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Interim Consolidated Financial Statements

For the three months ended July 31, 2007 and 2006

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Notice of No Auditor Review of Interim Statement

These interim consolidated financial statements of the Company for the three months ended July 31, 2007, were prepared by management and have not been reviewed or audited by the Company's auditors.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Balance Sheets (Canadian Dollars)

| | | July 31, 2007 (Unaudited) | April 30, 2007 (Audited) |
|------------------------------------------|------------|------------------------------|-----------------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | \$ 5,199,181 | \$ 6,261,745 |
| Receivables | | 136,093 | 84,573 |
| Prepays and deposits | | 78,262 | 89,132 |
| | | 5,413,536 | 6,435,450 |
| Equipment and software, net | | 2,492 | - |
| Mineral properties | Note 5 | 3,851,557 | 2,995,074 |
| Bonds | Note 5 (a) | 61,235 | 64,096 |
| | | \$ 9,328,820 | \$ 9,494,620 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | \$ 185,596 | \$ 89,300 |
| Due to related parties | Note 7 | 29,731 | 9,009 |
| | | 215,327 | 98,309 |
| Shareholders' Equity | | | |
| Share capital | Note 8 (a) | 18,147,959 | 18,003,959 |
| Contributed surplus | Note 8 (a) | 2,646,181 | 2,646,181 |
| Deficit | | (11,680,647) | (11,253,829) |
| | | 9,113,493 | 9,396,311 |
| | | \$ 9,328,820 | \$ 9,494,620 |

Nature of operations (Note 1)

Contingent liabilities (Note 11)

Subsequent events (Note 12)

Approved on behalf of the Board

"Lawrence Page"

Lawrence Page, Q.C.

"Nazlin Rahemtulla"

Nazlin Rahemtulla

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Operations and Deficit (Canadian Dollars)
(Unaudited. Prepared by Management)

| | Three months ended July 31, | |
|------------------------------------------------------|------------------------------------|---------------------|
| | 2007 | 2006 |
| Expenses | | |
| Administration | \$ 30,000 | \$ 15,000 |
| Amortization | 255 | - |
| Consulting | | |
| Services | 19,991 | 15,825 |
| Stock-based compensation | - | 46,358 |
| Directors' and officers' fees | | |
| Services | 54,590 | 21,000 |
| Stock-based compensation | - | 178,298 |
| Investor relations | 42,501 | 52,517 |
| Office and general | 22,261 | 17,688 |
| Professional fees | 28,378 | 15,981 |
| Regulatory fees and taxes | 2,378 | 2,380 |
| Shareholders' communications | 5,297 | 1,332 |
| Transfer agent | 1,131 | 2,093 |
| Travel and promotion | 52,726 | 11,623 |
| Wages and benefits | - | - |
| Stock-based compensation | - | 167,601 |
| | 259,508 | 547,696 |
| Other Items | | |
| Interest income | (69,160) | (22,362) |
| Foreign exchange loss (gain) | 231,482 | (26,902) |
| General exploration | 4,988 | 2,084 |
| | 167,310 | (47,180) |
| Net Loss for the Period | 426,818 | 500,516 |
| Deficit, Beginning of Period | 11,253,829 | 8,853,033 |
| Deficit, End of Period | \$ 11,680,647 | \$ 9,353,549 |
| Loss per share - basic and diluted | \$ 0.01 | \$ 0.02 |
| Weighted average number of common shares outstanding | 39,986,712 | 25,244,381 |

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Cash Flows Statements (Canadian Dollars)
(Unaudited. Prepared by Management)

| | Three months ended July 31, | |
|-----------------------------------------------------------|------------------------------------|---------------------|
| | 2007 | 2006 |
| Cash Provided By (Used For): | | |
| Operating Activities | | |
| Net loss for the period | \$ (426,818) | \$ (500,516) |
| Items Not Involving Cash: | | |
| Amortization | 255 | - |
| Foreign exchange adjustment on Bonds | 2,861 | - |
| Stock-based compensation | - | 392,257 |
| Interest income accrued | 2,380 | 15,703 |
| | (421,322) | (92,556) |
| Changes in Non-Cash Working Capital | | |
| Receivables | (53,900) | (16,729) |
| Prepays and deposits | 10,870 | 1,318 |
| Accounts payable and accrued liabilities | (13,955) | (96,010) |
| Due to related parties | 20,722 | (15,718) |
| | (36,263) | (127,139) |
| Cash Used in Operating Activities | (457,585) | (219,695) |
| Investing Activities | | |
| Equipment and software | (2,747) | - |
| Expenditures on mineral properties | (716,232) | (291,887) |
| Cash Used in Investing Activities | (718,979) | (291,887) |
| Financing Activity | | |
| Proceeds from issuance of shares | 114,000 | 266,888 |
| Decrease in Cash During the Period | (1,062,564) | (244,694) |
| Cash and Cash Equivalents, Beginning of the Period | 6,261,745 | 2,326,667 |
| Cash and Cash Equivalents, End of Period | \$ 5,199,181 | \$ 2,081,973 |

Supplemental cash flow information (Note 10)

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
(Unaudited. Prepared by Management)

1. Nature of Operations

Southern Silver Exploration Corporation (the "Company") is an exploration stage enterprise incorporated under the laws of British Columbia. The Company and its subsidiaries are engaged in the acquisition, exploration and development of mineral properties and do not have any mineral properties in production. The Company has not determined whether these mineral properties contain ore reserves that are economically recoverable. The ability of the Company to meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral properties is dependent on the Company's ability to obtain the necessary financing.

2. Basis of Presentation

The unaudited interim financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles. These unaudited interim financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company's annual audited financial statements for the fiscal year ended April 30, 2007. All material adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods, have been reflected. The results for the three months ended July 31, 2007 are stated utilizing the same accounting policies and methods of application as the most recent annual financial statements (except as described in Note 3 below), but are not necessarily indicative of the results to be expected for the full year.

3. Significant Accounting Policies

Equipment and software

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 100% for software, except in the year of acquisition when one half of the rate is used.

4. 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 bonds is approximated by their book values.

Southern Silver Exploration Corp.
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Notes to the Consolidated Financial Statements
For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
(Unaudited. Prepared by Management)

4. Financial Instruments, continued

(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.

(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 the 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.

(d) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received 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.

5. Mineral Properties

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

Mexico:

- (i) Minas de Ameca
 - La Sorpresa
 - Magistral property, which includes Magistral I and El Magistral
 - Quila
- (ii) Pinabete
- (iii) Cristoforos

USA:

- (i) Arizona – Tombstone property
- (ii) New Mexico – Oro property

Southern Silver Exploration Corp.
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Notes to the Consolidated Financial Statements
For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
(Unaudited. Prepared by Management)

5. Mineral Properties, continued

Deferred mineral property costs by property as at July 31, 2007 are as follows:

| | Minas de Ameca | Pinabete | Cristoforos | Tombstone | Oro | Total |
|--------------------------------------------------------------------|-------------------|----------------|----------------|----------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Acquisition costs | | | | | | |
| Balance as at April 30, 2007 | 254,104 | 153,951 | 73,213 | 117,695 | 45,966 | 644,929 |
| Additions during the period | 74,568 | 3,952 | 80,396 | 53,849 | 13,227 | 225,992 |
| Balance as at July 31, 2007 | 328,672 | 157,903 | 153,609 | 171,544 | 59,193 | 870,921 |
| Exploration | | | | | | |
| Balance as at April 30, 2007 | 1,391,552 | 788,488 | 1,731 | 115,359 | 53,015 | 2,350,145 |
| Additions during period | | | | | | |
| Advances | 24,507 | - | - | - | - | 24,507 |
| Assays and analysis | 17,059 | - | - | 1,903 | 1,983 | 20,945 |
| Camp and supplies | 8,072 | - | - | 1,895 | 2,013 | 11,980 |
| Consulting and project supervision | 6,414 | 337 | - | - | 34 | 6,785 |
| Drilling services | 202,005 | - | - | - | - | 202,005 |
| Equipment rental | 48,120 | - | - | - | - | 48,120 |
| Exploration support | 14,783 | - | - | 300 | 301 | 15,384 |
| Field supplies and wages | 31,917 | - | - | 766 | 943 | 33,626 |
| Geological services | 227,337 | - | - | 14,543 | 12,402 | 254,282 |
| Repairs and maintenance | - | - | - | - | - | - |
| Travel and related costs | 6,266 | - | - | 2,104 | 2,252 | 10,622 |
| Vehicle expense | 2,235 | - | - | - | - | 2,235 |
| Total additions during the year | 588,715 | 337 | - | 21,511 | 19,928 | 630,491 |
| Balance as at July 31, 2007 | 1,980,267 | 788,825 | 1,731 | 136,870 | 72,943 | 2,980,636 |
| Total Mineral Property expenditures as at July 31, 2007 | 2,308,939 | 946,728 | 155,340 | 308,414 | 132,136 | 3,851,557 |

