological & Geophysics	43,326	979	91,759	18,199	10,451	164,714
General exploration	22,814	781	9,244	1,802	124	34,765
Project supervision	39,897	5,754	2,622	-	233	48,506
Project support	6,976	226	-	-	-	7,202
Travel	7,168	120	958	824	577	9,647
Total additions during the period	324,951	75,825	326,407	22,572	11,978	761,733
Write-off during the year	(1,131,590)	(990,956)	-	-	-	(2,122,546)
Exploration Balance as at Oct. 31, 2008	1,929,055	-	1,444,789	119,417	45,445	3,538,706
Total Mineral Property Expenditures as at October 31, 2008	2,242,608	-	1,750,591	378,201	112,474	4,483,874

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

5. Mineral Properties, continued

(a) Property Payments

The Company made the following property payments during the six months ended October 31, 2008.

- Tombstone property – Arizona, USA – US \$100,000
- Oro property – New Mexico, USA - US \$50,000
- Dragoon property – Arizona, USA – US \$20,000

Please refer Note 6 (d), (e) and (f) of the audited consolidated financial statements as at April 30, 2008 for terms and conditions of the property agreements.

(b) Minas de Ameca – Mexico

La Sorpresa Property

During the quarter ended October 31, 2008, the Company relinquished its right to the property and, accordingly, \$1,378,510 (acquisition costs of \$246,920 and \$1,131,590 in exploration cost) was written off and included in the statement of operations and deficit.

Pinabete Property – Mexico

During the quarter ended October 31, 2008, the Company relinquished its right to the property and, accordingly, \$1,181,766 (acquisition costs of \$190,810 and \$990,956 in exploration cost) was written off and included in the statement of operations and deficit.

6. Related Party Balances and Transactions

The Company entered into the following related party transactions during the six months ended October 31, 2008.

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

- \$48,000 in respect of office space and general administration services;
- \$46,720 in respect of professional services;
- \$26,804 in respect of consulting services;
- \$19,146 in respect of investor relations services;
- \$19,920 in respect of administrative services;
- \$15,483 in respect of geological consulting services in relation to mineral properties; and
- \$2,839 in respect of the mark-up on out-of-pocket expenses which are included in office and general.

Amounts payable under the agreement at October 31, 2008 were \$14,096. As of October 31, 2008, prepayment of \$8,000 was made in relation to the office space and administration services.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

6. Related Party Balances and Transactions, continued

(b) Pursuant to a consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$55,440 for consulting services.

(c) Fees in the amount of \$14,928 were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at October 31, 2008 were \$4,316.

(d) Consulting fees relating to corporate development of \$33,000 were charged by a private company controlled by a director and an officer of the Company.

(e) Consulting fees relating to office administration of \$12,000 were charged by a private company controlled by an officer of the Company.

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

7. Share Capital

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

(a) Issued and Outstanding

The issued share capital is as follows:

	No. of Shares	Amount	Contributed Surplus
Balance as at April 30, 2007	39,951,821	18,142,008	2,508,132
Issued			
Exercised share purchase warrants	2,572,500	771,750	-
Issued to acquire mineral properties	175,000	67,500	-
Stock-based compensation	-	-	184,555
	2,747,500	839,250	184,555
Balance as at April 30, 2008	42,699,321	\$ 18,981,258	\$ 2,692,687
Issued			
Issued to acquire mineral properties	50,000	10,750	-
Stock-based compensation	-	-	9,999
Balance as at October 31, 2008	42,749,321	\$ 18,992,008	\$ 2,702,686

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

7. Share Capital, continued

(b) Private Placements and Shares Issued for Mineral Properties

Six months ended October 31, 2008

No private placements were announced or completed.

On July 18, 2008, the Company issued 50,000 common shares at a fair value of \$0.215 per share, \$10,750 in total, pursuant to an option agreement to acquire a 65% interest in the Magistral I, Mexican mining exploration concession (refer Note 6(a) of the audited consolidated financial statements as at April 30, 2008).

(c) Stock Options

As at October 31, 2008 and April 30, 2008, the Company had a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The terms of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

As at October 31, 2008, all the options outstanding were exercisable.

