



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

Audited Consolidated Financial Statements

April 30, 2008 and 2007

<u>Index</u>	<u>Page</u>
Management’s Responsibility for Financial Reporting	1
Auditors’ Report to the Shareholders	2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Deficit	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 32

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Southern Silver Exploration Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

"Lawrence Page"

Lawrence Page Q.C.
President and Chief Executive Officer

"Jeannine P.M. Webb"

Jeannine P.M. Webb C.G.A.
Chief Financial Officer

Vancouver, British Columbia
July 10, 2008

Auditors' Report

To the Shareholders of Southern Silver Exploration Corp.

We have audited the consolidated balance sheets of Southern Silver Exploration Corp. as at April 30, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
July 10, 2008

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Balance Sheets as at April 30, 2008 and 2007

		2008	2007
			(Note 4)
Assets			
Current			
Cash and cash equivalents		\$ 2,575,224	\$ 6,261,745
Receivables		148,998	84,573
Prepays and deposits		237,369	89,132
		2,961,591	6,435,450
Equipment	Note 5	13,564	-
Mineral properties	Note 6	5,988,026	2,995,074
Bonds	Notes 6 (a),(d)	68,307	64,096
		\$ 9,031,488	\$ 9,494,620
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 296,727	\$ 89,300
Due to related parties	Note 7	51,757	9,009
		348,484	98,309
Shareholders' Equity			
Share capital	Notes 4, 8	18,981,258	18,142,008
Contributed surplus	Notes 4, 8	2,692,687	2,508,132
Deficit		(12,990,941)	(11,253,829)
		8,683,004	9,396,311
		\$ 9,031,488	\$ 9,494,620

Nature of operations (Note 1)

Contingencies and commitments (Note 12)

Subsequent events (Note 13)

Approved on behalf of the Board

"Lawrence Page"

"Nazlin Rahemtulla"

Lawrence Page, Q.C.

Nazlin Rahemtulla

Southern Silver Exploration Corp.**(Exploration Stage Company)****Consolidated Statements of Operations and Deficit for the years ended April 30, 2008 and 2007**

	2008	2007
		(Note 2(a))
Expenses		
Administration	\$ 108,000	\$ 80,000
Amortization	11,287	-
Consulting		
Services	264,819	490,315
Stock-based compensation	66,066	769,758
Independent directors' fees		
Services	40,125	3,000
Stock-based compensation	36,634	13,817
Investor relations	194,715	179,471
Office and general	111,899	98,106
Professional fees	181,285	100,196
Regulatory fees and taxes	15,803	20,993
Shareholders' communications	19,208	15,034
Transfer agent	12,701	15,507
Travel and promotion	116,597	86,881
Wages and benefits		
Stock-based compensation	66,623	415,042
	1,245,762	2,288,120
Other Items		
Interest income	(181,335)	(110,878)
Foreign exchange loss	488,262	188,940
General exploration	26,110	34,614
Write-off of mineral properties	158,313	-
	491,350	112,676
Net Loss and Comprehensive Loss for Year	1,737,112	2,400,796
Deficit, Beginning of Year	11,253,829	8,853,033
Deficit, End of Year	\$ 12,990,941	\$ 11,253,829
Loss per share - basic	\$ 0.04	\$ 0.08
Weighted average number of common shares outstanding	41,464,382	28,394,948

Southern Silver Exploration Corp.

(Exploration Stage Company)

Consolidated Statements of Cash Flows for the years ended April 30, 2008 and 2007

Cash provided by (used for):	2008	2007
		(Note 2 (a))
Net loss for the year	\$ (1,737,112)	\$ (2,400,796)
Items not involving cash:		
Amortization	11,287	-
Stock-based compensation	169,323	1,198,617
Foreign exchange adjustment on bonds	3,312	-
Unrealized loss on foreign exchange	206,256	17,553
Write-off of mineral properties	158,313	-
	(1,188,621)	(1,184,626)
Changes in Non-Cash Working Capital		
Receivables	(64,425)	28,582
Prepays and deposits	(148,237)	(56,806)
Accounts payable and accrued liabilities	9,110	(94,471)
Due to related parties	39,508	5,032
	(164,044)	(117,663)
Cash Used in Operating Activities	(1,352,665)	(1,302,289)
Investing Activities		
Expenditures on equipment	(24,851)	-
Expenditures on mineral properties	(2,866,976)	(1,370,947)
Bonds	(7,523)	(64,096)
Cash Used in Investing Activities	(2,899,350)	(1,435,043)
Financing Activity		
Proceeds from issuance of shares, net of share issue costs	771,750	6,689,963
Foreign Exchange Effect on Cash	(206,256)	(17,553)
(Decrease)/Increase in Cash During the Year	(3,686,521)	3,935,078
Cash and Cash Equivalents, Beginning of Year	6,261,745	2,326,667
Cash and Cash Equivalents, End of Year	\$ 2,575,224	\$ 6,261,745
Cash and Cash Equivalents consists of :		
Cash	\$ 2,575,224	\$ 854,449
Banker's acceptance	-	5,407,296
	\$ 2,575,224	\$ 6,261,745

Supplemental cash flow information (Note 11)

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

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 April 30, 2008, the Company had working capital of \$2,613,107 (2007 - \$6,337,141).

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of \$12,990,941 as at April 30, 2008 (2007 - \$11,253,829).

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") and 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. and Southern Silver Holdings Ltd., incorporated in the British Virgin Islands.

All intercompany accounts and transactions were eliminated upon consolidation.

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

(b) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized until such time as these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related capitalized costs will be amortized on a unit-of-production basis over the estimated life of the ore reserves. If a mineral property is abandoned, the related capitalized costs are written off to operations. 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 recorded as property costs or recoveries when paid or received.

The recoverability of amounts shown for mineral properties is dependent upon the Company's ability to:

- (i) Obtain the necessary financing to complete the acquisition, exploration and development of its mineral properties.
- (ii) Enter into mineral property acquisition, joint venture or option agreements with other entities.
- (iii) Discover economically recoverable reserves within its mineral properties.
- (iv) Obtain future profitable production from its mineral properties or sufficient proceeds from the disposition thereof.

2. Summary of Significant Accounting Policies, continued

(b) Mineral Properties, continued

On an ongoing basis, the Company evaluates each mineral property for potential impairment based on results obtained to date to determine the nature of exploration, other assessment and development work, if any, that is warranted in the future and the potential for recovery of the capitalized costs. If there is little prospect of future work on a property being carried out within a three-year period from completion of previous activities, the deferred costs related to that property are written down to the estimated amount recoverable unless there is persuasive evidence that an impairment allowance is not required. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of banker's acceptance that is readily convertible into cash and purchased with original maturities of three months or less.

(d) Bonds

Bonds are recorded at cost and held in Mexican pesos and US dollars.

(e) Foreign Currency

The consolidated financial statements are presented in Canadian dollars. Accounts of the Company's foreign operations have been translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at year-end rates.
- (ii) All other assets and liabilities, at historical rates.
- (iii) Revenue and expense items, at the average rates of exchange each quarter.

The effects of translation are credited or charged to the statement of operations as foreign exchange gain or loss.

(f) Equipment

Equipment and software is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets using the declining-balance method at an annual rate of 45% for computers and equipment and 100% for software, except in the period of acquisition when one-half of the annual rate is used.

2. Summary of Significant Accounting Policies, continued

(g) Share Capital

The proceeds from the exercise of stock options and share purchase warrants are recorded as share capital. Common shares issued for non-monetary consideration are recorded at an amount based on fair market value at the time of issuance reduced by estimated issue costs, if any.

(h) Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlements in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense in the period the option vests or when the awards or rights are granted with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred to share capital.

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(j) Loss per Share

Loss per share is computed based on the weighted average number of common shares outstanding during the year. Diluted loss per share is not presented as the effects of various conversions and exercise of options and warrants would be anti-dilutive.

(k) Revenue Recognition

Interest income is recorded on an accrual basis at the stated rate of interest of the banker's acceptance over the term to maturity.