Southern Silver Exploration Corp.
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For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
(Unaudited. Prepared by Management)

5. Mineral Properties, continued

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

| | 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 and supplies | 13,959 | 814 | - | 524 | 1,994 | 17,291 |
| Consulting and project supervision | 122,731 | 4,072 | - | 571 | 1,701 | 129,075 |
| Drilling services | 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 expense | 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 |

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(An Exploration Stage Company)
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For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
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5. 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.
- (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 Mexican 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).
- (ii) Issue 50,000 common shares on or before July 21, 2007 (Issued, see Note 8 (c)).
- (iii) Issue 50,000 common shares on or before July 21, 2008.
- (iv) Issue 50,000 common shares on or before July 21, 2009.
- (v) Issue 50,000 common shares on or before July 21, 2010.
- (iii) Issue 250,000 common shares on or before July 21, 2011.
- (iv) Incur a minimum US \$3,000,000 of expenditures on the concession on or before July 21, 2011 as follows:
 - 1. An aggregate of at least US \$100,000 by July 21, 2007 (incurred).
 - 2. An aggregate of at least US \$450,000 by July 21, 2008.
 - 3. An aggregate of at least US \$950,000 by July 21, 2009.
 - 4. An aggregate of at least US \$1,800,000 by July 21, 2010.
 - 5. An aggregate of at least US \$3,000,000 by July 21, 2011.

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5. 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 I and contribute 65% of all costs associated with the development of Magistral I.

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 10% interest, the joint venture interest will automatically convert to a 1% net smelter return (“NSR”) royalty.

On October 20, 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 (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 as per the terms of the option agreement with Fury. As such, all expenditures incurred on the property will be attributed to the Magistral I concession.

Bonds of \$61,235 are being held in escrow by the Mexican Government with regard to the purchase of the El Magistral claim. Bonds are recorded at costs and held in Mexican Pesos, and are converted into Canadian Dollars using the current rate as at the period end. Bonds currently being held in escrow are as follows:

- (i) \$11,664 (Peso 120,000) for the actual purchase of the property.
- (ii) \$49,571 (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 6 (c)).

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
(Unaudited. Prepared by Management)

5. Mineral Properties, continued

Quila Property, continued

- (ii) Issue 75,000 common shares on or before January 19, 2008.
- (iii) Issue 75,000 common shares on or before January 19, 2009.
- (iv) Issue 100,000 common shares on or before January 19, 2010.
- (v) Issue 100,000 common shares on or before January 19, 2011.
- (vi) Issue 100,000 common shares on or before January 19, 2012.
- (vii) Incur a minimum US \$3,000,000 of expenditures on the property as follows:
 - 1. An aggregate of at least US \$150,000 by January 19, 2008.
 - 2. An aggregate of at least US \$350,000 by January 19, 2009.
 - 3. An aggregate of at least US \$500,000 by January 19, 2010.
 - 4. An aggregate of at least US \$900,000 by January 19, 2011.
 - 5. An aggregate of at least US \$1,100,000 by January 19, 2012.

Should the Company fail to meet its commitment to spend the first US \$150,000 by January 19, 2008, the Company must pay the shortfall to the optionor in cash.

(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 incur a minimum of US \$2 million in exploration expenditures over four years and to issue a total of 400,000 common shares in staged amounts.

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.

To exercise the option, the Company is required to:

- (i) Issue an initial 200,000 common shares to Anglo American (Issued, December 2004 valued at \$0.20 per share).
- (ii) Issue a further 50,000 common shares on or before December 12, 2005 (Issued).
- (iii) Issue a further 50,000 common shares on or before December 12, 2006 (Issued, see Note 8 (c)).
- (iv) Issue a further 50,000 common shares on or before December 12, 2007.
- (v) Issue a further 50,000 common shares on or before December 12, 2008.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
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(Unaudited. Prepared by Management)

5. Mineral Properties, continued

Pinabete Property - Mexico, continued

(vi) Incur a minimum US \$2,000,000 of expenditures on Pinabete by December 12, 2008 as follows:

1. Not less than US \$200,000 on or before December 12, 2005 (Incurred).
2. An aggregate of US \$400,000 on or before December 12, 2006 (Incurred).
3. An aggregate of US \$700,000 on or before December 12, 2007.
4. An aggregate of US \$2,000,000 on or before December 12, 2008.

(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.

Pursuant to the agreement, the Company made an advance minimum royalty payment ("AMR") of \$62,042 (US \$50,000) on June 22, 2005 and to complete the purchase the Company will be required to make additional AMR payments totaling US \$250,000 over the next three years as follows:

- (i) US \$10,000 on or before June 22, 2006 (Paid).
- (ii) US \$75,000 on or before June 22, 2007 (Paid).
- (iii) US \$165,000 on or before June 22, 2008.

There are no minimum exploration expenditure commitments on this property.

(d) Tombstone Prospect – 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.
- (iv) US \$200,000 on or before June 1, 2009.
- (v) US \$300,000 on or before June 1, 2010.

If the Company meets the above terms and conditions and elects to exercise the option, the Company will acquire a 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.

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5. Mineral Properties, continued

(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.

The following staged payments are required over the next five years:

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

(f) 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 and, to the best of its knowledge, title to its properties is in good standing.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(g) 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.

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5. Mineral Properties, continued

(g) Environmental, continued

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 property may be diminished or negated.

6. Equipment and Software

| | | | July 31, 2007 | April 30, 2007 |
|----------|--------------|-----------------------------|-------------------|-------------------|
| | Costs | Accumulated Amortization | Net Book Value | Net Book Value |
| | \$ | \$ | \$ | \$ |
| Computer | 1,304 | 74 | 1,230 | - |
| Software | 1,443 | 181 | 1,262 | - |
| | 2,747 | 255 | 2,492 | - |

7. Related Party Balances and Transactions

In addition to those transactions disclosed elsewhere in these financial statements, the Company had the following transactions with related parties during the reporting period:

As at July 31, 2007, \$16,391 (April 30, 2007: \$5,490) was due to companies controlled by directors and/or senior officers of the Company for various services rendered and on a cost recovery basis.

As at July 31, 2007, \$13,340 (April 30, 2007: \$3,541) was payable for independent directors' fee.

As at July 31, 2007 the Company had \$33,333 (April 30, 2007: \$30,000) prepaid balance with a company controlled by a common director and senior officers.

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(Unaudited. Prepared by Management)

7. Related Party Balances and Transactions, continued

The following table summarizes the Company's related party transactions for the three months ended July 31, 2007 and 2006.

| | | Three months ended July 31, | |
|----------------------------|--------|------------------------------------|-------------|
| | | 2007 | 2006 |
| Services | | | |
| Administration Fee | \$ | 30,000 | \$ 15,000 |
| Consulting | | 5,174 | 10,280 |
| Director and officer fees' | | 54,590 | 21,000 |
| General exploration | | 4,987 | - |
| Investor relations | | 15,928 | 4,840 |
| Professional fees | | | |
| Accounting | | 14,629 | 5,279 |
| Legal fees | | 945 | - |
| Prepaid services | | 30,000 | 10,000 |
| Stock-based compensation | | - | 178,298 |
| Cost recovery | | | |
| Consulting | \$ | 1,375 | \$ - |
| Equipment and software | | 2,747 | - |
| Investor relations | | 1,416 | 345 |
| Office and other | | 17,323 | 13,517 |
| Prepaid cost recovery | | 3,333 | 4,341 |
| Travel and promotions | | 14,332 | 7,925 |
| Mineral properties | | | |
| Minas de Ameca | (1) \$ | 7,641 | \$ 2,975 |
| Pinabete | (1) | - | 3,000 |
| Tombstone | (1) | 271 | 2,550 |
| Oro | (1) | 3,114 | - |

(1) These amounts have been capitalized and are included in mineral properties.