Exercise Price	Expiry Date	Balance April 30, 2008	Cancelled or Expired	Balance October 31, 2008
\$0.65	December 10, 2009	827,500	-	827,500
\$0.30	October 13, 2010	205,000	-	205,000
\$0.51	November 8, 2010	435,000	20,000	415,000
\$0.83	January 16, 2011	205,000	15,000	190,000
\$0.82	March 27, 2011	125,000	-	125,000
\$0.88	June 1, 2011	460,000	-	460,000
\$0.58	March 1, 2012	1,235,000	25,000	1,210,000
\$0.58	March 26, 2012	100,000	-	100,000
\$0.58	October 19, 2012	25,000	-	25,000
\$0.58	December 4, 2012	25,000	-	25,000
\$0.21	March 26, 2013	625,000	25,000	600,000
		4,267,500	85,000	4,182,500
Weighted average exercise price		\$0.57	\$0.50	\$0.57
Weighted average contractual life				2.70

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

7. Share Capital, continued

(d) Share Purchase Warrants

The Company's share purchase warrants as at October 31, 2008 are summarized as follows:

Exercise Price	Expiry Date	Balance April 30, 2008	Cancelled or Expired	Exercised	Balance October 31, 2008
\$0.60	February 24, 2009	6,542,700	-	-	6,542,700
\$0.60	February 24, 2009	122,000	-	-	122,000
		6,664,700	-	-	6,664,700
Weighted average exercise price		\$0.60	-	-	\$0.60

(e) Agent Options

No agent options were granted, exercised, cancelled or expired during the six months ended October 31, 2008.

As part of the private placement in February 2007, options were issued to the agents. Each agent option when exercised will entitle the agent to one common share and one-half of one share purchase warrant exercisable at \$0.60 to February 24, 2009.

Exercise Price	Expiry Date	Balance April 30, 2008	Granted	Cancelled or Expired	Exercised	Balance October 31, 2008
\$0.50	February 24, 2009	645,000	-	-	-	645,000

(f) Fair Value Determination

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

	2008		2007	
	Options	Warrants	Options	Warrants
Risk-free interest rate	2.86%	N/A	4.01%	4.05%
Expected share price volatility	171.01%	N/A	201.45%	119.08%
Expected option/warrant life in years	5.0	N/A	3.0	1.5
Expected dividend yield	0%	N/A	0%	0%

The total calculated fair value of stock-based compensation for the six months ended October 31, 2008 was \$ 9,999.

Southern Silver Exploration Corp.
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Notes to Consolidated Financial Statements
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8. Segmented Information

The Company has one operating segment, mineral exploration, and its non-current assets by geographic location outside of Canada are as follows:

	October 31, 2008		April 30, 2008	
	\$	%	\$	%
Canada	5,922	1%	11,308	1%
Mexico	2,291,099	50%	4,394,579	72%
USA	2,252,495	49%	1,664,010	27%
	4,549,516	100%	6,069,897	100%

9. Supplemental Cash Flow Information

	October 31, 2008	October 31, 2007
Cash Items		
Interest received	\$ 10,675	\$ 114,549
Non-Cash Items		
Accrued interest	\$ -	\$ 9,262
Investing Activities		
Mineral property costs included in accounts payable	\$ -	\$ 229,486
Mineral property costs included in due to related parties	\$ 1,828	\$ -
Financing Activities		
Shares issued for mineral property	\$ 10,750	\$ 30,000
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Six months ended October 31, 2008

10. Contingencies and Commitments

Certain claims have been filed against the Company.

- (a) A claim for US \$80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was instigated in October 1998 and since then no further claims or legal proceedings have taken place.
- (b) A claim for \$6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

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

Under a service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company is charged \$8,000 monthly for office space and general administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012. The fee commitment for the next five years is as follows:

Year ending April 30,	Commitment \$
2009	48,000
2010	96,000
2011	96,000
2012	96,000
2013	16,000

Pursuant to a consulting agreement, the Company is charged Euro 2,500 monthly for value relation services. The agreement is in effect until it expires on December 31, 2008.

Mineral properties interests

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

- (a) Magistral properties:
- Incur an aggregate of at least US\$ 950,000 by July 21, 2009 (Incurred);
 - Incur an aggregate of at least US\$ 1,850,000 by July 21, 2010 (Incurred);
 - Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2009;
 - Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2010.

Southern Silver Exploration Corp.
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10. Contingencies and Commitments, continued

Mineral properties interests, continued

- (b) Quila property:
 - Incur an aggregate of at least US\$ 500,000 by January 19, 2009;
 - Incur an aggregate of at least US\$ 1,000,000 by January 19, 2010;
 - Issue 75,000 common shares to Soltoro Ltd. on or before January 19, 2009;
 - Issue 100,000 common shares to Soltoro Ltd. on or before January 19, 2010.

- (c) Tombstone property.
 - US \$200,000 on or before June 1, 2009;
 - US \$300,000 on or before June 1, 2010.

- (d) Oro property:
 - US \$50,000 on or before December 1, 2008 (Subsequently paid);
 - US \$100,000 on or before August 28, 2009;
 - US \$50,000 on or before December 1, 2009.

- (e) Dragoon property:
 - US \$50,000 on or before August 28, 2009;
 - US\$100,000 on or before August 28, 2010.

While option payments are made at the discretion of the Company, management believes it has sufficient funds on hand to meet its property commitments in the foreseeable future.

