



**Interim Consolidated Financial Statements**  
**For the three months ended July 31, 2006 and 2005**

**Notice of No Auditor Review of Interim Statements**

These interim consolidated financial statements of the Company for the three months ended July 31, 2006, were prepared by management and have not been reviewed or audited by the Company's auditors.

**Southern Silver Exploration Corp.**  
Consolidated Balance Sheets

		July 31, 2006		April 30, 2006
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents		\$ 2,081,973	\$	2,326,667
Receivables		114,181		113,155
Prepaid and deposits		31,008		32,326
Due from related parties	Note 4	11,741		
		<b>2,238,903</b>		<b>2,472,148</b>
Mineral properties	Note 3	1,822,885		1,488,214
		<b>\$ 4,061,788</b>	<b>\$</b>	<b>3,960,362</b>
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		\$ 47,132	\$	133,858
Due to related parties	Note 4	-		3,977
		<b>47,132</b>		<b>137,835</b>
<b>Shareholders' Equity</b>				
Share capital	Note 5 (a)	12,001,459		11,676,096
Contributed surplus	Note 5 (a)	1,366,746		999,464
Deficit		(9,353,549)		(8,853,033)
		<b>4,014,656</b>		<b>3,822,527</b>
		<b>\$ 4,061,788</b>	<b>\$</b>	<b>3,960,362</b>

Nature and continuance of operations (Note 1)

Subsequent events (Note 9)

Approved on behalf of the Board

Lawrence Page, Q.C.

Robert Gayton, F.C.A.

**Southern Silver Exploration Corp.**

Consolidated Statements of Operations for the three months ended July 31, 2006 and 2005

	July 31, 2006	July 31, 2005
<b>Expenses</b>		
Administration	\$ 15,000	\$ 15,000
Consulting	33,793	34,500
Foreign exchange loss (gain)	(26,902)	(2,175)
General exploration	2,084	-
Investor relations	52,517	56,284
Office and administration	17,688	23,907
Professional fees	15,981	11,649
Regulatory fees and taxes	2,380	5,606
Shareholders communications and printing	1,332	-
Stock-based compensation	Note 5 (e) 392,257	-
Transfer agent	2,093	7,000
Travel and promotion	11,623	34,239
Wages and benefits	3,032	-
<b>Loss before the undernoted</b>	<b>522,878</b>	<b>186,010</b>
Interest income	(22,362)	-
<b>Net loss for the year</b>	<b>500,516</b>	<b>186,010</b>
<b>Deficit, beginning of the year</b>	<b>8,853,033</b>	<b>7,383,836</b>
<b>Deficit, end of the year</b>	<b>\$ 9,353,549</b>	<b>\$ 7,569,846</b>
Loss per share - basic and diluted	\$ 0.02	\$ 0.01
Weighted average number of common shares outstanding	25,244,381	16,448,889

**Southern Silver Exploration Corp.**

Consolidated Statements of Cash Flows for the three months ended July 31, 2006 and 2005

<b>Cash provided by (used for):</b>	<b>2006</b>	<b>2005</b>
<b>Operating Activities</b>		
Net loss for the year	\$ (500,516)	\$ (186,010)
Items not involving cash:		
Stock- based compensation	392,257	-
Interest income accrued	15,703	-
<b>Operating Cash Flow</b>	<b>(92,556)</b>	<b>(186,010)</b>
<b>Change in Non-Cash Working Capital</b>		
Receivables	(16,729)	(23,427)
Prepaid and deposits	1,318	-
Accounts payable and accrued liabilities	(96,010)	185,533
Due to related parties	(15,718)	7,712
	(127,139)	169,818
<b>Cash used in Operating Activities</b>	<b>(219,695)</b>	<b>(16,192)</b>
<b>Investing Activities</b>		
Expenditures on mineral properties	(291,887)	(474,183)
<b>Cash used in Investing Activities</b>	<b>(291,887)</b>	<b>(474,183)</b>
<b>Financing Activities</b>		
Shares issued for cash, net	266,888	14,500
<b>Cash provided by Financing Activities</b>	<b>266,888</b>	<b>14,500</b>
<b>Increase in cash and cash equivalents during the year</b>	<b>(244,694)</b>	<b>(475,875)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,326,667</b>	<b>2,032,291</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,081,973</b>	<b>\$ 1,556,416</b>

Supplemental cash flow information (Note 7).