These transactions were in the normal course of operations and were measured at the exchange value as established and agreed to by the Company and the related parties.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
(Unaudited. Prepared by Management)

8. Share Capital

(a) Issued and Outstanding

The authorized share capital of the Company is unlimited. The issued share capital as at July 31, 2007 is as follows:

| | | No. of Shares | Amount | Contributed Surplus |
|----------------------------------------------|------------|--------------------------|----------------------|--------------------------------|
| Balance as at April 30, 2006 | | 25,133,921 | \$ 11,676,096 | \$ 999,464 |
| 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 property interests | 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 |
| Subtotal before share issue costs | | 14,817,900 | 7,159,443 | 1,147,274 |
| Share issue costs | | | (831,580) | 499,443 |
| Balance as at April 30, 2007 | | 39,951,821 | 18,003,959 | 2,646,181 |
| Issued | | | | |
| Exercised share purchase warrants | Note 8 (e) | 380,000 | 114,000 | - |
| Issued to acquire mineral property interests | Note 8 (c) | 50,000 | 30,000 | - |
| Subtotal before share issue costs | | 430,000 | 144,000 | - |
| Share issue costs | | - | - | - |
| Balance as at July 31, 2007 | | 40,381,821 | \$ 18,147,959 | \$ 2,646,181 |

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

(b) Private Placements

No private placements were announced or completed by the Company during the three months ended July 31, 2007.

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 \$827,893, of which \$542,143 was the fair value assigned to options and warrants granted to agents for finders' fees, calculated using the Black-Scholes option pricing model.

Share issue costs were as follows:

- (i) Finders' fees of \$255,750 being 7% of the value of the units subscribed by clients.
- (ii) Other general cash share issue costs were \$30,000.
- (iii) 85,400 units were issued to the agents, each unit on the same terms as above.
 - 1. The common shares issued were valued at \$0.50 per share for a cost of \$42,700.
 - 2. The share purchase warrants were valued at \$0.42 per warrant for a cost of \$18,131 using the Black-Scholes option pricing model.
- (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.
- (v) 645,000 options to purchase units were issued to agents, each unit on the same terms as above. 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, giving a total cost of \$429,509.

(c) Shares Issued for Mineral Property

During the three months ended July 31, 2007 the Company issued 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. (See Note 5 (a)).

Southern Silver Exploration Corp.
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8. Share Capital, continued

(c) Shares Issued for Mineral Property, continued

Year ended April 30, 2007

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 option to acquire 65% of interest in the Magistral property claims.
- (ii) 50,000 common shares valued at \$0.70 per share, \$35,000 in total, pursuant to the option to acquire 70% of interest of the Quila property claims.
- (iii) 50,000 common shares valued at \$0.67 per share, \$33,500 in total, pursuant to the terms of the Pinabete property agreement (see Note 5 (b)).

(d) Stock Options

The Company has established a stock option plan (the "Plan") under which it may grant stock options totaling in aggregate up to 10% of the Company's issued and outstanding common shares at any given time. The term 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.

The purpose of the Plan is to provide directors, officers, key employees and certain other persons who provided services to the Company and its subsidiaries with an increased incentive to contribute to the future success and prosperity of the Company.

No options were granted, cancelled, expired, or exercised during the reporting period. As at July 31, 2007, 3,793,333 of the 3,897,500 options outstanding were exercisable with the remaining 104,167 vesting over the next eight months.

Tables below summarize the Company's outstanding options as at July 31, 2007 and April 30, 2007:

Southern Silver Exploration Corp.
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Notes to the Consolidated Financial Statements
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(Unaudited. Prepared by Management)

8. Share Capital, continued

(d) Stock Options, continued

| Exercise Price | Expiry Date | Balance April 30, 2007 | Options Granted | Cancelled or Expired | Options Exercised | Balance July 31, 2007 |
|---------------------------------|--------------------|-------------------------------|------------------------|-----------------------------|--------------------------|------------------------------|
| \$0.65 | December 10, 2009 | 927,500 | - | - | - | 927,500 |
| \$0.30 | October 13, 2010 | 215,000 | - | - | - | 215,000 |
| \$0.51 | November 8, 2010 | 450,000 | - | - | - | 450,000 |
| \$0.83 | January 16, 2011 | 230,000 | - | - | - | 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 |
| | | 3,897,500 | - | - | - | 3,897,500 |
| Weighted average exercise price | | \$0.64 | \$0.00 | \$0.00 | \$0.00 | \$0.64 |

As at April 30, 2007, 3,793,333 of the 3,897,500 options outstanding were exercisable.

| Exercise Price | Expiry Date | Balance April 30, 2006 | Options Granted | Cancelled or Expired | Options 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 | \$0.00 | \$0.42 | \$0.64 |

Southern Silver Exploration Corp.
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8. Share Capital, continued

(e) Share Purchase Warrants

During the three months ended July 31, 2007, 380,000 warrants at \$0.30 were exercised for the gross proceeds of \$114,000. No warrants were granted, cancelled or expired during the reporting period. Summary of the Company's share purchase warrants as at July 31, 2007 and April 30, 2007 is provided below:

| Exercise Price | Expiry Date | Balance April 30, 2007 | Warrants Granted | Cancelled or Expired | Warrants Exercised | Balance July 31, 2007 |
|---------------------------------|--------------------|-------------------------------|-------------------------|-----------------------------|---------------------------|------------------------------|
| \$0.30 | October 31, 2007 | 2,480,000 | - | - | 380,000 | 2,100,000 |
| \$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 | - | - | 380,000 | 9,457,200 |
| Weighted average exercise price | | \$0.55 | \$0.00 | \$0.00 | \$0.30 | \$0.56 |

| Exercise Price | Expiry Date | Balance April 30, 2006 | Warrants Granted | Cancelled or Expired | Warrants 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.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
(Unaudited. Prepared by Management)

8. Share Capital, continued

(f) Agent Options

No Agent Options were granted during the three months ended July 31, 2007

As part of the private placement in February 2007, options were issued to the agents (Note 8 (b)). 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 | Units Granted | Cancelled or Expired | Unit Exercised | Balance July 31, 2007 |
|-----------------------|--------------------|-------------------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| \$0.50 | February 24, 2009 | 645,000 | - | - | - | 645,000 |

(g) Fair Value Determination

No stock-based compensation was recorded for the three months ended July 31, 2007 as no stock options were granted during the period. The total calculated fair value of stock based compensation for the year ended April 30, 2007 was \$1,198,617.

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

| | 2007 | | 2006 | |
|---------------------------------------|----------------|-----------------|----------------|-----------------|
| | Options | Warrants | Options | Warrants |
| Risk-free interest rate | 4.01% | 4.05% | 3.63% | 3.41% |
| Expected share price volatility | 201.45% | 119.08% | 144.83% | 145.02% |
| Expected option/warrant life in years | 3.0 | 1.5 | 2.3 | 2.0 |
| Expected dividend yield | 0% | 0% | 0% | 0% |

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the Three Months Ended July 31, 2007 and 2006 (Canadian Dollars)
(Unaudited. Prepared by Management)

9. Segmented Information

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

| | July 31, 2007 | April 30, 2007 |
|--------|---------------|----------------|
| | \$ | \$ |
| Canada | 2,492 | - |
| Mexico | 3,472,242 | 2,727,135 |
| USA | 440,550 | 332,035 |

10. Supplemental Cash Flow Information

| | Three months ended July 31, | |
|-----------------------------------------------------|-----------------------------|---------|
| | 2007 | 2006 |
| | \$ | \$ |
| Cash Items | | |
| Interest received | 71,540 | 6,659 |
| Share issue costs | - | 2,012 |
| Non-Cash Items | | |
| Accrued interest | (2,380) | 15,703 |
| Investing Activity | | |
| Mineral property costs included in accounts payable | 110,251 | 9,284 |
| Financing Activities | | |
| Stock-based compensation | - | 392,257 |
| Shares issued for mineral property | 30,000 | 33,500 |

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
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(Unaudited. Prepared by Management)

11. Contingent Liabilities

Certain claims have been filed against the Company.