11. Subsequent Events

Oro Property – New Mexico, USA

Pursuant to an agreement dated October 26, 2007 (effective December 1, 2007), the Company made a stage payment of US \$50,000 on November 26, 2008.

Share Purchase Warrants

On December 10, 2008 the Company extended the expiry date of 6,500,000 share purchase warrants from February 24, 2009 to February 24, 2010 (exercise price \$ 0.60).



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Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

Dated: December 18, 2008

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Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Southern Silver Exploration Corp., formerly known as Newcoast Silver Mines Ltd., (the "Company") compares results for the six months ended October 31, 2008 to the same period in the previous year. These statements should be read in conjunction with the unaudited consolidated financial statements for the six months ended October 31, 2008 and audited consolidated financial statements for the year ended April 30, 2008. All notes referenced herein may be found in the unaudited consolidated financial statements.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiaries Minera Plata Del Sur SA De SV (Mexico), Southern Silver Exploration (US) Corp. (USA), and Southern Silver Holdings (British Virgin Island). This MD&A, dated December 18, 2008, was prepared to conform with National Instrument 51-102 F1 and was approved by the Board of Directors prior to its release.

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

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

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

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

B. Qualified Person

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

Adrian Robles Salazar and Dr. Linus Keating, two highly regarded geologists with specialized experience in Mexico and Arizona, respectively, provide consulting services to the Company. Mr. Robles has extensive experience with Mexican projects that was gained through his association with Minera Kennecott S.A. de C.V. and Western Silver Corporation. Dr. Keating is an accomplished exploration geologist with many years of international experience, including 14 years with Rio Tinto (Kennecott), supervising work on porphyry and precious metals projects in Arizona. He has a B.Sc. in Geological Engineering from the University of Arizona, and a Doctorate of Science in Geology from the University of Brussels, Belgium.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

	Canadian Dollars per US Dollar ⁽¹⁾		
	Six months ended		Year ended
	Oct 31 2008	Oct 31 2007	April 30 2008
Rate at end of period	1.0240	0.9547	1.0072
Average rate for period	1.0101	1.0218	1.0053
High for period	1.0292	1.0868	1.0265
Low for period	0.9841	0.9512	0.9705

Conversion Table ⁽²⁾			
Imperial			Metric
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Meters
1 Mile	=	1.609344	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

Precious metal units and conversion factors ⁽²⁾

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

(1) www.bankofcanada.ca

(2) Information from www.onlineconversion.com

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

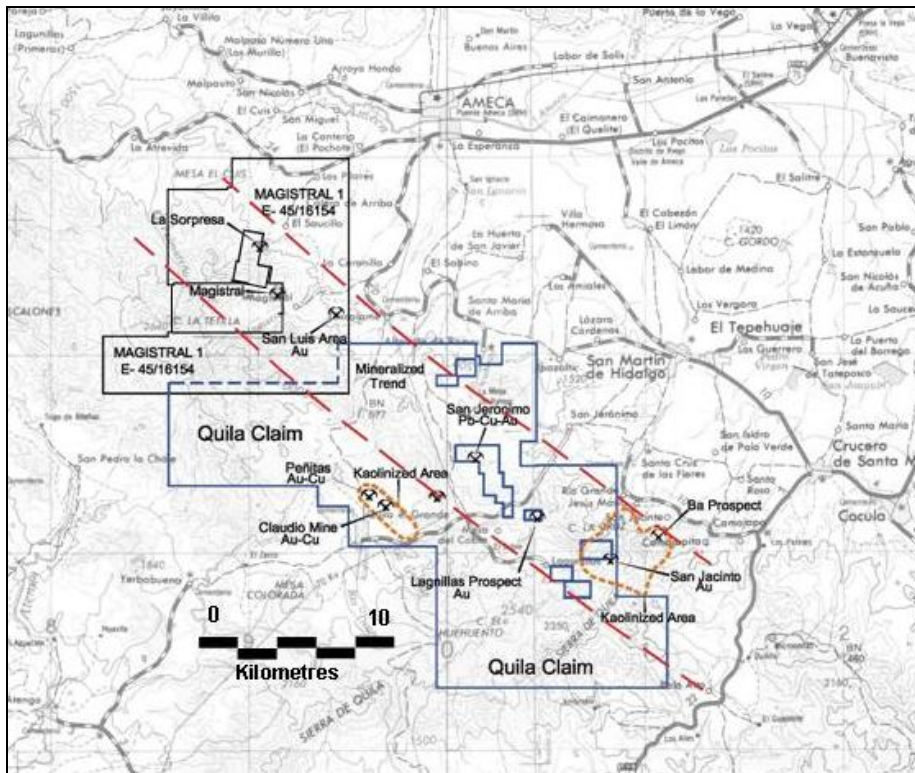
D. Description of Business

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

E. Description of Mineral Properties

i) Minas de Ameca Project - Jalisco, Mexico

The **Minas de Ameca project** encompasses a 322 sq. km claim package assembled in part through option agreements between the Company and M. Munoz Martin, Fury Explorations Ltd. (see News Release dated July 17, 2006) and Soltoro Ltd. (see News Release dated January 22, 2007) together with the purchase from the Mexican Government of the El Magistral claim which includes an historic producing mine from which copper was extracted, with some gold credits, from chalcopyrite, bornite and oxide ores. The concessions that make up the project include the La Sorpresa claims, the Magistral I claims, the El Magistral claims and the Quila claims.