## **Southern Silver Exploration Corp.**

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2006 and 2005

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### **1. Nature and Continuance of Operations**

Southern Silver Exploration Corp. (the "Company") is an exploration stage corporation with mineral properties located in Mexico and Arizona.

After a period of dormancy, the Company was reinstated on the NEX Board of the TSX (for inactive issuers) in May 2004 and on July 16, 2004 the Company completed a seven-for-one consolidation of its common shares and changed its name to Southern Silver Exploration Corp. from Newcastle Silver Mines Ltd. In fiscal 2005, the Company initiated a reactivation plan that included: a private placement financing; the settlement of debt with certain creditors for shares in the Company; and the negotiation of option agreements on mineral properties in Mexico.

The TSX Venture Exchange ("TSX") gave final approval to the Company's financial and property agreements and the listing was elevated to the Tier 2 Board and, effective December 10, 2004, trading resumed under the symbol SSV.

These consolidated financial statements were prepared on a "going-concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2006, the Company had working capital of \$2,191,771 (April 30, 2006: \$2,334,313). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses. The Company has an accumulated deficit of \$9,353,549 as at July 31, 2006 (April 30, 2006: \$8,853,033).

The Company's ability to discharge its liabilities and fulfill its commitments as they come due are dependent upon its success in obtaining equity financing and, ultimately, on locating economically recoverable ore resources and attaining profitable operations. Failure to continue as a going-concern would require the restatement of assets and liabilities on a liquidation basis, which could give rise to account balances which differ materially from balances arising using the going-concern basis.

These financial statements do not reflect adjustments that would be necessary if the going-concern assumptions were not appropriate because management believes that actions taken or planned will mitigate the adverse conditions that raise doubts about the Company's viability.

### **2. Basis of Presentation and Consolidation**

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiary Minera Plata Costa del Plata S.A de C.V., incorporated in Mexico.

All intercompany accounts and transactions were eliminated upon consolidation.

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

## Southern Silver Exploration Corp.

### Notes to the Consolidated Financial Statements

For the three months ended July 31, 2006 and 2005

### 3. Mineral Properties

The Company has interests in base and precious metal prospects in Mexico, referred to as the Pinabete, Cristoforos and La Sorpresa properties as well as an option to acquire a 100% interest in a project in Arizona called Tombstone. Terms of the agreements are described below. Deferred mineral property costs, by property, were as follows:

Period ended July 31, 2006	Pinabete	Tombstone	Cristoforos	La Sorpresa	Magistral	Total
	\$	\$	\$	\$	\$	\$
Acquisition	127,606	100,039	73,213	85,264	47,754	433,876
Assays and analysis	52,496	2,390	-	19,208	-	74,094
Camp and supplies	5,406	386	-	678	-	6,470
Consulting and project supervision	2,513	26,984	-	52,253	-	81,750
Drilling	427,428	-	-	129,002	-	556,430
Equipment rental	43,373	396	-	29,293	-	73,062
Exploration and other	25,677	3,254	233	72,304	-	101,468
Field supplies	-	-	369	9,991	-	10,360
Geological and geophysic services	161,556	63,049	-	124,233	2,374	351,212
Project support	18,832	503	344	26,580	-	46,259
Repair and maintenance	23,594	1,800	-	-	-	25,394
Travel	16,473	9,044	785	31,499	-	57,801
Vehicle costs	1,839	2,194	-	676	-	4,709
<b>Total</b>	<b>906,793</b>	<b>210,039</b>	<b>74,944</b>	<b>580,981</b>	<b>50,128</b>	<b>1,822,885</b>