- (a) A claim for US \$80,000 plus 50,000 shares of the Company relating to a property option agreement. The Company has dropped 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 at that time.

12. Subsequent Events

- (a) 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.

Pursuant to the agreement, the Company made a payment of \$21,018(US \$20,000) on September 11, 2007 and will be required to make additional 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.

If the Company meets the terms and conditions and elects to exercise the option, the Company would acquire a 100% interest in Dragoon claims subject to a 2% of net smelter returns ("NSR Royalty") payable to the optionors. The optionors have the right to sell to the Company the NSR Royalty at any time and from time to time in 0.5% increments for each payment of US\$ 500,000 made by the Company to the optionors (excluding the above described payments).

- (b) Subsequent to the reporting period, 10,000 common shares of the Company valued at \$0.30 were issued pursuant to a warrant exercise.



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Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

Dated: September 18, 2007

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Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Southern Silver Exploration Corp., formerly known as Newcoast Silver Mines Ltd., (the "Company") compares results for the three months ended July 31, 2007 to the same period in the previous year. These statements should be read in conjunction with the Company's interim consolidated financial statements as at July 31, 2007 and the notes to them, as well as audited consolidated financial statements for the year ended April 30, 2007.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles. This MD&A, dated as of September 18, 2007, 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 projected results or events to differ materially from actual results or events.

Additional information relating to the Company, including detailed drill results previously disclosed in news releases, is available 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 Doctor 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 three months ended July 31, 2007

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

| U.S. Dollar to Canadian Dollars | | | |
|---------------------------------|-------------------------------------|-------------------------------------|------------------------------|
| | Three months ended July 31, 2007 | Three months ended July 31, 2006 | Year ended April 30, 2007 |
| Rate at end of period | 1.06670 | 1.13170 | 1.11690 |
| Average rate for period | 1.07195 | 1.11709 | 1.13800 |
| High for period | 1.11970 | 1.14560 | 1.18730 |
| Low for period | 1.03400 | 1.09260 | 1.09260 |

www.oanda.com

| Conversion Table | | | |
|--------------------|---|-----------|-------------|
| 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 |

Information from www.onlineconversion.com

| Precious metal units and conversion factors | | | | | |
|---------------------------------------------|-------------------------|---------------|---|----------|-------------------------|
| 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 |

Information from www.onlineconversion.com

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

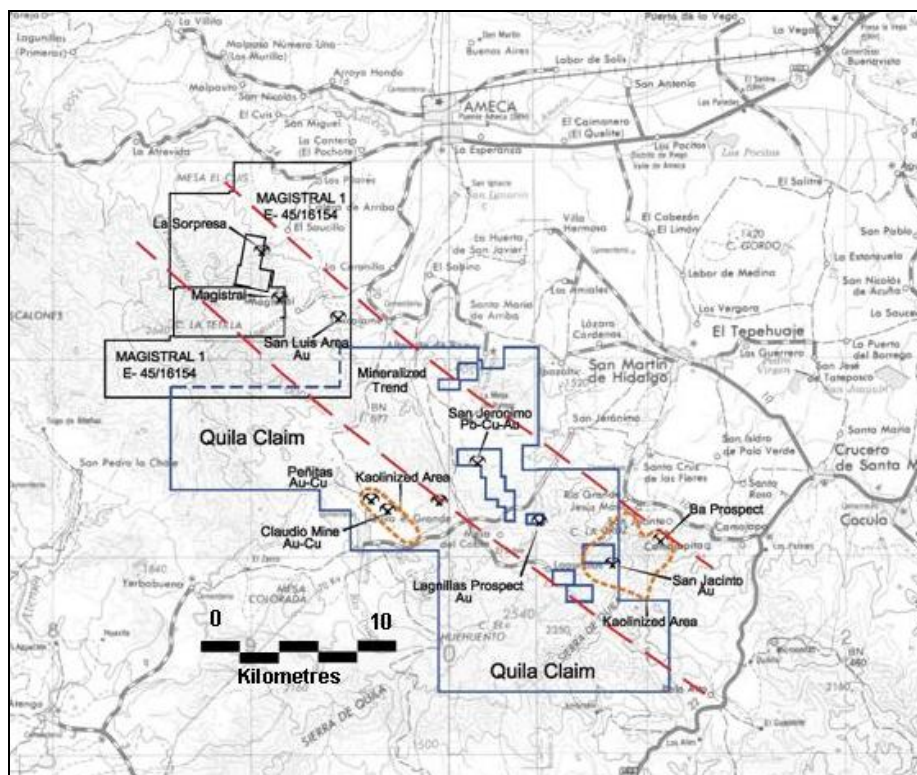
D. Description of Business

The Company acquires and explores mineral properties in the Americas. It is currently exploring for precious and base metals in Mexico and the USA in Arizona and New Mexico.

E. Description of Mineral Properties

i) Minas de Ameca Project

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



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

As at July 31, 2007, the Company had incurred exploration costs of \$1,980,267 (April 30, 2007: \$1,391,552) on the Minas de Ameca properties with acquisition costs of \$328,672 (April 30, 2007: \$254,104), giving total expenditures of \$2,308,939 (April 30, 2007: \$1,645,656).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

La Sorpresa Property – 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 with the M. Munoz Martin of the La Sorpresa mineral concessions to acquire a 100% interest in the project for a total cost of US\$1 million.

Both parties signed a formal contract and in December 2005, the Company paid an initial US\$67,000. Terms were consistent with the letter of intent previously signed. To complete the purchase the Company will be required to pay an additional US\$933,000 in staged amounts over four years. US\$33,000 of this amount has been paid as at July 31, 2007 see Note 5 (a) of the consolidated financial statements dated July 31, 2007 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. The area of the Main Breccia has been explored by shallow adits and cross-cuts in an area 180 meters x 70 meters wide. Up to 2,700 tonnes at a grade of 2% Cu is reported to have been mined in the late 1990's. Representative chip samples from these historic underground workings, collected in the fall of 2005, returned 32 meters of 2.1% Cu and 9g/t Ag. In the fall and winter of 2005/06 the company completed surface mapping and sampling and a 20 line-kilometers of 3D-IP geophysics over the property and identified coincident high-chargeability and low-resistivity anomalies. Three main target areas were identified for drill follow-up. Phase I drilling proceeded in the spring of 2006.

On July 31, 2006, the Company announced the results from nine of twelve drill holes from the first-phase drilling program. Drilling totaled 1,645 meters in twelve drill holes and identified thick, highly anomalous zones of copper oxides and coarse disseminated chalcopyrite in the areas of the Main Breccia and South Breccia. Reportable assays of mineralized zones from the Main Breccia grade up to **0.26% Cu over 61.5 metres**. Higher-grade intervals, which include **1.94% Cu over 2.4 metres** and **0.37% Cu over 10.6 metres**, may in part represent sub-vertical feeder structures to the manto-styled breccia zones. Breccia zones appear as resistivity lows in IP geophysical surveys and can be traced laterally from the area of the historic working. Mineralization in the area of the Main Breccia remains open to the north and to the southwest and sources for this upper level manto-styled mineralization have yet to be determined.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

La Sorpresa Property – Mexico, continued

On October 20 2006, the Company announced the consolidation of the Magistral/Sorpresa land package and the start of drilling at the La Sorpresa property. The Phase II program, utilized a dual RC and diamond drill rig to test the extension of several near-surface mineralized zones at La Sorpresa and at least one new target (San Luis) on the Magistral I concession.

In March 2007, the Company reported assay results from the Phase II, 1,770 metres drill program on the La Sorpresa and San Luis targets (see below for results). Part of the Phase II program included re-drilling and using RC methods of several core holes from the Phase I program which were subject to poor core recovery during the initial drill phase. Results from these holes returned comparable values to those returned from the Phase I drilling. Additional drilling on the northern projection of the main mineralized zone returned anomalous copper values including **18 metres grading 0.35% Cu** and **10 metres grading 0.41% Cu**.

As at July 31, 2007, the Company had incurred exploration costs of \$1,092,185 (April 30, 2007: \$1,092,185) on La Sorpresa with acquisition costs of \$139,604 (April 30, 2007: \$135,514), giving total expenditures of \$1,231,789 (April 30, 2007: \$1,228,377).