The district is located along the western margin of the Sierra Madre Occidental terrane. Geological reconnaissance has identified several strongly mineralized, copper-rich breccias located at volcanic-intrusive contacts and numerous structurally controlled, quartz-hematite vein systems which occur along a 25 km long mineralized trend extending southeast through the project area.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco , Mexico

Magistral I

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd. ("Fury"), the Company has an option to acquire a 65% interest in the property (see Note 6 (a) to the audited consolidated financial statements dated April 30, 2008).

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

Since acquisition, the Company has initiated a systematic program of target generation and evaluation, which utilizes newly available reprocessed airborne geophysical and satellite data, ground geophysics and systematic mapping and sampling of the newly defined target areas. The initial target generated from this work is the San Luis – Cerro de la Cruz vein systems, which were initially tested as part of the Phase II drill program on the adjoining La Sorpresa project. Follow-up drilling started in May, 2007

Results from the first phase include **an 8.0 metre interval of 1.05 g/t Au and 0.49% Cu within a 30 metre interval grading 0.39 g/t Au and 0.17% Cu**. The second hole reported a **6.85 metre interval of 1.05 g/t Au, 15.7 g/t Ag and 0.55% Cu** within a longer, **14.5 metre interval**, that carried **0.62 g/t Au, 8.78 g/t Ag and 0.31% Cu**. Estimated true thicknesses have not been calculated for these intervals, however, the mineralized zone is believed to be steeply dipping.

A total of 4,832 metres of drilling was completed in 20 drill holes over two phases of drilling on the San Luis vein system and adjacent targets. Seventeen drill holes had tested an 800 metre strike length of the main **San Luis** vein structure and to depths of up to 200 metres. A single drill hole tested the **Cerrito de la Cruz** vein system (07SL-15), located 400 metres to the north of the San Luis vein. Two additional drill holes tested a northeast-trending EM anomaly immediately adjacent to the San Luis vein and a large magnetic anomaly associated with a +1g/t gold surface grab sample located about 1,000 metres to the north of the San Luis vein.

Most recently, 25 line-kilometers of detailed gradient IP geophysics was been completed over the San Luis vein system. The work was designed to confirm the continuity of the known veins to depth, offsets within these veins and identify addition veins adjacent to the initial target. Analyses of the data is ongoing.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco , Mexico, continued

Magistral I, continued

Significant assays from the 2007-08 drilling program include:

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

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco , Mexico, continued

El Magistral – Mexico

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

The Company has agreed to purchase the 1,366 hectare mineral concession by the payment of \$15,600 (Mexican Peso 150,000) over a twenty-four month period to earn a 100% interest. (see Note 6 (a) to the audited consolidated financial statements dated April 30, 2008 for further details).

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

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

No further work is planned for this target in 2008.

Quila Property – Jalisco, Mexico

On January 19, 2007, the Company signed an agreement to acquire a 70% interest in the Quila Claims, Jalisco, Mexico. (see Note 6 (a) to the audited consolidated financial statements dated April 30, 2008).

A single drill hole has tested the Tres Copales target within the Quila concession. Drilling intersected locally strong argillic alteration, quartz veining and variable pyrite mineralization. Assays from this drill hole returned anomalous silver values but not significant mineralized intervals.

Surface mapping and sampling through the winter of 2008 identified several new drill ready targets at the Altavista and Texcalame prospects. Gold and copper mineralization is widely distributed throughout a 20 sq kilometre area in the northern portion of the Quila claims where up to 3.8 metres of 7.12 g/t gold with strongly anomalous copper and silver values were returned from channel, chip and grab sampling

A Phase I core drilling program started in May 2008 to follow up on the surface anomalies. To date, 1435 metres of core drilling in seven holes has been completed at the Altavista prospect. Sampling of the core is completed. Compilation and interpretation of the results is in progress.