Property	Balance	Additions		Balance
	April 30, 2006	Q1	Year to date	July 31, 2006
	\$	\$	\$	\$
Pinabete	900,836	5,957	5,957	906,793
Tombstone	156,173	53,866	53,866	210,039
Cristoforos	63,773	11,171	11,171	74,944
La Sorpresa	367,432	213,549	213,549	580,981
Other	-	50,128	50,128	50,128
<b>Total</b>	<b>1,488,214</b>	<b>334,671</b>	<b>334,671</b>	<b>1,822,885</b>

**Southern Silver Exploration Corp.**  
Notes to the Consolidated Financial Statements  
For the three months ended July 31, 2006 and 2005

**3. Mineral Properties, continued**

Year ended April 30, 2006	Pinabete	Tombstone	Cristoforos	La Sorpresa	Santo Domingo	Total
	\$	\$	\$	\$	\$	\$
Acquisition	124,162	69,316	62,042	81,924	7,111	344,555
Assays and analysis	52,496	2,390	-	6,549	-	61,435
Camp and supplies	5,406	-	-	-	-	5,406
Consulting and project supervision	-	26,984	-	22,582	-	49,566
Drilling	427,428	-	-	-	-	427,428
Equipment rental	43,373	-	-	21,019	-	64,392
Exploration and other	25,677	3,254	233	71,031	1,260	101,455
Field supplies	-	-	369	9,959	-	10,328
Geological and geophysics services	161,556	46,033	-	111,351	-	318,940
Project support	18,832	-	344	18,071	-	37,247
Repair and maintenance	23,594	1,800	-	-	-	25,394
Travel	16,473	6,396	785	24,330	-	47,984
Vehicle costs	1,839	-	-	616	-	2,455
Write-down of mineral property	-	-	-	-	(8,371)	(8,371)
<b>Total</b>	<b>900,836</b>	<b>156,173</b>	<b>63,773</b>	<b>367,432</b>	<b>-</b>	<b>1,488,214</b>

**(a) Pinabete Property - Chihuahua, Mexico**

Pursuant to a letter agreement dated August 16, 2004 and incorporated into an option agreement April 6, 2005, Anglo American Mexico S.A. de C.V. ("Anglo American") agreed to grant the Company an option to acquire a 100% undivided interest in the 4,649-hectare 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% net smelter returns royalty ("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.

## **Southern Silver Exploration Corp.**

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2006 and 2005

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### **3. Mineral Properties, continued**

#### **(a) Pinabete Property - Chihuahua, Mexico, continued**

To exercise the option the Company is required to:

- a. Issue an initial 200,000 common shares to Anglo American (issued, December 2004 at \$0.20 per share, refer to Note 5 (a)).
- b. Issue a further 50,000 common shares to Anglo American on each subsequent anniversary of the approval date (the approval date being December 12, 2004) until exercise of the option. (Issued)
- c. Incur a minimum US\$2,000,000 of expenditures on Pinabete before the fourth anniversary of the approval date, as follows:
  - (i) Not less than US\$200,000 on or before December 12, 2005. (Paid)
  - (ii) An aggregate US\$400,000 on or before December 12, 2006. (Paid)
  - (iii) An aggregate US\$700,000 on or before December 12, 2007.
  - (iv) An aggregate US\$2,000,000 on or before December 12, 2008.

#### **(b) Cristoforos Property - Chihuahua, Mexico**

In June 2005, the Company reached an agreement with the owners of certain mineral concessions in Chihuahua, Mexico to acquire a 100% interest in the Cristoforos property. These claims are contiguous to the Pinabete property.

Pursuant to a letter 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:

- a. US\$10,000 on or before June 22, 2006. (Paid)
- b. US\$75,000 on or before June 22, 2007.
- c. US\$165,000 on or before June 22, 2008.

There are no minimum exploration expenditure commitments on these mineral concessions.