2. Summary of Significant Accounting Policies, continued

(l) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental obligations, asset retirement obligations, receivables, accrued liabilities, the impairment of mineral properties, valuation allowance for future tax assets, amortization rate of equipment and determination of the assumptions used in the calculation of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(m) Asset Retirement Obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated life of the asset. The liability amount will be increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs to record in the financial statements.

(n) Accounting Changes

(i) Effective May 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, "financial instruments – recognition and measurement", which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The standard requires the Company to account for certain financial assets and liabilities at fair value at each balance sheet date. Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities.

2. Summary of Significant Accounting Policies, continued

(n) Accounting Changes, continued

All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

The adoption of this section does not impact the opening equity and losses of the Company as the carrying values of the financial instruments approximate their fair values.

(ii) Effective May 1, 2007, the Company adopted the CICA Handbook Section 1530, "comprehensive income", which establishes standards for presentation and disclosure of comprehensive income. Comprehensive income is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make up of net income/ loss has not changed. Other comprehensive income includes gains or losses, which GAAP requires to be recognized in a period but excluded from net income for that period. The Company has no items of other comprehensive income/loss in any period presented. Therefore, net loss as presented in the Company's Statements of Operations and Deficit equals comprehensive loss.

(o) Future Accounting Changes

(i) Effective May 1, 2008, the Company will adopt 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 will not impact the consolidated financial statements of the Company.

(ii) Effective May 1, 2008, the Company will adopt 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 adoption of this standard will not impact the consolidated financial statements of the Company.

2. Summary of Significant Accounting Policies, continued

(o) Future Accounting Changes, continued

(iii) Effective May 1, 2008, the Company will adopt 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.

(iv) In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with international financial reporting standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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.
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

3. Financial Instruments, continued

(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 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.

(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.

4. Restatement

During the preparation of the consolidated financial statements for the year ended April 30, 2008, the Company identified, in connection with the private placements closed in 2006 and 2007, an overstatement of contributed surplus and an understatement of share capital of \$138,049.

The Company has amended its consolidated financial statements as follows:

	Previously Reported	Adjustments	Restated
	\$	\$	\$
Consolidated Balance sheet as at April 30, 2007			
Share capital	18,003,959	138,049	18,142,008
Contributed Surplus	2,646,181	(138,049)	2,508,132

5. Equipment

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
	\$	\$	\$	\$
Equipment	2,900	645	2,255	-
Computer	1,305	444	861	-
Software	20,646	10,198	10,448	-
	24,851	11,287	13,564	-

Southern Silver Exploration Corp.
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

6. 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

Deferred mineral property costs by property for the year ended April 30, 2008 are as follows:

Mineral Properties	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Dragoon	Total
	\$	\$	\$	\$	\$	\$	\$
Acquisition costs							
Balance as at April 30, 2007	254,104	153,951	73,213	117,695	45,966	-	644,929
Additions during the year	247,589	27,740	80,325	72,288	134,716	34,458	597,116
Write-off during the year	-	-	(153,538)	-	-	-	(153,538)
Balance as at April 30, 2008	501,693	181,691	-	189,983	180,682	34,458	1,088,507
Exploration							
Balance as at April 30, 2007	1,391,552	788,488	1,731	115,359	53,015	-	2,350,145
Additions during the year:							
Advances	(19,200)	-	-	-	-	-	(19,200)
Assays and analysis	47,862	2,942	-	22,428	4,147	-	77,379
Camp and supplies	24,275	2,445	-	47,052	2,559	863	77,194
Drilling	701,953	87,309	-	467,954	-	-	1,257,216
Equipment rental	69,096	6,641	-	33,255	-	-	108,992
Environmental	-	-	-	8,947	-	-	8,947
Field supplies and wages	67,526	4,303	-	13,707	986	1,395	87,917
General exploration	44,032	15	-	12,367	301	948	57,663
Geological and geophysical services	233,118	323	3,044	345,034	30,403	26,352	638,274
Project supervision	121,013	15,718	-	11,068	1,620	2,253	151,672
Stock-based compensation	7,292	348	-	6,175	830	587	15,232
Travel and related costs	15,548	-	-	14,384	-	437	30,369
Vehicle expenses	31,627	6,599	-	20,652	2,984	632	62,494
Total additions during the year	1,344,142	126,643	3,044	1,003,023	43,830	33,467	2,554,149
Write-off during the year	-	-	(4,775)	-	-	-	(4,775)
Balance as at April 30, 2008	2,735,694	915,131	-	1,118,382	96,845	33,467	4,899,519
Total mineral property expenditures as at April 30, 2008							
	3,237,387	1,096,822	-	1,308,365	277,527	67,925	5,988,026

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

6. Mineral Properties, continued

Deferred mineral property costs, by property for the year ended April 30, 2007, are as follows:

Year ended April 30, 2007	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Total
	\$	\$	\$	\$	\$	\$
Acquisition costs						
Balance as at April 30, 2006	81,924	124,162	62,042	69,316	-	337,444
Additions during the year	172,180	29,789	11,171	48,379	45,966	307,485
Balance as at April 30, 2007	254,104	153,951	73,213	117,695	45,966	644,929
Exploration						
Balance as at April 30, 2006	285,508	776,674	1,731	86,857	-	1,150,770
Additions during the year						
Advances	23,191	-	-	-	-	23,191
Assays and analysis	74,315	-	-	-	2,953	77,268
Camp costs	13,959	814	-	524	1,994	17,291
Consulting and project supervision	122,731	4,072	-	571	1,701	129,075
Drilling	555,752	-	-	-	-	555,752
Equipment rental	31,233	-	-	396	-	31,629
Exploration support	7,202	438	-	239	71	7,950
Field supplies and wages	110,981	1,012	-	1,547	10,905	124,445
Geological services	102,334	3,336	-	19,811	26,581	152,062
Repairs and maintenance	-	-	-	514	-	514
Travel and related costs	37,286	2,142	-	2,652	5,687	47,767
Vehicle	27,060	-	-	2,248	3,123	32,431
Total additions during the year	1,106,044	11,814	-	28,502	53,015	1,199,375
Balance as at April 30, 2007	1,391,552	788,488	1,731	115,359	53,015	2,350,145
Total mineral property expenditures as at April 30, 2007	1,645,656	942,439	74,944	233,054	98,981	2,995,074

6. Mineral Properties, continued

Terms of the agreements for these properties are described below.

(a) Minas de Ameca – Mexico

La Sorpresa Property

On October 18, 2005, the Company signed a letter of intent to enter into an option to acquire a 100% interest in the project, comprising four mining concessions located approximately 80 kilometers from Guadalajara City.

Pursuant to the subsequent agreement dated December 16, 2005, the Company paid an initial \$78,243 (US \$67,000). To complete the purchase, the Company is required to make the following additional payments:

- (i) US \$33,000 on or before December 19, 2006 (Paid).
- (ii) US \$100,000 on or before December 19, 2007 (Paid).
- (iii) US \$200,000 on or before December 19, 2008.
- (iv) US \$600,000 on or before December 19, 2009.

Magistral Property

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd. (“Fury”), the Company entered into an option to acquire a 65% interest in the Magistral I mining exploration concession (“Magistral”).

Pursuant to the agreement with Fury, the Company’s commitments are as follows:

- (i) Issue 50,000 common shares on or before July 26, 2006 (Issued, see Note 8 (c)).
- (ii) Issue 50,000 common shares and incur in the aggregate a minimum of US \$100,000 in exploration expenditures on or before July 21, 2007 (Issued and incurred, see Note 8 (c)).
- (iii) Issue 50,000 common shares and incur in the aggregate a minimum of US \$450,000 in exploration expenditures on or before July 21, 2008 (Incurred).
- (iv) Issue 50,000 common shares and incur in the aggregate a minimum of US \$950,000 in exploration expenditures on or before July 21, 2009 (Incurred).
- (v) Issue 50,000 common shares and incur in the aggregate a minimum of US \$1,800,000 in exploration expenditures on or before July 21, 2010.
- (vi) Issue 250,000 common shares and incur in the aggregate a minimum of US \$3,000,000 in exploration expenditures on or before July 21, 2011.

6. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

Magistral Property, continued

Upon earning its interest, the Company shall enter into a joint venture agreement (the “JV Agreement”) with Fury for the development of Magistral and contribute 65% of all costs associated with the development of Magistral.

The JV Agreement provides for pro-rata dilution should either party fail to pay its share of such costs and expenses. Should either party allow their interest to dilute to less than a 10% interest, the joint venture interest will automatically convert to a 1% net smelter return (“NSR”) royalty.

On October 18, 2006, the Company won a bid 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. The mineral concession is subject to a 1% NSR payable to the Mexican government.

The El Magistral concession is considered part of the Magistral I concession pursuant to the terms of the option agreement with Fury. As such, all expenditures incurred on the property will be attributed to the Magistral I concession pursuant to the terms of the agreement with Fury as disclosed above.

Non-interest-bearing bonds of \$60,370 are being held in escrow by the Mexican Government as security for future reclamation costs on Magistral, and are refundable upon completion of the exploration and reclamation program on the properties. These bonds are as follows:

- (i) \$11,499 (Mexican peso 120,000) for the purchase of the property.
- (ii) \$48,871 (Mexican peso 510,000) in regard to the 1% NSR royalty.

Quila Property

Pursuant to an agreement dated January 19, 2007 with Soltoro Ltd., the Company entered into an option to acquire a 70% interest in the Quila Claims, Jalisco, Mexico.

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

- (i) Issue 50,000 common shares on or before February 1, 2007 (Issued, see Note 8 (c)).
- (ii) Issue 75,000 common shares and incur in the aggregate a minimum of US \$150,000 exploration in expenditures on or before January 19, 2008 (Issued and incurred, see Note 8 (c)).
- (iii) Issue 75,000 common shares and incur in the aggregate a minimum of US \$500,000 in exploration expenditures on or before January 19, 2009.

6. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

Quila Property, continued

- (iv) Issue 100,000 common shares and incur in the aggregate a minimum of US \$1,000,000 in exploration expenditures on or before January 19, 2010.
- (v) Issue 100,000 common shares and incur in the aggregate a minimum of US \$1,900,000 in exploration expenditures on or before January 19, 2011.
- (vi) Issue 100,000 common shares and incur in the aggregate a minimum of US \$3,000,000 in exploration expenditures on or before January 19, 2012.

(b) Pinabete Property - Mexico

Pursuant to an agreement dated August 16, 2004 and incorporated into an option agreement dated April 6, 2005, Anglo American Mexico S.A. de C.V. ("Anglo American") granted the Company an option to acquire a 100% undivided interest in the Pinabete Mineral Concessions located in southern Chihuahua, Mexico ("Pinabete").

To exercise the option, the Company is required to:

- (i) Issue an initial 200,000 common shares to Anglo American (Issued).
- (ii) Issue a further 50,000 common shares and incur in the aggregate a minimum of US \$200,000 in exploration expenditures on or before December 12, 2005 (Issued and incurred).
- (iii) Issue a further 50,000 common shares and incur in the aggregate a minimum of US \$ 400,000 in exploration expenditures on or before December 12, 2006 (Issued and incurred, see Note 8 (c)).
- (iv) Issue a further 50,000 common shares and incur in the aggregate a minimum of US \$700,000 in exploration expenditures on or before December 12, 2007 (Issued and incurred, see Note 8 (c)).
- (v) Issue a further 50,000 common shares and incur in the aggregate a minimum of US \$2,000,000 in exploration expenditures on or before December 12, 2008.

If the Company meets the terms and conditions and elects to exercise the option, the Company would acquire a 100% undivided interest in Pinabete subject to a 1.5% NSR payable to Anglo American. Alternatively, in lieu of the 1.5% NSR, Anglo American has the right, for a period of 90 days after such election, to reduce the Company's interest from a 100% to a 40% working interest by paying to the Company an amount equal to 200% of its total expenditures incurred on Pinabete. Anglo American has the right to further reduce the Company's interest to a 35% working interest by completing a pre-feasibility study.

6. Mineral Properties, continued

(c) Cristoforos Property - Mexico

Pursuant to an agreement dated June 22, 2005, the Company entered into an option to acquire a 100% interest in the Cristoforos property located in Chihuahua, Mexico. These claims are contiguous to the Pinabete property.

During the year ended April 30, 2008, the Company relinquished its right to the property and, accordingly, \$158,313 (acquisition costs of \$153,538 and \$4,775 in exploration cost) was written off and included in the statement of operations and deficit.

(d) Tombstone Property – Arizona, USA

Pursuant to an agreement dated May 26, 2005, the Company has an exclusive option to acquire an undivided 100% interest in certain claims located in the state of Arizona referred to as the Tombstone property. To acquire a 100% interest in the property, the Company paid US \$20,000 upon signing the agreement and is required to make US \$670,000 in staged payments over the next five years as follows:

- (i) US \$20,000 on or before June 1, 2006 (Paid).
- (ii) US \$50,000 on or before June 1, 2007 (Paid).
- (iii) US \$100,000 on or before June 1, 2008 (Subsequently paid).
- (iv) US \$200,000 on or before June 1, 2009.
- (v) US \$300,000 on or before June 1, 2010.

The 100% undivided interest in the Tombstone property is subject to a 2% NSR payable to the optionors. The optionors have granted to the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 for each increment.

A non-interest-bearing bond in the amount of \$7,937 (US \$7,880) is held in escrow by the US Department of the Interior – Bureau of Land Management as security for future reclamation costs and is refundable upon completion of the exploration and reclamation program on the property.

(e) Oro Property – New Mexico, USA

Pursuant to an agreement dated August 28, 2006, the Company entered into an option to acquire a 100% interest in the Oro Claims, Grant Country, New Mexico. To acquire a 100% interest in the property, the Company paid US \$10,000 on August 28, 2006 and will be required to make staged payments totaling US \$680,000 over the next five years as follows:

- (i) US \$10,000 on or before February 28, 2007 (Paid).

6. Mineral Properties, continued

(e) Oro Property – New Mexico, USA, continued

- (ii) US \$20,000 on or before August 28, 2007 (Paid).
- (iii) US \$50,000 on or before August 28, 2008.
- (iv) US \$100,000 on or before August 28, 2009.
- (v) US \$200,000 on or before August 28, 2010.
- (vi) US \$300,000 on or before August 28, 2011.

If the Company meets the above terms and conditions and elects to exercise the option, the Company would acquire a 100% undivided interest in the Oro property subject to a 2% NSR payable to the optionors. The optionors have granted the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 for each increment.

Pursuant to an agreement dated October 26, 2007 the Company acquired a 100% interest in the American Mine claims, New Mexico, USA, consisting of eight patented lode mining claims and surface rights to a contiguous property. The American Mine claims are adjacent to the Oro property claims and will be reported under Oro property claims. Under this agreement, the Company is required to pay a total of US\$ 350,000 in the following stages:

- (i) US \$50,000 on signing of the agreement (Paid);
- (ii) US \$50,000 on or before October 26, 2008.
- (iii) US \$50,000 on or before October 26, 2009.
- (iv) US \$50,000 on or before October 26, 2010.
- (v) US \$75,000 on or before October 26, 2011.
- (vi) US \$75,000 on or before October 26, 2012.

(f) Dragoon Property – Arizona, USA

Pursuant to an agreement dated August 28, 2007, the Company has an option to acquire a 100% interest in certain claims located in the state of Arizona referred to as the Dragoon property.

To acquire a 100% interest in the property, the Company paid US \$20,000 on September 11, 2007 and will be required to make staged payments totaling US \$670,000 over the next five years as follows:

- (i) US \$20,000 on or before August 28, 2008.
- (ii) US \$50,000 on or before August 28, 2009.
- (iii) US \$100,000 on or before August 28, 2010.
- (iv) US \$200,000 on or before August 28, 2011.
- (v) US \$300,000 on or before August 28, 2012.

6. Mineral Properties, continued

(f) Dragoon Property – Arizona, USA, continued

Upon meeting the terms and conditions and electing to exercise the option, the Company will acquire a 100% interest in the Dragoon property subject to a 2% NSR payable to the optionors. The optionors have granted the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 for each increment.