Magistral I Property – Mexico

Pursuant to an agreement dated July 4, 2006 with Fury Exploartions Ltd. ("Fury"), the Company has an option to acquire a 65% interest in the property by fulfilling the following commitments:

- Issuing 50,000 shares upon signing the option agreement (issued), 50,000 shares in each of the first four years of the option term and 250,000 shares in year five;
- Expending US\$3 million on exploration expenditures in staged increments over five years. See Note 5 (a) in the consolidated financial statements dated July 31, 2007.

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 1.05g/t Au and 0.49% Cu within a 30 metre interval grading 0.39g/t Au and 0.17% Cu**. The second hole reported a **6.85 metre interval of 1.05g/t Au, 15.7 g/t Ag and 0.55% Cu** within a longer, **14.5 metre interval**, that carried **0.62g/t Au, 8.78g/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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral I Property – Mexico, continued

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 1400 metres along strike and to over 400 metres depth.

On July 9, 2007, the Company reported results from the first three drill holes of the Phase II, San Luis core drilling program which have extended both the on-strike and down-dip projection of the mineralized vein system.

San Luis Phase II Target - Assay Results

| Drill Hole Number | Collar Data | | | From m | To m | Interval m | Est. True Thck m | Au g/t | Ag g/t | Cu % |
|----------------------|-------------|------------|------------|-----------|---------|---------------|------------------------|-----------|-----------|---------|
| | Az deg | Dip deg | Depth m | | | | | | | |
| 07SL-03 | 180 | -71 | 237.00 | 195.85 | 199.20 | 3.35 | 1.62 | 5.07 | 49.81 | 4.32% |
| Includes | | | | 197.00 | 199.20 | 2.20 | 1.07 | 7.51 | 74.60 | 6.43% |
| 07SL-04 | 180 | -60 | 149.80 | 103.25 | 113.50 | 10.26 | 6.59 | 2.05 | 12.88 | 0.34% |
| Includes | | | | 107.80 | 110.30 | 2.50 | 1.61 | 4.58 | 30.80 | 0.65% |
| 07SL-05 | 180 | -60 | 246.00 | 155.25 | 196.35 | 41.10 | 26.42 | 0.62 | 8.70 | 0.47% |
| Includes | | | | 187.30 | 189.80 | 2.50 | 1.61 | 3.44 | 6.10 | 2.29% |

As at September 12, 2007, a total of 3,100 metres of drilling has been completed in 15 drill holes over two phases of drilling on the San Luis and Cerro de la Cruz vein targets. Drilling has now tested a 650 metre strike length of the vein structure to depths of up to 200 metres.

Mineralization strengthens both to the east and down dip of the structure with the strongest mineralized interval (7.51g/t Au, 74.6g/t Ag and 6.43% Cu over 1.07 metres) occurring within the deepest test of the vein. Strong argillic alteration associated with the thickest zone of mineralization reported to date (0.62g/t Au, 8.70g/t Ag and 0.47% Cu over 26.42 metres in hole 07SL-05) may reflect a easterly vector towards a hotter part of the mineralizing system. Mineralization remains open in all directions.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral I Property – Mexico, continued

The Company's winter 2007 surface exploration program has concluded for this season. Over 60 line-kilometres of IP geophysics were completed with additional geophysical targets identified on both the San Luis and Magistral Mine grids.

El Magistral – Mexico

On October 20, 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 P\$150,000 (CDN\$15,600) 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 adjoins to the south La Sorpresa claims and in turn is bound, to the east and south by the Magistral I concession.

This concession will form part of the Magistral I property subject to the terms of its options agreement.

An additional 2,500 metres of drilling is planned at the Magistral Mine area as part of the current drill program. The Magistral vein is exposed on surface for over 400m strike with the main vein averaging between 3 to 10 metres thick. High-grade gold and copper ores were mined from the vein system over a 10 year period in the early 1900's and were accessed via a network of shafts and adits totaling 750 metres. Mexican government reports concerning the historic Magistral Mine indicate select samples carried high grade copper values, in the 4% to 7.5% range, with gold grades up to 2.5 g/t. The reports reveal that 100,000 tons of ore-bearing material was produced for the on-site 250 tpd mill, with another 120,000 tons of potential resources left behind within the mine ⁽¹⁾.

Additional surface exploration continues at the El Magistral concession with a focus on the west extension of the Magistral structure and on several vein targets located to the south of the Magistral Mine.

As at July 31, 2007, total costs incurred on Magistral properties were \$855,649 (April 30, 2007: \$279,772), with acquisition costs of \$102,556 (April 30, 2007: \$64,922) and exploration costs of 753,093 (April 30, 2007: \$214,850).

⁽¹⁾ Resource and production estimates are from historical Consejo de Recursos Minerals reports. No attempt has been made to verify the historical estimates for the purposes of compliance with NI43-101 standards and cannot therefore be relied on for accuracy. Southern Silver does not treat this historical estimate as a current mineral resource or mineral reserve and should not be relied on as such.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Quila Property – Jalisco, Mexico

On January 19, 2007, the Company signed an agreement to acquire a 70% interest in the Quila Claims, Jalisco, Mexico by issuing 500,000 shares and expending US\$3.0 million on exploration. Under the terms of the option agreement, 50,000 shares were issued upon signing, 75,000 shares are due at the end of years one and two, and 100,000 shares in years three through five for 500,000 shares. The US\$3.0 million in exploration expenditures is to be spent over five years with \$150,000 as a firm commitment in year one. Subsequent to Southern Silver earning its option in the property, Soltoro shall retain a carried 30% interest to delivery by Southern Silver of a bankable feasibility study and shall participate as a 30% working interest partner thereafter. Share issuances are subject to regulatory approval.

As at July 31, 2007, the Company had incurred exploration costs of \$134,989 (April 30, 2007: \$84,517) on Quila with acquisition costs of \$86,512 (April 30, 2008: \$52,990), giving total expenditures of \$221,501 (April 30, 2007: \$137,507).

ii) Pinabete Property – 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").

In December 2004 the Company issued 200,000 common shares, valued at \$0.20 per share, to Anglo American. To exercise the option the Company must meet minimum staged exploration commitments totaling US\$2 million by December 12, 2008 and issue 50,000 common shares each year on the anniversary date of regulatory approval, being December 12, until it exercises the option or it fails to meet minimum expenditure commitments.

Should the Company obtain a 100% interest in the property, a 1.5% NSR would be payable to Anglo American. Anglo American is entitled to reduce the Company's interest to 40% and then 35%, by paying to the Company an amount equal to 200% of its total expenditures incurred on Pinabete and by completing a pre-feasibility study, respectively. Operations thereafter will be conducted on a joint venture basis.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

E. Description of Mineral Properties, continued

ii) Pinabete Property – 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 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 two to three drill holes, totaling approximately 1000 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.

Additional surface mapping and sampling of areas outside of the previously drilled area was completed during the summer. The results are being compiled and drill targets identified.

As at July 31, 2007, the Company had incurred exploration costs of \$788,825 (April 30, 2007: \$788,488) on the Pinabete property with acquisition costs of \$157,903 (April 30, 2007: \$153,951), giving total expenditures of \$946,728 (April 30, 2007: \$942,439).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

E. Description of Mineral Properties, continued

iii) Cristoforos Property – 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. These claims are contiguous to the Pinabete property, discussed above, within the same belt of CRD's that have potential silver-lead-zinc mineralization.

Pursuant to a letter agreement, the Company made an advance minimum royalty payment ("AMR") of \$62,000, (US\$50,000), and to complete the purchase the Company is required to make additional AMR payments totaling US\$250,000 in stages until June 22, 2008. As at July 31, 2007, the Company had paid \$85,000 of the total US\$250,000.

The Company is not required to make minimum exploration expenditures on these mineral concessions.

As at July 31, 2007, the Company had incurred exploration costs of \$1,731 (April 30, 2007: \$1,731) on the Cristoforos property with acquisition costs of \$153,609 (April 30, 2007: \$73,213), giving total expenditures of \$155,340 (April 30, 2007: \$74,944).

iv) Tombstone Property – Arizona

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. To acquire a 100% interest in the property, the Company paid an initial US\$20,000 and is required to pay US\$670,000 in staged amounts until June 1, 2010 (US\$70,000 paid as at July 31, 2007). The vendors retain a 2% NSR, which the Company may purchase by paying US\$500,000 for each one-half percent acquired.