La Sorpresa Property – Jalisco , Mexico

During the quarter ended October 31, 2008, the Company relinquished its right to the property and, accordingly, \$1,378,510 (acquisition costs of \$246,920 and \$1,131,590 in exploration cost) was written off and included in the statement of operations and deficit.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

E. Description of Mineral Properties, continued

ii) Pinabete Property – Chihuahua, Mexico

During the quarter ended October 31, 2008, the Company relinquished its right to the property and, accordingly, \$1,181,766 (acquisition costs of \$190,810 and \$990,956 in exploration cost) was written off and included in the statement of operations and deficit.

iii) Tombstone Property – Arizona, USA

Pursuant to an agreement dated May 26, 2005, the Company entered into an option to acquire the Tombstone project, a multi-target, precious and base metal exploration prospect located six kilometers southwest of the town of Tombstone, Arizona (see Note 6 (d) to the audited consolidated financial statements dated April 30, 2008 for details on the option agreement).

Bonanza silver ores, totaling over 50 million metric tonnes were mined from the Tombstone District in the late 1800's and early 1900's from clusters of Ag-Pb-Mn-rich carbonate replacement bodies in the highly prospective Cretaceous-age lower Bisbee formation and underlying Paleozoic limestones, spatially associated with a prominent district-wide magnetic high.

Mineralization on the property is hosted along a series of east-northeast-trending structures up to 600 meters in exposed length. Mineralized fault breccias along these structures progress easterly and southerly from silver-lead-manganese-rich on the west, to more copper-silver-rich towards the east gravel-covered target area. Mineralization along these structures is interpreted as leakage from a more robust mineralizing system hosted by more favorable lithologies at depth and to the east.

Although not exposed at the surface on the Tombstone South property, the Lowermost Bisbee Group and the Paleozoic-age Naco Formation are inferred to be present at relatively shallow depths (<400 metres) based on surface mapping. Elsewhere in Arizona these units host significant mines, such as those at Bisbee (2.8 MMoz Au, 102 MMoz Ag and 7.8 billion lbs Cu), Christmas (0.36 billion lbs Cu) and Magma (0.7 MMoz Au, 34.5MMoz Ag and 2.5 billion lbs Cu).

Initial drill testing of the property was completed in June 2008. Five holes comprising 2,164 metres tested stratigraphy, structures and two of the mineralized, east-northeast-trending fracture zones. Two of the five holes successfully intersected mineralized horizons. One hole was not completed to the target depth due to drilling difficulties. Compilation and interpretation of results is in progress. Drilling also tested a significant amount of volcanic and sedimentary stratigraphy over a widespread area, which can now be utilized in a more detailed evaluation of the NSAMT geophysics.

v) Oro Property – New Mexico, USA

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

On October 26, 2007 the Company entered into an agreement to earn a 100% interest in the American Mine claims, New Mexico, USA consisting of eight patented lode mining claims inclusive of surface rights to contiguous property. The American Mine claims are adjacent to Oro property claims and are reported under Oro property claims. (see Note 6 (e) to the audited consolidated financial statements dated April 30, 2008 for further details on these agreements).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

E. Description of Mineral Properties, continued

v) Oro Property – New Mexico, USA, continued

The Company has compiled available historical data, mapped the area and carried out a rock and biogeochemical sampling over a mineralized corridor largely untested by modern exploration. Geological mapping indicates the presence of a prospective northwest trending structural zone.

Grab samples of vein material and the biogeochemical survey consistently returned high values of gold, silver, copper, lead and zinc and anomalous values of manganese and antimony which are indicative of a widespread and zoned mineral system with the potential to develop both copper-gold porphyry and silver-rich, polymetallic skarn/carbonate replacement deposits.

The phase one drilling program, planned for 2009 and consisting of up to 1,500 metres is designed to test both high-grade structures below levels of historic mining and prospective Cretaceous-age stratigraphy within the mineralized corridor identified through surface mapping.

vi) Dragoon Property – Arizona, USA

On August 28, 2007, the Company, through its subsidiary in the USA, signed a letter agreement to enter into an option to acquire a 100% interest in Dragoon claims, Cochise County, Arizona. (see Note 6 (f) to the audited consolidated financial statements dated April 30, 2008 for further details on this agreement).

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 5 of the unaudited consolidated financial statements dated October 31, 2008. The deferred mineral property costs as at October 31, 2008 were as follows:

	Balance	Additions			Total
	April 30, 2008	Q1	Q2	Year	October 31, 2008
	\$	\$	\$	\$	\$
Minas de Ameca	3,237,387	292,235	(1,287,014)	(994,779)	2,242,608
Pinabete	1,096,822	84,944	(1,181,766)	(1,096,822)	-
Tombstone	1,308,365	395,386	46,840	442,226	1,750,591
Oro	277,527	19,665	81,009	100,674	378,201
Dragoon	67,925	8,706	35,843	44,549	112,474
Total	5,988,026	800,936	(2,305,088)	(1,504,152)	4,483,874

The prepaid expenses and deposits on the balance sheet of the unaudited consolidated financial statements as at October 31, 2008 included \$30,112 (US\$25,000) prepaid for drilling services Minas de Ameca project.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