(g) General

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 conveyancing 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.

(h) 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.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

7. Related Party Balances and Transactions

The Company entered into the following related party transactions during the year ended April 30, 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 as follows:

- \$108,000 in respect of office space and general administration services (2007 - \$80,000);
- \$76,171 in respect of professional services (2007 - \$22,654);
- \$58,171 in respect of consulting services (2007 - \$54,317);
- \$61,670 in respect of investor relations services (2007 - \$34,728);
- \$58,580 in respect of geological consulting services in relation to mineral properties (2007 - \$25,216); and
- \$28,010 in respect of the mark-up on out-of-pocket expenses which are included in office and general (2007 - \$14,505).

Amounts payable under the agreement at April 30, 2008 were \$37,599 (2007 - \$6,630). As of April 30, 2008, prepayment of \$8,000 (2007 - \$Nil) was made in relation to the office space and administration services.

(b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$104,000 (2007 - \$70,000) for consulting services. Amounts payable as at April 30, 2008 were \$9,000 (2007 - \$Nil).

(c) Fees in the amount of \$21,803 (2007 - \$11,565) 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 April 30, 2008 were \$3,058 (2007 - \$2,379).

(d) Consulting fees relating to corporate development of \$54,000 (2007 - \$224,000) were charged by a private company controlled by a director and an officer of the Company.

(e) Consulting fees relating to office administration of \$35,250 (2007 - \$35,325) were charged by a private company controlled by an officer of the Company. Amounts payable as at April 30, 2008 were \$2,100 (2007 - \$Nil).

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.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

8. 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 (Note 4)	Contributed Surplus (Note 4)
Balance as at April 30, 2006		25,133,921	\$ 11,796,014	\$ 879,546
Issued				
Private placements	Note 8 (b)	13,000,000	6,500,000	-
Issued to agents for private placement	Note 8 (b)	85,400	42,700	-
Exercised share purchase warrants	Note 8 (e)	1,437,500	419,000	-
Exercised stock options	Note 8 (d)	145,000	60,400	-
Issued to acquire mineral properties	Note 8 (c)	150,000	86,000	-
Fair value of stock options exercised		-	51,343	(51,343)
Stock-based compensation	Note 8 (g)	-	-	1,198,617
		14,817,900	7,159,443	1,147,274
Share issue costs	Note 8 (b)	-	(813,449)	481,312
Balance as at April 30, 2007		39,951,821	18,142,008	2,508,132
Issued				
Exercised share purchase warrants	Note 8 (e)	2,572,500	771,750	-
Issued to acquire mineral properties	Note 8 (c)	175,000	67,500	-
Stock-based compensation	Note 8 (g)	-	-	184,555
		2,747,500	839,250	184,555
Balance as at April 30, 2008		42,699,321	\$ 18,981,258	\$ 2,692,687

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

8. Share Capital, continued

(b) Private Placements

Year ended April 30, 2008

No private placements were announced or completed by the Company during the year ended April 30, 2008.

Year ended April 30, 2007

In February 2007, the Company completed a private placement of 13,000,000 units at \$0.50 per unit for gross proceeds of \$6,500,000. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at \$0.60 to February 24, 2009. The Company incurred total share issuance costs of \$813,449.

Share issue costs were as follows:

- (i) Finders' fees of \$255,750, being 7% of the value of the units placed by agents.
- (ii) Other general cash share issue costs were \$33,687.
- (iii) 85,400 units were issued to the agents, each unit on the same terms as above. The units were valued at \$0.50 per share for a cost of \$42,700.
- (iv) 122,000 share purchase warrants were issued to the agents, each warrant exercisable at \$0.60 to February 24, 2009. The share purchase warrants were valued at \$0.42 per warrant for a cost of \$51,803 using the Black-Scholes option pricing model.
- (v) 645,000 options to purchase units at \$0.50 were issued to agents, each unit on the same terms as above. Using the Black-Scholes pricing model, these options were valued at \$0.45 per unit for a cost of \$292,571 and the attached warrants were valued at \$0.42 per warrant for a cost of \$136,938, for a total cost of \$429,509.

(c) Shares Issued for Mineral Properties

During the year ended April 30, 2008, the Company issued 175,000 common shares valued at \$67,500:

- (i) 50,000 common shares at a deemed value of \$0.60 per share, \$30,000 in total, pursuant to an option to acquire a 65% interest in the Magistral I, Mexican mining exploration concession (Note 6 (a)).
- (ii) 75,000 common shares at a deemed value of \$0.30 per share, \$22,500 in total, pursuant to an option agreement to acquire a 70% undivided interest in the Quila property, Mexico (Note 6 (a)).

8. Share Capital, continued

(c) Shares Issued for Mineral Property, continued

- (iii) 50,000 common shares at a deemed value of \$0.30 per share, \$15,000 in total, pursuant to an option agreement to acquire a 100% undivided interest in the Pinabete property, Mexico (Note 6 (b)).

During the year ended April 30, 2007, the Company issued 150,000 common shares valued at \$86,000.

- (i) 50,000 common shares valued at \$0.35 per share, \$17,500 in total, pursuant to the acquisition of the Magistral I property (Note 6 (a)).
- (ii) 50,000 common shares valued at \$0.70 per share, \$35,000 in total, pursuant to the acquisition of the Quila property, Mexico (Note 6 (a)).
- (iii) 50,000 common shares valued at \$0.67 per share, \$33,500 in total, pursuant to the terms of the Pinabete property agreement (Note 6 (b)).

(d) Stock Options

As at April 30, 2008 and 2007, 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 April 30, 2008, 4,217,500 of the 4,267,500 options outstanding were exercisable with the remaining 50,000 vesting over the next year. As at April 30, 2007, 3,793,333 of the 3,897,500 options outstanding were exercisable with the remaining 104,167 vesting over the next year.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

8. Share Capital, continued

(d) Stock Options, continued

Exercise Price	Expiry Date	Balance April 30, 2007	Granted	Cancelled or Expired	Balance April 30, 2008
\$0.65	December 10, 2009	927,500	-	100,000	827,500
\$0.30	October 13, 2010	215,000	-	10,000	205,000
\$0.51	November 8, 2010	450,000	-	15,000	435,000
\$0.83	January 16, 2011	230,000	-	25,000	205,000
\$0.82	March 27, 2011	125,000	-	-	125,000
\$0.88	June 1, 2011	550,000	-	90,000	460,000
\$0.58	March 1, 2012	1,300,000	-	65,000	1,235,000
\$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	-	625,000
		3,897,500	675,000	305,000	4,267,500
Weighted average exercise price		\$0.64	\$0.24	\$0.72	\$0.57
Weighted average fair value		\$0.65	\$0.24	\$0.71	\$0.58
Weighted average contractual life					3.21

Exercise Price	Expiry Date	Balance April 30, 2006	Granted	Exercised	Balance April 30, 2007
\$0.65	December 10, 2009	927,500	-	-	927,500
\$0.30	October 13, 2010	310,000	-	95,000	215,000
\$0.51	November 8, 2010	480,000	-	30,000	450,000
\$0.83	January 16, 2011	250,000	-	20,000	230,000
\$0.82	March 27, 2011	125,000	-	-	125,000
\$0.88	June 1, 2011	-	550,000	-	550,000
\$0.58	March 1, 2012	-	1,300,000	-	1,300,000
\$0.58	March 26, 2012	-	100,000	-	100,000
		2,092,500	1,950,000	145,000	3,897,500
Weighted average exercise price		\$0.60	\$0.66	\$0.42	\$0.64
Weighted average fair value		\$0.63	\$0.66	\$0.45	\$0.65
Weighted average contractual life					3.88

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

8. Share Capital, continued

(e) Share Purchase Warrants

The Company's share purchase warrants for the years ended April 30, 2008 and 2007 are summarized as follows:

Exercise Price	Expiry Date	Balance April 30, 2007	Cancelled or Expired	Exercised	Balance April 30, 2008
\$0.30	October 31, 2007	2,480,000	-	2,480,000	-
\$0.30	October 31, 2007	92,500	-	92,500	-
\$1.00	April 7, 2008	600,000	600,000	-	-
\$0.60	February 24, 2009	6,542,700	-	-	6,542,700
\$0.60	February 24, 2009	122,000	-	-	122,000
		9,837,200	600,000	2,572,500	6,664,700
Weighted average exercise price		\$0.55	\$1.00	\$0.30	\$0.60