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. Recent staking has expanded the original 200 hectare claim block by approximately 1600 hectares to enclose a discrete magnetic high located 1.8 kilometers to the east of the original claims.

Geochemical sampling and vein alteration styles provide an exploration vector from the known zones of surface mineralization on the west towards the relatively unexplored gravel-covered area to the south and east. Recently acquired airborne magnetic geophysics reveals that this same gravel-covered area hosts a prominent magnetic high centered 1.8 kilometers to the east of the eastern-most surface vein sampling. The pattern of magnetic lows peripheral to the magnetic high is reminiscent of a classic geophysical expression of a buried porphyry system. Coupled with geochemical and alteration vectors, this magnetic high provides a large and promising district-scale target for future exploration.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

E. Description of Mineral Properties, continued

iv) Tombstone Property – Arizona, continued

In May 2006, 28 additional Federal claims were staked on the NE margin of the claim block. Reconnaissance mapping and sampling within this area identified additional mineralized structures containing anomalous amounts of base and precious metals parallel to the main trend previously identified on the property.

Six to eight drill holes totaling approximately 2000 metres will test for shallow structurally controlled Ag-Pb-Zn-rich replacement targets and deeper Au-Cu skarn/porphyry related targets at the Tombstone project. Only three previous drill holes have tested below 150 metres depth within this 1.5 kilometer x 5 kilometer corridor located immediately to the southwest of the historic silver-lobes of the Tombstone Mining District.

As at July 31, 2007, the Company had incurred exploration costs of \$136,870 (April 30, 2007: \$115,359) on the Tombstone property with acquisition costs of \$171,544 (April 30, 2007: \$117,695), giving total expenditures of \$308,414 (April 30, 2007: \$233,054).

v) Oro Property – New Mexico

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

If the Company meets all of the terms and conditions in the agreement (See Note 5 (e) of the consolidated financial statements dated July 31, 2007) and elects to exercise the option, the Company would acquire a 100% undivided interest in Oro subject to a 2% NSR payable to the optionors. The optionors have granted to the Company the option to purchase the NSR at any time in 0.5% increments at US\$500,000 for each such increment.

As at July 31, 2007, the Company had incurred exploration costs of \$72,943 (April 30, 2007: \$53,015) on the Oro property with acquisition costs of \$59,193 (April 30, 2007: \$45,966), giving total expenditures of \$132,136 (April 30, 2007: \$98,981).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

F. Mineral Properties Expenditures

Information on all mineral property expenses by property can be found in Note 5 of the consolidated financial statements dated July 31, 2007. The deferred mineral property costs as at July 31, 2007, were as follows:

| | Minas de Ameca | Pinabete | Cristoforos | Tombstone | Oro | Total |
|------------------------------------|-------------------|----------------|----------------|----------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Acquisition | 328,672 | 157,903 | 153,609 | 171,544 | 59,193 | 870,921 |
| Advances | 47,698 | - | - | - | - | 47,698 |
| Assays and analysis | 97,923 | 52,496 | - | 4,293 | 4,936 | 159,648 |
| Camp and supplies | 22,031 | 6,220 | - | 2,419 | 4,007 | 34,677 |
| Consulting and project supervision | 151,727 | 4,409 | - | 27,555 | 1,735 | 185,426 |
| Drilling services | 757,757 | 427,428 | - | - | - | 1,185,185 |
| Equipment rental | 100,372 | 43,373 | - | 396 | - | 144,141 |
| Exploration support | 93,016 | 26,115 | 233 | 3,793 | 372 | 123,529 |
| Field supplies | 17,464 | - | 369 | 295 | 1,041 | 19,169 |
| Geological services | 441,022 | 164,892 | - | 80,387 | 38,983 | 725,284 |
| Project support | 153,464 | 19,844 | 344 | 2,018 | 10,807 | 186,477 |
| Repair and maintenance | - | 23,594 | - | 2,314 | - | 25,908 |
| Travel and related costs | 67,882 | 18,615 | 785 | 9,048 | 5,687 | 102,017 |
| Vehicle expenses | 29,911 | 1,839 | - | 4,352 | 5,375 | 41,477 |
| Total | 2,308,939 | 946,728 | 155,340 | 308,414 | 132,136 | 3,851,557 |

| | Balance | Additions | | | | | Total |
|----------------|------------------|----------------|----------|----------|----------|----------------|------------------|
| | April 30, 2007 | Q1 | Q2 | Q3 | Q4 | Year | July 31, 2007 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Minas de Ameca | 1,645,656 | 663,283 | - | - | - | 663,283 | 1,645,656 |
| Pinabete | 942,439 | 4,289 | - | - | - | 4,289 | 942,439 |
| Crestoforos | 74,944 | 80,396 | - | - | - | 80,396 | 74,944 |
| Tombstone | 233,054 | 75,360 | - | - | - | 75,360 | 233,054 |
| Oro | 98,981 | 33,155 | - | - | - | 33,155 | 98,981 |
| Total | 2,995,074 | 856,483 | - | - | - | 856,483 | 2,995,074 |

Of the total mineral properties expenses as at July 31, 2007 of \$3,851,557 60% was spent on Minas de Ameca (32% on La Sorpresa, 22% on Magistral and 6% on Quila), 25% on Pinabete, 8% on Tombstone, 4% on Cristoforos and 3% on Oro.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

F. Mineral Properties Expenditures, continued

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

| | 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 costs | 13,959 | 6,220 | - | 524 | 1,994 | 22,697 |
| Consulting and Project supervision | 145,313 | 4,072 | - | 27,555 | 1,701 | 178,641 |
| Drilling services | 555,752 | 427,428 | - | - | - | 983,180 |
| Equipment rental | 52,252 | 43,373 | - | 396 | - | 96,021 |
| Exploration support | 78,233 | 26,115 | 233 | 3,493 | 71 | 108,145 |
| Field supplies | 11,595 | - | 369 | - | 568 | 12,532 |
| Geological services | 213,685 | 164,892 | - | 65,844 | 26,581 | 471,002 |
| 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 | 1,645,656 | 942,439 | 74,944 | 233,054 | 98,981 | 2,995,074 |

| | 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 |

Of the total mineral properties expenditures as at April 30, 2007 of \$2,995,074, 55% was spent on Minas de Ameca (41% on La Sorpresa, 9% on Magistral and 5% on Quila), 31% on Pinabete, 8% on Tombstone, 3% on Oro and 3% on Cristoforos.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

G. Results of Operations

The Company reported a net loss of \$426,818 for the three months ended July 31, 2007 ("Q1 2008") compared to a net loss of \$500,516 for the three months ended July 31, 2006 ("Q1 2007"). There were no stock options granted during the reporting period, hence no stock-based compensation expense was recorded for the Q1 2008. Stock-based compensation recorded for the Q1 2007 was \$392,257, which was the fair value of options vested during the period, as calculated using the Black-Scholes option pricing model.

Excluding stock-based compensation, the loss in Q1 2008 was \$426,818, compared to \$108,259 in Q1 2007. This increase of \$318,559 was primarily due to the following:

- i)** The Company reported a net foreign exchange loss of \$231,482 in Q1 2008, compared to a net foreign exchange gain of \$26,902 in Q1 2007, which give a difference of \$258,384. Since all monetary assets and liabilities held in US dollars have to be translated to Canadian dollars, on consolidation, at the period end exchange rate (Q1 2008: 1.0667, Q1 2007: 1.1317) this can create either an exchange gain or loss depending on the strengthening or weakening of the US dollar compared to the Canadian dollar during the period.

The majority of transactions for the Company are in US dollars and, to a lesser extent, Mexican Pesos, and therefore foreign exchange fluctuations can arise.

Substantially more US dollars were held in cash in Q1 2008 compared to Q1 2007 and with the drop in the US dollar this contributed to this exchange loss.