F. Mineral Properties Deferred Costs, continued

	Minas de Ameca	Tombstone	Oro	Dragoon	Total
	\$	\$	\$	\$	\$
Acquisition	313,553	305,802	258,784	67,029	945,168
Advances	3,991	-	-	-	3,991
Assays & geochemistry	94,580	26,216	7,100	-	127,896
Camp, Utilities and Supplies	40,470	65,097	5,785	1,321	112,673
Drilling services	843,324	642,468	-	-	1,485,792
Equipment/rentals/Supplies	164,660	100,492	7,672	766	273,590
Geological & Geophysics	335,156	502,638	75,183	36,803	949,780
General exploration	66,931	25,103	2,174	1,073	95,281
Project supervision	221,603	41,245	3,321	2,486	268,655
Project support	120,471	2,018	10,842	1,395	134,726
Travel	32,347	24,390	6,510	1,014	64,261
Stock Base Compensation	5,522	6,175	830	587	13,114
Environmental	-	8,947	-	-	8,947
Total as at October 31, 2008	2,242,608	1,750,591	378,201	112,474	4,483,874

G. Results of Operations

Significant variances are summarized below:

	Six months ended October 31,		Variance	
	2008	2007	Increase/(Decrease)	
	\$	\$	\$	%
Expenses				
Administration	48,000	60,000	(12,000)	(20%)
Consulting services	133,635	139,828	(6,193)	(4%)
Independent directors' fees	21,195	20,514	681	3%
Investor relations	102,049	95,551	6,498	7%
Office and general	57,171	44,956	12,215	27%
Professional fees	116,286	53,124	63,162	119%
Regulatory fees and taxes	14,564	5,282	9,282	176%
Shareholders' communications	1,438	11,118	(9,680)	(87%)
Transfer agent	2,271	2,738	(467)	(17%)
Travel and promotion	24,955	73,909	(48,954)	(66%)
Stock-based compensation	9,999	54,086	(44,087)	(82%)
Other Items				
Interest income	(10,675)	(123,811)	(113,136)	91%
Foreign exchange loss/(gain)	(221,096)	646,440	(867,536)	(134%)
General exploration	46,368	14,073	32,295	229%
Write-off of mineral properties	2,560,276	-	2,560,276	N/A

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

G. Results of Operations, continued

The Company reported a net loss of \$2,912,159 for the six months ended October 31, 2008 ("2008") compared to a net loss of \$1,100,790 for the six months ended October 31, 2007 ("2007"). This increase in net loss of \$1,811,369 was primarily due to write-off of mineral properties.

Stock-based compensation is a non-cash item representing the fair value determined under the Black-Scholes model of the vested portion of existing options, which was allocated to the Consolidated Statement of Operations and Deficit. During the six months ended July 31, 2008 the Company expensed \$ 9,999 (2007 - \$54,086) as stock based compensation.

Excluding stock-based compensation and write-off of mineral property, the loss in 2008 was \$341,884 compared to the loss of \$1,046,704 in 2007. This decrease of \$704,820 was primarily due to the following:

- i) Administration fees decreased in accordance with the administrative agreement entered in to by the Company, with a related party (see Note J of this MD&A).
- ii) Investor relations fees increased in relation to investor relations activities to find prospective investors.
- iii) Office and general expenses increased due to an increase in the time expended administering the company.
- iv) Professional fees increased due to an increased requirement for professional services.
- v) Shareholders' communications costs decreased due to the decrease in the number of news releases and dissemination costs.
- vi) Regulatory fees and taxes increased due to the increase in taxes paid during the period in respect of the foreign subsidiaries.
- vii) Travel and promotion costs decreased due to decrease in travel for trade shows and analyst meetings.
- viii) Interest income decreased due to decrease in cash available for placement.
- ix) Foreign exchange loss decreased due to favorable exchange rate prevailed during the period.
- x) General exploration expenses increased due to an increase in the consideration of potential new properties.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

H. Quarterly Results

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

	Three months ended								
	Oct 31,	Jul 31,	Apr 30,	Jan 31,	Oct 31,	Jul 31,	Apr 30,	Jan 31,	Oct 31,
	2008	2008	2008	2008	2007	2007	2007	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating expenses	218,339	308,948	292,837	273,600	250,494	259,508	465,062	243,184	225,818
Interest earned	(3,316)	(7,359)	(17,647)	(39,877)	(54,651)	(69,160)	(58,057)	(11,275)	(19,184)
Foreign exchange loss (gain)	(197,900)	(23,196)	(11,000)	(147,178)	414,958	231,482	235,411	(31,309)	11,740
General exploration	34,124	12,244	(1,334)	13,371	9,085	4,988	998	15,548	15,984
Write off of mineral propertie	2,560,276	-	158,313	-	-	-	-	-	-
Loss before the following iter	2,611,523	290,637	421,169	99,916	619,886	426,818	643,414	216,148	234,358
Stock-based compensation	-	9,999	110,631	4,606	54,086	-	783,834	-	22,526
Net Loss	2,611,523	300,636	531,800	104,522	673,972	426,818	1,427,248	216,148	256,884
Loss per share - basic	\$0.06	\$0.01	\$0.01	\$0.00	\$0.02	\$0.01	\$0.05	\$0.01	\$0.01