Exercise Price	Expiry Date	Balance April 30, 2006	Issued	Cancelled or Expired	Exercised	Balance April 30, 2007
\$0.20	December 14, 2006	645,000	-	35,000	610,000	-
\$0.60	April 11, 2007	1,652,500	-	1,540,000	112,500	-
\$0.60	April 11, 2007	197,500	-	147,500	50,000	-
\$0.30	October 31, 2007	3,140,000	-	-	660,000	2,480,000
\$0.30	October 31, 2007	97,500	-	-	5,000	92,500
\$1.00	April 7, 2008	600,000	-	-	-	600,000
\$0.60	February 24, 2009	-	6,542,700	-	-	6,542,700
\$0.60	February 24, 2009	-	122,000	-	-	122,000
		6,332,500	6,664,700	1,722,500	1,437,500	9,837,200
Weighted average exercise price		\$0.44	\$0.60	\$0.59	\$0.29	\$0.55

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

8. Share Capital, continued

(f) Agent Options

No agent options were granted, exercised, cancelled or expired during the year ended April 30, 2008.

As part of the private placement in February 2007, options were issued to the agents (Note 8(b) (v)). 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, 2007	Granted	Cancelled or Expired	Exercised	Balance April 30, 2008
\$0.50	February 24, 2009	645,000	-	-	-	645,000

(g) 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 year ended April 30, 2008 was included in the statement of operations and the balance sheet as follows:

	2008	2007
Consulting	\$ 66,066	\$ 769,758
Independent directors' fees	36,634	13,817
Wages and benefits	66,623	415,042
Mineral properties	15,232	-
Total	\$ 184,555	\$ 1,198,617

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

9. Income Taxes

The Company has available approximate non-capital losses that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

Available to	Amount
2010	\$ 125,000
2014	138,000
2015	541,000
2016	1,292,000
2017	1,384,000
2018	1,928,000
2026	830,000
2027	1,206,000
2028	2,802,000
	\$ 10,246,000

The future benefits of these losses and deductions have not been recorded in the accounts. A reconciliation of income tax provision computed at statutory rates to the reported income tax provision is provided as follows:

	2008	2007
Income tax rate	34.10%	34.10%
Income tax benefit computed at Canadian statutory rates	\$ 592,355	\$ 818,671
Permanent differences	(109,287)	(410,032)
Temporary difference	(3,849)	(20,603)
Change resulting from tax rate reduction	(417,482)	-
Unutilized tax losses	(61,737)	(388,036)
	\$ -	\$ -

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

9. Income Taxes, continued

Significant components of the Company's future income tax assets, after applying enacted corporate income tax rates, are as follows:

	2008	2007
	28%	34.1%
Future income tax assets		
Book value over tax value of mineral properties	\$ (953,089)	\$ (28,684)
Net tax losses carried forward	2,868,880	1,916,761
Tax value over book value of assets	3,160	-
Cumulative eligible capital deductions	430	523
	1,919,381	1,888,600
Valuation allowance	(1,919,381)	(1,888,600)
Future income tax assets, net	\$ -	\$ -

10. Segmented Information

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

	2008		2007	
	\$	%	\$	%
Canada	11,308	1%	-	-
Mexico	4,394,579	72%	2,727,135	89%
USA	1,664,010	27%	332,035	11%
	6,069,897	100%	3,059,170	100%

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2008 and 2007

11. Supplemental Cash Flow Information

	2008	2007
Cash Items		
Interest received	\$ 181,335	\$ 94,270
Share issue costs	\$ -	\$ 33,687
Finders' fees	\$ -	\$ 255,750
Non-Cash Items		
Accrued interest	\$ -	\$ 16,608
Investing Activities		
Mineral property costs included in accounts payable	\$ 248,230	\$ 49,913
Mineral property costs included in due to related parties	\$ 3,240	\$ -
Stock-based compensation included in mineral properties	\$ 15,232	\$ -
Financing Activities		
Fair value of agent warrants	\$ -	\$ 69,934
Fair value of agent options	\$ -	\$ 429,509
Shares issued for mineral property	\$ 67,500	\$ 86,000
Shares issued for finders' fees	\$ -	\$ 42,700
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

12. 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.

12. Contingencies and Commitments, continued

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	96,000
2010	96,000
2011	96,000
2012	96,000
2013	16,000

Pursuant to a consulting agreement, as amended, between the Company and Value Relations GmbH in Germany, the Company is charged Euro 2,500 monthly for value relation services. The agreement is in effect until it expires on December 31, 2008.

13. Subsequent Events

Tombstone Property – Arizona, USA

Pursuant to an agreement dated May 26, 2005 (Note 6(d)), the Company made a staged payment of US \$100,000 on May 13, 2008.

Stock options

Pursuant to the Company stock option plan (Note 8 (d)), 35,000 options issued were cancelled subsequent to April 30, 2008.

- 10,000 stock options with an exercise price of \$0.83 and expiry date of January 16, 2011
- 25,000 stock options with an exercise price of \$0.58 and expiry date of March 1, 2012.



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

In respect of the year ended April 30, 2008

Dated: August 19, 2008

Index Page

A -	Introduction	2
B -	Qualified person	2
C -	Exchange information and conversion tables	3
D -	Description of business	4
E -	Description of mineral properties	4
F -	Mineral properties deferred costs	10
G -	Results of operations	12
H -	Quarterly results	13
I -	Selected financial information	14
J -	Related party transactions	14
K -	Financial conditions, liquidity and capital resources	15
L -	Outstanding shares, options and share purchase warrants	17
M -	Subsequent events and outlook	19
N -	Financial instruments	19
O -	Off-balance sheet arrangements	19
P -	Use of estimates	19
Q -	Disclosure controls and procedures	19
R -	Risks and uncertainties	19
S -	Changes in accounting policies, including initial adoption	21
T -	Licenses and permits	22
U -	Proposed transactions	22
V -	Forward-looking statements	22

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 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 Newcastle Silver Mines Ltd., (the "Company") compares results for the year ended April 30, 2008 to the same period in the previous year. These statements should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2008. All notes referenced herein may be found in the audited 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 August 19, 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 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 year ended April 30, 2008

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

	Canadian Dollars per US Dollar ⁽¹⁾	
	Year ended	
	April 30 2008	April 30 2007
Rate at end of period	1.0072	1.1169
Average rate for period	1.0053	1.1450
High for period	1.0265	1.1873
Low for period	0.9765	1.1028

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 year ended April 30, 2008

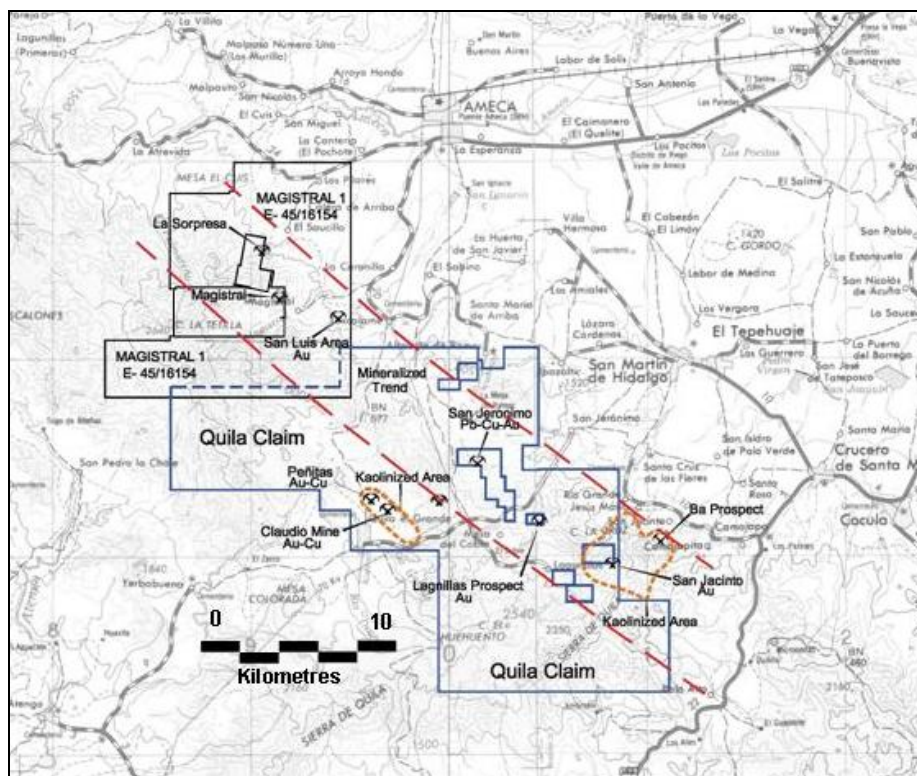
D. Description of Business

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 chalcopirite, 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 year ended April 30, 2008