- ii)** Travel and promotion expenses increased to \$52,726 in Q1 2008 from \$11,623 in Q1 2007 due to special promotional events directed to the existing and potential investors.
- iii)** Directors and officer fees increased to \$54,590 in Q1 2008 compared to \$21,000 in Q1 2007. This increase of 160% is represented by the combination of \$7,000 per month paid as remuneration for the position of President of the Company, effective as of July 1, 2006; and fees payable to independent directors effective as of March 26, 2007 (for more information see Note J of this MD&A).
- iv)** Administration fees increased to \$30,000 in Q1 2008 compared to \$15,000 in Q1 2007. This increase is due to a raise of \$5,000 per month in the administration fees paid by the Company, as per agreement with a related party, dated January 1, 2007 (for more information see Note J of this MD&A).
- v)** Professional fees increased to \$28,378 Q1 2008 compared to \$15,981 mainly due to an increase in audit and accounting fees.

During the reporting period, interest income increased to \$69,160 compared to \$22,362 in Q1 2007. This increase of \$46,798 is due to placement of cash on various term deposits during Q1 2008.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

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 | | | | | | | | |
|-----------------------------------|--------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | July 31 | April 30 | Jan 31 | Oct 31 | July 31 | April 30 | Jan 31 | Oct 31 | July 31 |
| | 2007 | 2007 | 2007 | 2006 | 2006 | 2006 | 2006 | 2005 | 2005 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Operating expenses | \$ 259,508 | \$ 465,062 | \$ 243,184 | \$ 225,818 | \$ 155,439 | \$ 190,772 | \$ 277,420 | \$ 274,757 | \$ 188,185 |
| Interest earned | (69,160) | (58,057) | (11,275) | (19,184) | (22,362) | (13,106) | (12,047) | (2,486) | - |
| Foreign exchange loss (gain) | 231,482 | 235,411 | (31,309) | 11,740 | (26,902) | 866 | 6,503 | 1,825 | (2,175) |
| General exploration | 4,988 | 998 | 15,548 | 15,984 | 2,084 | 6,669 | 3,792 | 8,369 | - |
| Write off of accrued liabilities | - | - | - | - | - | (14,124) | - | - | - |
| Loss before the undernoted | \$ 426,818 | 643,414 | 216,148 | 234,358 | 108,259 | 171,077 | 275,668 | 282,465 | 186,010 |
| Stock-based compensation | - | 783,834 | - | 22,526 | 392,257 | 55,341 | 370,115 | 128,521 | - |
| Net Loss | \$ 426,818 | \$ 1,427,248 | \$ 216,148 | \$ 256,884 | \$ 500,516 | \$ 226,418 | \$ 645,783 | \$ 410,986 | \$ 186,010 |
| Loss per share - basic and dilute | \$0.01 | \$0.05 | \$0.01 | \$0.01 | \$0.02 | \$0.01 | \$0.03 | \$0.02 | \$0.01 |

I. Selected Financial Information

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

| Selected Financial Information | July 31, | April 30, | July 31, |
|-------------------------------------------|------------|------------|------------|
| | 2007 | 2007 | 2006 |
| | \$ | \$ | \$ |
| Cash and cash equivalents | 5,199,181 | 6,261,745 | 2,081,973 |
| Working capital | 5,198,209 | 6,337,141 | 2,191,771 |
| Total assets | 9,328,820 | 9,494,620 | 4,061,788 |
| Shareholders' equity | 9,113,493 | 9,396,311 | 4,014,656 |
| Accumulated deficit | 11,680,647 | 11,253,829 | 9,353,549 |
| Number of shares - issued and outstanding | 40,381,821 | 39,951,821 | 25,871,421 |

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

J. Related Party Transactions

The Company has no employees.

The Company is party to an agreement dated July 6, 2006 with its President, Lawrence Page Q.C., for Mr. Page to provide services in the capacity of President for \$7,000 per month giving an annual remuneration of \$84,000.

Pursuant to an agreement dated March 27, 2006 with its Chief Financial Officer, Scott Hean, the Company currently pays Mr. Hean \$3,250 per month.

On January 1, 2007, the Company entered into a one-year management service agreement, renewable yearly, with a company controlled by a common director and officers, for administrative, accounting, geological, investor relations and corporate services. The Company agreed to pay \$10,000 per month for general and administrative services, and office rent. In addition, the Company is billed on a monthly basis for accounting, geological, investor relations and corporate services provided based on agreed hourly billing rates ranging between \$45 and \$75 per hour. According to the agreement, reimbursable expenses will be billed with a 10% mark-up.

The Company, commencing March 26 2007, compensates its independent directors with an annual fee of \$9,000. The Company uses the definition of "independent" from MI 52-110 where to be independent the director must not have a direct or indirect material relationship with the Company.

Private companies controlled by directors and an officer provided corporate development services to the Company. Amounts paid to these companies are included in directors' and officers' fees on the consolidated statements of operations and deficit for the discussing periods.

These services were provided in the normal course of operations for consideration established and accepted by the Company and related parties, which management believes was reasonable under the circumstances.

For information regarding related party expenditures, refer to Note 7 of the consolidated financial statements dated July 31, 2007.

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 \$5,198,209 as at July 31, 2007 compared to \$2,191,771 as at July 31, 2006. Cash and cash equivalents totaled \$5,199,181 and \$2,081,973 respectively.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

K. Financial Conditions, Liquidity and Capital Resources, continued

i) Equity financings

The Company has not announced or completed any private placements for the three months period ended July 31, 2007.

Year end 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 share purchase warrant exercisable at \$0.60 to February 24, 2009.

85,400 units were issued representing 7% finders fee as well as 122,000 broker warrants (10% finders fee) exercisable at \$0.60 for a two year period. 645,000 option certificates were also issued for finders fee. Each option consists of one unit at \$0.50 per unit and each unit consists of one common share and one half share purchase warrant exercisable at \$0.60 for a two year period. Finders fees of \$255,750 representing 7% was also paid.

Year end April 30, 2006

In April 2006, the Company completed a private placement of 600,000 units at \$1.00 per unit for gross proceeds of \$600,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$1.00 to April 7, 2008.

In October 2005, the Company completed a private placement of 4,000,000 units at a price of \$0.25 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.30 to October 31, 2007.

ii) Funds raised by stock options and share purchase warrants

During the three months ended July 31, 2007, 380,000 share purchase warrants were exercised for the gross proceeds of \$114,000. No stock options were exercised during the discussed period.

Year end April 30, 2007

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

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

K. Financial Conditions, Liquidity and Capital Resources, continued

iii) Mineral properties expenditures

During the three months ended July 31, 2007, the Company spent \$716,232 on mineral expenditures, (excluding shares issued for acquisition costs and amounts included in exploration costs payable) of which approximately 75% was directed towards the Minas de Ameca (1% La Sorpresa, 63% Magistral, and 11% Quila), 11% to Cristoforos, 10% to Tombstone, 3% to Oro and 1% to Pinabete.

Year end April 30, 2007

During the fiscal year ended April 30, 2007, the Company spent \$1,331,152 on mineral expenditures, (excluding 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.

For detailed information on expenses incurred on the mineral properties that the Company has interests in, see Note E of this MD&A and Note 5 of the consolidated financial statements dated July 31, 2007.

iv) Amounts receivable

IVA, a 15% value added tax applied in Mexico to expenditures at source, which is considered recoverable, is included in receivables on the balance sheets of the consolidated financial statements dated July 31, 2007. As at that date IVA receivable amounted to \$87,386 (US\$81,922).

VAT, a 19% value added tax applied in Germany to all services rendered in the country, is included in receivables on the balance sheets of the consolidated financial statements dated July 31, 2007. As at that date accrued VAT receivable was \$12,730 (EUR 8,738), paid on investor relations services rendered in Germany for the period from January 01, 2006 to July 31, 2007.