I. Selected Financial Information

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

Selected Financial Information	October 31, 2008 \$	April 30, 2008 \$	October 31, 2007 \$
Cash and cash equivalents	1,143,685	2,575,224	5,199,181
Working capital	1,242,078	2,613,107	5,198,209
Total assets	5,853,792	9,031,488	9,328,820
Shareholders' equity	5,791,594	8,683,004	9,113,493
Accumulated deficit	15,903,100	12,990,941	11,680,647
Number of shares - issued and outstanding	42,749,321	42,669,321	40,381,821

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

J. Related Parties Transactions

The Company entered into the following related party transactions during the three months ended October 31, 2008:

(a) Under the service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company was charged for office space and administrative services, professional services, consulting services, investor relations services, geological services and a mark-up for out-of-pocket expenses. Total expenses charged for the six months ended October 31, 2008 were \$178,912. Amounts payable under the agreement as at July 31, 2008 were \$14,096. Prepayment of \$8,000 was made in relation to the office space and administration services.

(b) Pursuant to a consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$ 55,440 for consulting services.

(c) Fees in the amount of \$14,928 were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees and mineral property expenditures.

(d) Consulting fees relating to corporate development of \$33,000 were charged by a private company controlled by a director and an officer of the Company.

(e) Consulting fees relating to office administration of \$12,000 were charged by a private company controlled by an officer of the Company.

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

For information regarding related party expenditures, refer to Note 6 of the unaudited consolidated financial statements dated October 31, 2008.

K. Financial Conditions, Liquidity and Capital Resources

The Company has limited financial resources and finances its operations by raising capital in the equity markets. For the near future, the Company will need to rely on the sale of such securities and/or enter into joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of its mineral property acquisition and exploration activities.

The Company had a working capital of \$1,242,078 as at October 31, 2008 compared to \$4,607,653 as at October 31, 2007. Cash and cash equivalents totaled \$1,143,685 and \$4,650,693 respectively.

i) Equity financings

The Company did not announce or complete any private placements for the six months ended October 31, 2008.

On July 18, 2008, the Company issued 50,000 common shares at a fair value of \$0.215 per share, \$10,750 in total, pursuant to an option agreement to acquire a 65% interest in the Magistral I, Mexican mining exploration concession (refer Note 6(a) of the audited financial statements as at April 30, 2008).

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

The Company did not raise any funds by stock options or share purchase warrants during the six months ended October 31, 2008.

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K. Financial Conditions, Liquidity and Capital Resources, continued

iii) Mineral properties expenditures

During the six months ended October 31, 2008, the Company expended \$1,295,016 on mineral properties (net of shares issued for acquisition costs and ending balance of accounts payable for mineral properties). Approximately 36% of this amount was directed towards Minas de, 42% to Tombstone, 10% to Oro, 4% to Dragoon, and 8% to Pinabete.

iv) Amounts receivable

As at October 31, 2008, the Company had a total of \$97,753 of GST and the equivalent tax in Mexico and Germany as well as \$3,501(US\$2,907) receivable from advanced to various contractors working on the Company's mineral properties in Mexico (comparative 2007: \$148,998).

v) Commitments

Mineral properties interests

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

(a) Magistral properties:

- Incur an aggregate of at least US\$ 950,000 by July 21, 2009 (Incurred);
- Incur an aggregate of at least US\$ 1,850,000 by July 21, 2010 (Incurred);
- Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2009;
- Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2010.

(b) Quila property:

- Incur an aggregate of at least US\$ 500,000 by January 19, 2009;
- Incur an aggregate of at least US\$ 1,000,000 by January 19, 2010;
- Issue 75,000 common shares to Soltoro Ltd. on or before January 19, 2009;
- Issue 100,000 common shares to Soltoro Ltd. on or before January 19, 2010.

(c) Tombstone property.

- US \$200,000 on or before June 1, 2009;
- US \$300,000 on or before June 1, 2010.

(d) Oro property:

- US \$50,000 on or before December 1, 2008(paid);
- US \$100,000 on or before August 28, 2009;
- US \$50,000 on or before December 1, 2009.

(e) Dragoon property:

- US \$50,000 on or before August 28, 2009.
- US\$100,000 on or before August 28, 2010.