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

La Sorpresa Property – Jalisco , Mexico

The La Sorpresa prospect in Jalisco, Mexico, consists of four mining concessions covering 360 hectares located approximately 80 kilometers west-southwest of Guadalajara City. This is a copper prospect with the potential to develop both high-grade copper-rich quartz-tourmaline breccias and bulk tonnage targets of disseminated copper sulphides hosted by altered granodiorite.

On October 18, 2005, the Company signed a letter of intent in respect of the La Sorpresa mineral concessions to acquire a 100% interest in the project for a total cost of US\$1,000,000, and both parties signed a formal contract and in December 2005. Terms were consistent with the letter of intent previously signed. (See Note 6 (a) to the audited consolidated financial statements dated April 30, 2008 for further details).

The La Sorpresa claims cover an area of mineralized quartz-tourmaline breccias hosted by andesitic volcanics and quartz-monzonite to granodiorite intrusive. Mapping and surface sampling on the property has revealed several areas of copper mineralization (>1% Cu) within the breccias. Phase I drilling proceeded in the spring of 2006.

Two phases of drilling totaling 3,415 metres have been completed on the property. Highlights of this work include anomalous copper values of up to **0.26% Cu over 61.5 metres, 0.35% Cu over 18 metres and 10 metres grading 0.41% Cu**. Mineralization in the area of the Main Breccia remains partially open and sub-vertical feeders to the mineralized lens remain only partially defined.

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.

On May 22, 2007, the Company announced the start of follow-up drilling on the Minas de Ameca project. Gold- and copper-enriched quartz-hematite veins in the San Luis and Cerro de la Cruz prospect areas occur along the contact between altered felsic and monzonitic intrusive rocks. The veins are interpreted as high level (epithermal) expressions of deeper, porphyry-related mineralization. Recently conducted IP geophysics over this mineralized area has traced the associated east-west-trending geophysical anomaly a total of 1,400 metres along strike and to over 400 metres depth.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco , Mexico, continued

Magistral I, continued

As of January, 2008 a total of 4,832 metres of drilling had been completed in 20 drill holes over two phases of drilling. 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.

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	195.85	199.20	3.35	1.92	5.07	49.81	4.32
Includes				214.10	216.90	2.80	1.61	1.33	9.20	0.84
07SL-04**	180	-60	149.80	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	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	1.80	0.60	12.92	0.75
Includes				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
Includes				98.00	100.00	2.00	1.73	1.96	4.20	0.31

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 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 and have been submitted for assay.

ii) Pinabete Property – Chihuahua, Mexico

The Company has an option to acquire a 100% undivided interest in the 4,649-hectare Pinabete Mineral Concessions located in southern Chihuahua, Mexico ("Pinabete"). The Property occurs along the southern extension of the Sierra Madre Occidental, which is one of the most historically prolific regions of silver-lead-zinc carbonate replacement deposits (CRD) in the world.

The option on the Pinabete property was acquired pursuant to a non-binding letter agreement dated August 16, 2004, as incorporated into a binding option agreement dated April 6, 2005, with Anglo American Mexico S.A. de C.V. ("Anglo American"). (see Note 6 (b) to the audited consolidated financial statements dated April 30, 2008 for details).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

E. Description of Mineral Properties, continued

ii) Pinabete Property – Chihuahua, Mexico, continued

Previous work by Anglo American confirmed a large area of hydrothermal alteration, corresponding to a 5 kilometer long under-explored belt of historical mineral showings and favourable lithology stretching across the property. Anglo American conducted a short three hole diamond-drilling program that identified high-grade silver-lead-zinc mineralization over 7.7 meters and several priority targets for follow-up mapping, sampling and drill testing.

Drilling results from the Company's diamond drilling programs indicated the potential for discovery of mineralization in two separate zones in the large property: the Pinabete zone and the El Papalote zone. Mineralization through the zone averages greater than 1% combined lead and zinc with narrower higher grade intervals returning up to 1.8% Pb and 3.6% Zn. Skarn mineralization with highs of 2.1% Pb and 4.1% Zn over 1.7 meters were tested along the margins of the lower felsite intrusive in the Pinabete zones.

Future exploration includes drilling up to 1,000 metres, which will test the potential for Ag-Pb-Zn-rich replacement bodies and skarn along the margins of a large rhyolite stock exposed to the northeast of the previously tested mineral horizons. Previous work on this target by Anglo American identified a large AMT geophysical anomaly and was tested with one drill hole. Drilling encountered altered and pyritized volcanic stratigraphy but failed to adequately test carbonate horizons along the margins of the felsic intrusive.

The company completed two drill holes for a total of 461 metres from April to May 2008. A third hole could not be completed due to difficult drilling conditions. Assays returned 1 to 3 metre thick intervals of anomalous Ag mineralization and weakly anomalous zinc values

iii) Cristoforos Property – Chihuahua, Mexico

In June 2005, the Company reached an agreement with the owners of certain mineral concessions in Chihuahua, Mexico, referred to as the Cristoforos property, to acquire a 100% interest (see Note 6 (c) to the audited consolidated financial statements dated April 30, 2008).

During the year ended April 30, 2008, the Company relinquished its right to the property and, accordingly, \$158,313 (acquisition costs of \$153,538 and \$4,775 in exploration cost) was written off and included in the statement of operations and deficit.

iv) 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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

E. Description of Mineral Properties, continued

iv) Tombstone Property – Arizona, USA, continued

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. Assays are pending. 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).

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 2008 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).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 6 of the audited consolidated financial statements dated April 30, 2008. The deferred mineral property costs as at April 30, 2008 were as follows:

	Balance	Additions					Total
	April 30, 2007	Q1	Q2	Q3	Q4	Year	April 30, 2008
	\$	\$	\$	\$	\$	\$	\$
Minas de Ameca	1,645,656	662,698	342,048	435,201	151,784	1,591,731	3,237,387
Pinabete	942,439	4,285	22,805	23,475	103,818	154,383	1,096,822
Cristoforos	74,944	80,325	3,044	-	(158,313)	(74,944)	-
Tombstone	233,054	75,294	92,277	254,278	653,462	1,075,311	1,308,365
Oro	98,981	33,124	120,449	24,973	-	178,546	277,527
Dragoon	-	-	37,509	23,216	7,200	67,925	67,925
Total	2,995,074	855,726	618,132	761,143	757,951	2,992,952	5,988,026

The prepaid expenses and deposits on the balance sheet of the audited consolidated financial statements as at April 30, 2008 included \$125,900 (US\$145,000) prepaid for drilling services on Tombstone, Dragoon properties and Minas de Ameca project.