As at July 31, 2007, the Company had \$10,667 GST receivable from Canada Revenue Agency, as well as \$25,310 advanced to various contractors working on the Company's mineral properties under option in Mexico.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

K. Financial Conditions, Liquidity and Capital Resources, continued

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:

- (i) The Company is required to make payments for La Sorpresa property:
 - US \$100,000 on or before December 19, 2007;
 - US \$200,000 on or before December 19, 2008.
- (ii) The Company has the following commitments on Magistral properties:
 - Incur an aggregate of at least US\$ 450,000 by July 21, 2008;
 - Incur an aggregate of at least US\$ 950,000 by July 21, 2009;
 - Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2008 for Magistral I property;
 - Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2009 for Magistral I property.
- (iii) The Company has the following commitments on Quila property:
 - Incur an aggregate of at least US\$ 150,000 by January 19, 2008 (incurred);
 - Incur an aggregate of at least US\$ 350,000 by January 19, 2009;
 - Issue 75,000 common shares to Soltoro Ltd. on or before January 19, 2008 for Quila property;
 - Issue 75,000 common shares to Soltoro Ltd. on or before January 19, 2009 for Quila property.
- (iv) The Company has the following commitments on Pinabete property:
 - Incur an aggregate of at least US\$ 700,000 by December 12, 2007 (incurred);
 - Incur an aggregate of at least US\$ 2,000,000 by December 12, 2008;
 - Issue 50,000 common shares to Anglo American Mexico S.A. de C.V. on or before December 12, 2007 for Pinabete property;
 - Issue 50,000 common shares to Anglo American Mexico S.A. de C.V. on or before December 12, 2008 for Pinabete property.
- (v) The Company is required to make payments for the Cristoforos property.
 - US \$165,000 on or before June 22, 2008.
- (vi) The Company is required to make payments for the Tombstone property.
 - US \$100,000 on or before June 1, 2008;
 - US \$200,000 on or before June 1, 2009.
- (vii) The Company is required to make the following payments for the Oro property:
 - US \$50,000 on or before August 28, 2008;
 - US \$100,000 on or before August 28, 2009.

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Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

K. Financial Conditions, Liquidity and Capital Resources, continued

vi) Outstanding Stock options and share purchase warrants

As at September 18, 2007, 2,182,500 share purchase warrants ("warrants") and 215,000 stock options ("options") are "in the money" (the exercise price is less than the current share trading price). If these warrants and options were exercised, the Company would realize approximately \$719,250 in additional capital; \$654,750 from the exercise of the warrants and \$64,500 from the exercise of options.

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 September 18, 2007 is as follows:

| | Number of Shares | Total \$ |
|-----------------------------------------|---------------------|-------------------|
| Balance as at July 31, 2007 | 40,381,821 | 18,147,959 |
| Issued subsequent to quarter-end | | |
| Exercise of share purchase warrants | 10,000 | 3,000 |
| Balance as at September 18, 2007 | 40,391,821 | 18,150,959 |

ii) Share Purchase Warrants

Warrants outstanding at September 18, 2007 are as follows:

| Exercise Price | Expiry Date | Balance July 31, 2007 | Warrants Granted | Cancelled or Expired | Warrants Exercised | Balance September 18, 2007 |
|---------------------------------|-------------------|--------------------------|---------------------|-------------------------|-----------------------|-------------------------------|
| \$0.30 | October 31, 2007 | 2,100,000 | - | - | 10,000 | 2,090,000 |
| \$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 |
| | | 9,457,200 | - | - | 10,000 | 9,447,200 |
| Weighted average exercise price | | \$0.56 | \$0.00 | \$0.00 | \$0.30 | \$0.56 |

For further information on warrants, see Note 8 (e) of the consolidated financial statements dated July 31, 2007.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

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

iii) Stock Options

As at July 31, 2007, there were 3,897,500 stock options outstanding with a weighted average exercise price of \$.64 per share. Stock options outstanding at September 18, 2007 are as follows:

| Exercise Price | Expiry Date | Balance July 31, 2007 | Granted | Cancelled or Expired | Exercised | Balance September 18, 2007 |
|---------------------------------|-------------------|-----------------------|---------|----------------------|-----------|----------------------------|
| \$0.65 | December 10, 2009 | 927,500 | - | - | - | 927,500 |
| \$0.30 | October 13, 2010 | 215,000 | - | - | - | 215,000 |
| \$0.51 | November 8, 2010 | 450,000 | - | - | - | 450,000 |
| \$0.83 | January 16, 2011 | 230,000 | - | - | - | 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 |
| | | 3,897,500 | - | - | - | 3,897,500 |
| Weighted average exercise price | | \$0.64 | \$0.00 | \$0.00 | \$0.00 | \$0.64 |

For further information on options, see Note 8 (d) of the consolidated financial statements dated July 31, 2007.

M. Subsequent Events and Outlook

Significant events that occurred after period end are disclosed in Note 11 of the consolidated financial statements dated July 31, 2007 and elsewhere in this MD&A.

- (i) On August 28, 2007 the Company entered into an option to acquire a 100% interest in the Dragoon Porphyry project located approximately 100 km southwest of Tucson, Arizona. Under the terms of the agreement the Company, through its US subsidiary, Southern Silver Exploration (US), may earn a 100% interest by making scheduled payments totaling \$670,000 over five years. The vendors retain a 2% NSR royalty in the property that may be purchased in 0.5% increments at \$500,000 per increment.

The property comprises 68 unpatented mining claims and four State leases that contain areas of exposed "leached cap" in the eastern part of the property and a larger down-dropped block of porphyry related rocks in the gravel-covered western portion of the property. The presence of the "leached cap" rocks is significant as they may overlie enriched copper mineralization at depth. Previous exploration and limited drilling on the property by Kennecott, Noranda and US Borax has identified mineralized hematite-quartz-sericite altered Larimide-age intrusive rocks. Extensive porphyry-related copper and molybdenum geochemical anomalies occur throughout the property with several historic drill holes ended in mineralization.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

M. Subsequent Events and Outlook, continued

- (i) The acquisition of the Dragoon Property complements the previous acquisition of the Tombstone South Property in Company's efforts to explore quality porphyry-related projects in southern Arizona. Drill ready targets have been identified on both projects in preparation for an anticipated 3,500 meter drill program scheduled for late fall 2007 at an estimated cost of \$750,000.
- (ii) 10,000 warrants were exercised after the period ended July 31, 2007 for gross proceeds of \$3,000.
- (iii) Subsequent to July 31, 2007 the Company has engaged the services of an external consultant to document the internal control processes and propose ways of improvement of the internal controls and mitigation of the known weaknesses.

N. Financial Instruments

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 bonds is approximated by their book values.

O. Off Balance Sheet

The Company did not enter into any off balance sheet transactions or commitments as defined by National Instrument 51-102.

P. Management's Responsibility for Financial Information

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 that are believed to be reasonable under the circumstances. Critical accounting policies were disclosed in the annual audited financial statements.

Consistent with accepted policies of the Canadian junior mining industry, the Company capitalizes exploration expenditures. This decision, and the timing of the possible recognition of impairment in the mineral property value, can materially affect the reported earnings of the Company.

Management has prepared the information and representations in this annual report. The financial statements have been prepared to conform to generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this MD&A is consistent with the data presented in the financial statements.

The Company maintains adequate systems of internal accounting and administrative controls. These systems were designed to provide reasonable assurance that relevant and reliable financial information is produced. The independent auditors have the responsibility of auditing the financial statements as at year end April 30, and expressing an opinion on them.

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

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

P. Management's Responsibility for Financial Information, continued

The Audit Committee is composed of three directors, two of which are independent, who meet at least quarterly with management and at least annually with the external auditors to review accounting, auditing, internal controls and financial reporting matters.

Certification of Interim Filing

Based on their knowledge, the President and Chief Financial Officer of the Company have reviewed the interim filing and certified that the consolidated financial statements as at July 31, 2007 together with the other financial information included in the interim filings fairly present in all material aspects the financial condition, results of operations and cash flows of the Company for the reporting period. The President and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company, and they believe:

- i) the disclosure controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, are made known to them, particularly during the period in which the interim filings are being prepared; and
- ii) the internal control over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian generally accepted accounting principles.

Due to the small size of the Company, there is a lack of segregation of duties, which is an internal control weakness. Management mitigates this risk through direct involvement of senior management in day-to-day operations.

During the three months ended July 31, 2007, there were no changes in the Company's internal control over financial reporting that occurred that has materially affected, or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Q. Risks and Uncertainties

The principal business of the Company is the 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 our 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, the quality of land available for exploration as well as various other factors.

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

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

Q. Risks and Uncertainties, continued

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. Due to these uncertainties, no assurance can be given that the 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 such as common shares. 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 are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financings were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be 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 gold and silver 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.

R. 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 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.

S. Whistleblower Policy

Effective August, 2005, the Audit Committee adopted resolutions that authorized 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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2007

S. Whistleblower Policy, continued

The implementation of the whistleblower policy is in accordance with the 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.

T. Forward-Looking Statements

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. 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; 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.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and 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 undertake to update 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.