While option payments are made at the discretion of the Company, management believes it has sufficient funds on hand to meet its property commitments in the foreseeable future.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

K. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

Other commitments

- (a) Pursuant to an agreement dated November 01, 2007 (see Note J of this MD&A) the Company has committed to pay \$96,000 per year (\$8,000 per month) to a company privately held by a director and an officer of the Company for office space and general administrative services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012.
- (b) Pursuant to a consulting agreement, the Company is charged Euros 2,500 monthly for value relation services. Neither party may cancel the agreement until it expires on December 31, 2008.

vi) Contingencies

- (a) A claim for US \$80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was instigated in October 1998 and since then no further claims or legal proceedings have taken place.
- (b) A claim for \$6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

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

L. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

The authorized share capital of the Company is unlimited. The issued share capital as at December 18, 2008 is as follows:

	Number of Shares	Total \$
Balance as at October 31, 2008	42,749,321	18,992,008
Transaction for the period	-	-
Balance	42,749,321	18,992,008

ii) Share Purchase Warrants

Warrants outstanding at December 18, 2008 are as follows:

Exercise Price	Expiry Date	Balance
\$0.60	February 24, 2010	6,500,000
\$0.60	February 24, 2009	164,700
		6,664,700
Weighted average exercise price		\$0.60

Southern Silver Exploration Corp. (An Exploration Stage Company)

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

ii) Share Purchase Warrants, Continued

On December 10, 2008 the Company extended the expiry date of 6,500,000 share purchase warrants from February 24, 2009 to February 24, 2010 (exercise price \$ 0.60).

iii) Stock Options

Stock options outstanding at December 18, 2008 are as follows:

Exercise Price	Expiry Date	Balance December 18, 2008
\$0.65	December 10, 2009	827,500
\$0.30	October 13, 2010	205,000
\$0.51	November 8, 2010	415,000
\$0.83	January 16, 2011	190,000
\$0.82	March 27, 2011	125,000
\$0.88	June 1, 2011	460,000
\$0.58	March 1, 2012	1,210,000
\$0.58	March 26, 2012	100,000
\$0.58	October 19, 2012	25,000
\$0.58	December 4, 2012	25,000
\$0.21	March 26, 2013	600,000
		4,182,500
Weighted average exercise price		\$0.57
Weighted average remaining contractual life in years		2.57

iv) Agents' Options

As a part of a private placement, which closed in February 2007, options were granted to agents. Each agent's option, exercisable at \$0.50 per unit, entitles the agent to one unit with each unit consisting of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder to acquire one common share at \$0.60 per share until February 24, 2009. Both the option and the underlying warrant expire on February 24, 2009. Agents' options outstanding as at December 18, 2008 were as follows:

Exercise Price	Expiry Date	Balance April 30, 2008	Issued	Cancelled or Expired	Exercised	Balance December 18, 2008
\$0.50	February 24, 2009	645,000	-	-	-	645,000

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

M. Subsequent Events and Outlook

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

N. Financial Instruments

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

O. Off-Balance Sheet Arrangements

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

P. Use of Estimates

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

Q. 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 independent directors, who meet at least quarterly with management and, at least annually with the external auditors to review accounting, internal control, financial reporting, and audit matters.

Effective August, 2005, the Audit Committee adopted resolutions authorizing the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The implementation of the whistleblower policy is in accordance with new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

R. Risks and Uncertainties

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

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the six months ended October 31, 2008

R. Risks and Uncertainties, continued

Since the Company does not generate any revenues, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the sale of securities.

The Company will need to continue its reliance on the sale of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favourable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

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

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

The Company conducts exploration activities in Mexico and the USA, and is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held by the Company.

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

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

S. Changes in Accounting Policies, Including Initial Adoptions

Effective May 1, 2008 the Company adopted the following new Canadian Accounting Standards Board accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential changes throughout the CICA Handbook. The most significant new standards are as follows:

- a) Section 3862 and 3863, describe the required disclosures and presentations related to the significance of financial instruments on the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed and how the entity manages those risks. The adoption of this standard did not impact the consolidated financial statements of the Company.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

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

b) Section 1535 establishes standards for disclosing information about a company's capital and how it is managed to enable users of financial statements to evaluate the company's objectives, policies and procedures for managing capital.

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the exploration of its mineral properties and support any expansionary plans.

The capital of the Company consist of shareholders' equity and debt obligations net of cash and cash equivalents. The Company expects its current capital resources and projected financing will support further exploration of its mineral properties.

c) Section 1400 establishes standards for financial statement presentation, which requires management to make assessment of a Company's ability to continue as a going concern. When the financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going- concern. Please refer Note 1 and Note S. (b).

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

T. 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.

U. Proposed Transactions

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

V. 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.

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V. Forward-Looking Statements, continued

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

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