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Dragoon	Total
	\$	\$	\$	\$	\$	\$	\$
Acquisition	501,693	181,691	-	189,983	180,682	34,458	1,088,507
Advances	3,991	-	-	-	-	-	3,991
Assays and analysis	128,726	55,438	-	24,818	7,100	-	216,082
Camp and supplies	38,234	8,665	-	47,576	4,553	863	99,891
Drilling services	1,257,705	514,738	-	467,956	-	-	2,240,399
Environmental	-	-	-	8,947	-	-	8,947
Equipment rental	121,348	50,014	-	33,651	-	-	205,013
Field supplies	24,418	164	-	13,237	1,050	-	38,869
General exploration	122,265	26,127	-	15,857	372	948	165,569
Geological and geophysical services	446,803	165,215	-	410,878	56,984	26,354	1,106,234
Project supervision	266,326	19,790	-	38,623	3,320	2,253	330,312
Project support	182,118	23,983	-	2,018	10,842	1,395	220,356
Repair and maintenance	-	23,594	-	2,314	-	-	25,908
Stock-based compensation	7,292	348	-	6,175	831	586	15,232
Travel and related costs	77,165	18,617	-	23,432	5,687	437	125,338
Vehicle expenses	59,303	8,438	-	22,900	6,106	631	97,378
Total as at April 30, 2008	3,237,387	1,096,822	-	1,308,365	277,527	67,925	5,988,026

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

F. Mineral Properties Expenditures, continued

The deferred mineral property costs as at April 30, 2007, were as follows:

	Balance	Additions					Total
	April 30, 2006	Q1	Q2	Q3	Q4	Year	April 30, 2007
	\$	\$	\$	\$	\$	\$	\$
Minas de Ameca	367,432	263,677	229,933	275,971	508,643	1,278,224	1,645,656
Pinabete	900,836	5,957	3,467	31,317	862	41,603	942,439
Crestoforos	63,773	11,171	-	-	-	11,171	74,944
Tombstone	156,173	53,866	17,803	1,400	3,812	76,881	233,054
Oro	-	-	24,138	30,446	44,397	98,981	98,981
Total	1,488,214	334,671	275,341	339,134	557,714	1,506,860	2,995,074

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Total
	\$	\$	\$	\$	\$	\$
Acquisition	254,104	153,951	73,213	117,695	45,966	644,929
Advances	23,191	-	-	-	-	23,191
Assays and analysis	80,864	52,496	-	2,390	2,953	138,703
Camp and supplies	13,959	6,220	-	524	1,994	22,697
Drilling services	555,752	427,428	-	-	-	983,180
Equipment rental	52,252	43,373	-	396	-	96,021
Field supplies	11,595	-	369	-	568	12,532
General exploration	78,233	26,115	233	3,493	71	108,145
Geological and geophysical services	213,685	164,892	-	65,844	26,581	471,002
Project supervision	145,313	4,072	-	27,555	1,701	178,641
Project support	127,416	19,844	344	1,547	10,337	159,488
Repair and maintenance	-	23,594	-	2,314	-	25,908
Travel and related costs	61,616	18,615	785	9,048	5,687	95,751
Vehicle expenses	27,676	1,839	-	2,248	3,123	34,886
Total as at April 30, 2007	1,645,656	942,439	74,944	233,054	98,981	2,995,074

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

G. Results of Operations

Significant variances are summarized below:

	Year ended April 30,		Variance	
	2008	2007	Increase/(Decrease)	
	\$	\$	\$	%
Expenses				
Administration	108,000	80,000	28,000	35%
Consulting services	264,819	490,315	(225,496)	(46%)
Independent directors' fees	40,125	3,000	37,125	1238%
Investor relations	194,715	179,471	15,244	8%
Office and general	111,899	98,106	13,793	14%
Professional fees	181,285	100,196	81,089	81%
Regulatory fees and taxes	15,803	20,993	(5,190)	(25%)
Shareholders' communications	19,208	15,034	4,174	28%
Transfer agent	12,701	15,507	(2,806)	(18%)
Travel and promotion	116,597	86,881	29,716	34%
Stock-based compensation	169,323	1,198,617	(1,029,294)	(86%)
Interest income	(181,335)	(110,878)	70,457	64%
Foreign exchange loss	488,262	188,940	299,322	158%
General exploration	26,110	34,614	(8,504)	(25%)
Write off of mineral properties	158,313	-	158,313	100%

The Company reported a net loss of \$1,737,112 for the year ended April 30, 2008 ("2008") compared to a net loss of \$2,400,796 for the year ended April 30, 2007 ("2007"). This reduction in net loss of \$ 663,684 was primarily due to a decrease in stock-base compensation from \$ 1,198 617 in 2007 to \$169,323 in 2008.

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.

Excluding stock-based compensation, the loss in 2008 was \$1,567,789 compared to the loss of \$1,202,179 in 2007. This increase of \$365,610 was primarily due to the following:

- i) Administration fees increased to \$108,000 in 2008 compared to \$80,000 for 2007 due to an increase in the administration fees paid by the Company, in accordance with an agreement with a related party (see Note J of this MD&A).
- ii) Consulting fees decreased by \$225,496 from \$ 490,315 in 2007 to \$264,819 for 2008 due to the restructure of consulting fees and reduction in related services.
- iii) Directors' fees increased to \$40,125 in 2008 compared to \$3,000 for 2007 due to the Company's current independent directors' compensation policy.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

G. Results of Operations, continued

- iii) Professional fees increased to \$181,285 in 2008 compared to \$100,196 for 2007 due to the increased requirement for professional services.
- iv) Shareholders' communications costs increased to \$19,208 in 2008 compared to \$15,034 for 2007 due to an increase in the number of news releases and dissemination costs.
- v) Travel and promotion costs increased to \$116,597 in 2008 compared to \$86,881 for 2007 due to increase in travel for trade shows and analyst meetings.
- vi) Interest income increased to \$181,335 in 2008 compared to \$110,878 for 2007 due to an increase in cash available for placement.
- vii) Foreign exchange loss increased to \$488,262 in 2008 compared to \$188,940 for 2007 due to a high volume of US\$ transactions, US\$ balances maintained, and unfavorable exchange rates experienced in the first six months of the fiscal year.
- viii) General exploration expenses decreased by \$8,504 from \$34,614 in 2007 to \$26,110 for 2008 due to decrease in the consideration of potential new properties.
- ix) Write off of mineral properties represent write off of Cristoforos property in Mexico (Note E (iii)).

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								
	Apr 30,	Jan 31,	Oct 31,	Jul 31,	Apr 30,	Jan 31,	Oct 31,	Jul 31,	Apr 30,
	2008	2008	2007	2007	2007	2007	2006	2006	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating expenses	292,837	273,600	250,494	259,508	465,062	243,184	225,818	155,439	190,772
Interest earned	(17,647)	(39,877)	(54,651)	(69,160)	(58,057)	(11,275)	(19,184)	(22,362)	(13,106)
Foreign exchange loss (gain)	(11,000)	(147,178)	414,958	231,482	235,411	(31,309)	11,740	(26,902)	866
General exploration	(1,334)	13,371	9,085	4,988	998	15,548	15,984	2,084	6,669
Write off of mineral properties	158,313	-	-	-	-	-	-	-	-
Write off of accrued liabilities	-	-	-	-	-	-	-	-	(14,124)
Loss before the following item	421,169	99,916	619,886	426,818	643,414	216,148	234,358	108,259	171,077
Stock-based compensation	110,631	4,606	54,086	-	783,834	-	22,526	392,257	55,341
Net Loss	531,800	104,522	673,972	426,818	1,427,248	216,148	256,884	500,516	226,418
Loss per share - basic and diluted	\$0.01	\$0.00	\$0.02	\$0.01	\$0.05	\$0.01	\$0.01	\$0.02	\$0.01

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

I. Selected Financial Information

The following financial data was derived from the Company's consolidated financial statements for each of the two most recently completed fiscal years ending April 30:

	2008	2007
Cash and cash equivalents	2,575,224	6,261,745
Working capital	2,613,107	6,337,141
Total assets	9,031,488	9,494,620
Shareholders' equity	8,683,004	9,396,311
Accumulated deficit	12,990,941	11,253,829
Number of shares - issued and outstanding	42,699,321	39,951,821

J. Related Parties Transactions

The Company entered into the following related party transactions during the year ended April 30, 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, accounting services, consulting services, investor relations services, geological services and a mark-up for out-of-pocket expenses. Total expenses charged for the year ended April 30, 2008 were \$390,602 (year ended April 30, 2007: \$231,420). Amounts payable under the agreement as at April 30, 2008 were \$37,599 (Year ended April 30, 2007: \$6,630). Prepayment of \$8,000 (2007 – Nil) was made in relation to the office space and administration services.

(b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$ 104,000 (Year ended April 30, 2007: \$70,000) for consulting services. Amounts payable as at April 30, 2008 were \$ 9,000 (Year ended April 30, 2007: \$Nil).

(c) Fees in the amount of \$21,803 (Year ended April 30, 2007: \$11,565) 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 April 30, 2008 were \$3,058 (Year ended April 30, 2007: \$2,379).

(d) Consulting fees relating to corporate development of \$54,000 (year ended April 30, 2007: \$224,000) were charged by a private company controlled by a director and an officer of the Company.

(e) Consulting fees relating to office administration of \$35,250 (year ended April 30, 2007: \$35,325) were charged by a private company controlled by an officer of the Company. Amounts payable as at April 30, 2008 were \$2,100 (Year ended April 30, 2007: \$Nil).

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 7 of the audited consolidated financial statements dated April 30, 2008.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 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 balance of \$2,613,107 as at April 30, 2008 compared to \$6,337,141 as at April 30, 2007. Cash and cash equivalents totaled \$2,575,224 and \$6,261,745 respectively.

i) Equity financings

The Company did not announce or complete any private placements for the year ended April 30, 2008.

Year ended April 30, 2007

In February 2007, the Company completed a private placement of 13,000,000 units at \$0.50 per unit for gross proceeds of \$6,500,000. Each unit consists of one common share and one half share purchase warrant exercisable at \$0.60 per share until February 24, 2009.

In connection with this financing, 85,400 units, 122,000 broker warrants exercisable at \$0.60 per share for a two-year period, 645,000 option certificates and \$225,000 in cash were issued and paid as finders' fee.

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

During the year ended April 30, 2008, 2,572,500 share purchase warrants at \$0.30 were exercised for gross proceeds of \$771,750. No stock options were exercised during the period.

Year ended April 30, 2007

During the year ended April 30, 2007 1,437,500 share purchase warrants and 145,000 stock options were exercised for gross proceeds of \$419,000 and \$60,400 respectively.

iii) Mineral properties expenditures

During the year ended April 30, 2008, the Company expended \$ 2,866,976 on mineral properties (net of shares issued for acquisition costs, stock-based compensation and ending balance of accounts payable for mineral properties). Approximately 53% of this amount was directed towards Minas de Amecca (10% La Sorpresa, 76% Magistral, and 14% Quila), 37% to Tombstone, 6% to Oro, 2% to Dragoon, and 2% to Pinabete.

Year ended April 30, 2007

During the fiscal year ended April 30, 2007, the Company spent \$1,370,947 on mineral expenditures, (net of shares issued for acquisition costs and amounts included in exploration costs payable) of which 57% was directed towards the La Sorpresa property, 18% Magistral, 9% Quila, 7% Oro, 5% Tombstone, 3% Pinabete and 1% Cristoforos.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

K. Financial Conditions, Liquidity and Capital Resources, continued

iv) Amounts receivable

As at April 30, 2008, the Company had \$9,833 GST receivable from the Canada Revenue Agency.

IVA, a 15% value added tax applied in Mexico to expenditures at source is included in receivables. As at April 30, 2008 IVA receivables amounted to \$122,698(US\$121,821).

VAT, a 19% value added tax applied in Germany to investors relation services rendered in the country, is included in receivables. As at April 30, 2008 VAT receivable was \$11,526(EUR 7,335).

The Company also recorded \$4,941(US\$4,906) receivable from advanced to various contractors working on the Company's mineral properties in Mexico.

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:

- (a) The Company is required to make payments for La Sorpresa property:
 - US \$200,000 on or before December 19, 2008;
 - US \$600,000 on or before December 19, 2009.
- (b) The Company has the following commitments on Magistral properties:
 - Incur an aggregate of at least US\$ 450,000 by July 21, 2008 (Incurred);
 - Incur an aggregate of at least US\$ 950,000 by July 21, 2009 (Incurred);
 - Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2008 for Magistral I property (Issued);
 - Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2009 for Magistral I property.
- (c) The Company has the following commitments on the 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.
- (d) The Company has the following commitments on the Pinabete property:
 - Incur an aggregate of at least US\$ 2,000,000 by December 12, 2008 (US\$732,234 incurred as at April 30, 2008);
 - Issue 50,000 common shares to Anglo American Mexico S.A. de C.V. on or before December 12, 2008.
- (e) The Company is required to make payments for the Tombstone property.
 - US \$100,000 on or before June 1, 2008 (paid);
 - US \$200,000 on or before June 1, 2009.
- (f) The Company is required to make the following payments for the Oro property:
 - US \$50,000 on or before August 28, 2008;
 - US \$50,000 on or before October 26, 2008;
 - US \$100,000 on or before August 28, 2009;
 - US \$50,000 on or before October 26, 2009.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

K. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

Mineral properties interests, continued

(h) The Company is required to make the following payments for the Dragoon property:

- US \$20,000 on or before August 28, 2008;
- US \$50,000 on or before August 28, 2009.

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.

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 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, as amended, between the Company and Value Relations GmbH in Germany, 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.

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 August 19, 2008 is as follows:

	Number of Shares	Total \$
Balance as at April 30, 2008	42,699,321	18,981,258
Transaction for the period	50,000	9,500
Balance as at August 19, 2008	42,749,321	18,990,758

The Company issued 50,000 common shares at a deemed value of \$0.19 per share, \$9,500 in total, pursuant to an option agreement to acquire a 65% interest in the Magistral I, Mexican mining exploration concession (Note 6(a)) as at July 18, 2008.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

L. Outstanding Shares, Options and Share Purchase Warrants, continued**ii) Share Purchase Warrants**

Warrants outstanding at August 19, 2008 are as follows:

Exercise Price	Expiry Date	Balance August 19, 2008
\$0.60	February 24, 2009	6,542,700
\$0.60	February 24, 2009	122,000
		6,664,700
Weighted average exercise price		\$0.60
Weighted average remaining contractual life in years		0.52

iii) Stock Options

Stock options outstanding at August 19, 2008 are as follows:

Exercise Price	Expiry Date	Balance August 19, 2008
\$0.65	December 10, 2009	827,500
\$0.30	October 13, 2010	205,000
\$0.51	November 8, 2010	435,000
\$0.83	January 16, 2011	195,000
\$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	625,000
		4,232,500
Weighted average exercise price		\$0.57
Weighted average remaining contractual life in years		2.90

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 of the Company, which consists of one common share and one-half of one share purchase warrant exercisable at \$0.60. Both the option and the underlying warrant expire on February 24, 2009. Agents' options outstanding as at August 19, 2008 were as follows:

Exercise Price	Expiry Date	Balance April 30, 2008	Issued	Cancelled or Expired	Exercised	Balance August 19, 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 year ended April 30, 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

Current securities policies in Canada require that management of the Company certifies that it has assessed the effectiveness of the Company's disclosure controls and procedures as at every interim and annual period. Management has concluded that the disclosure controls as at April 30, 2008 were effective in ensuring that all material information required to be filed had been provided to it in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings.

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

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

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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

R. Risks and Uncertainties, continued

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

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

The Company will need to continue its reliance on the sale of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under 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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

S. Changes in Accounting Policies, Including Initial Adoptions

Effective May 1, 2007 the Company adopted the 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) **Financial Instruments – Recognition and Measurement, Section 3855:** This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the amounts. It also specifies how financial instrument gains and losses are to be presented. As a result of the adoption of this standard, the Company's marketable securities have been designated as available for sale and recorded on the balance sheet at fair value, with changes in fair value recorded in other comprehensive income.
- b) **Comprehensive Income, Section 1530:** This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income for the company will include holding gains and losses on investments designated as available for sale.
- c) **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 Company will adopt the requirements of this standard effective May 1, 2008.
- d) **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 will adopt the requirements of this standard effective May 1, 2008.
- e) **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. The Company will adopt the requirements of this standard effective May 1, 2008.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2008

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

- f) In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with international financial reporting standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of April 30, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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.

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.