#### **(c) Santo Domingo Project – Durango, Mexico**

In September 2005, the Company signed a letter agreement to acquire a 100% interest in the Santo Domingo, El Coyote project in Durango, Mexico, comprising of four mineral concessions covering 5,496 hectares. Upon signing the letter agreement the Company paid \$7,111, (US\$6,000) for the right to conduct an on site due diligence investigation of the property.



### **3. Mineral Properties, continued**

#### **(c) Santo Domingo Project – Durango, Mexico, continued**

In addition to acquisition costs of \$7,111, (US\$6,000) the Company incurred \$1,260 in exploration on the Santo Domingo project for the year ended July 31, 2006. The Company decided not to pursue exploration on this project and thus, \$8,371 was expensed to general exploration.

#### **(d) La Sorpresa Property - Mexico**

On October 18, 2005, the Company signed a letter of intent with the optionors of the La Sorpresa mineral concessions in Jalisco, Mexico to acquire a 100% interest in the project, comprising four mining concessions covering 360 hectares approximately 80 kilometers from Guadalajara City.

In December 2005, a formal contract was signed and registered with the Mexican authorities and the Company paid an initial \$78,243 (US\$67,000). To complete the purchase the Company will be required to make the following additional payments:

- a. US\$33,000 on or before December 19, 2006.
- b. US\$100,000 on or before December 19, 2007.
- c. US\$200,000 on or before December 19, 2008.
- d. US\$600,000 on or before December 19, 2009.

#### **(e) Tombstone Prospect - Arizona**

Pursuant to an agreement dated May 26, 2005, the Company acquired an exclusive option to acquire an undivided 100% interest in certain claims located in the state of Arizona exploration prospect referred to as Tombstone. 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:

- a. US\$20,000 on or before June 1, 2006. (Expended)
- b. US\$50,000 on or before June 1, 2007.
- c. US\$100,000 on or before June 1, 2008.
- d. US\$200,000 on or before June 1, 2009.
- e. 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 would acquire a 100% undivided interest in Tombstone 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.

## **Southern Silver Exploration Corp.**

### Notes to the Consolidated Financial Statements

For the three months ended July 31, 2006 and 2005

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### **3. Mineral Properties, continued**

#### **(f) Other properties - Magistral I Property - Mexico**

In July 2006, the Company signed a letter agreement with Fury Explorations Ltd, (“Fury”) to acquire a 65% interest in the Magistral I Mexican mining exploration concession (“the concession”). Regulatory approval was received from the TSX Venture Exchange on July 21, 2006 (“the receipt”).

Pursuant to this agreement the Company’s commitments would be as follows:

- a. Issue an initial 50,000 common shares to Fury before July 26, 2006. (Issued)
- b. Issue 50,000 common shares to Fury on the first, second, third and fourth anniversaries of the receipt.
- c. Issue 250,000 shares on the fifth anniversary of the receipt.
- d. Incur a minimum US\$3,000,000 of expenditures on the concession on or before the fifth anniversary of the receipt, as follows:
  - (i) An aggregate of at least US\$100,000 by July 21, 2007.
  - (ii) An aggregate of at least US\$450,000 by July 21, 2008.
  - (iii) An aggregate of at least US\$950,000 by July 21, 2009.
  - (iv) An aggregate of at least US\$1,800,000 by July 21, 2010.
  - (iv) An aggregate of at least US\$3,000,000 by July 21, 2011.

Upon earning its interest in the concession, in accordance with the above commitments, the Company shall enter into a Joint Venture agreement (the “JV Agreement”) with Fury for the development of the concession. The Company shall have a 65% interest in the joint venture with the pro-rata funding of all costs and expenses associated with the development of the concession.

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% NSR royalty

#### **(g) General**

Title to mining 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 mining 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.

## **Southern Silver Exploration Corp.**

### Notes to the Consolidated Financial Statements

For the three months ended July 31, 2006 and 2005

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#### **4. Related Party Balances and Transactions**

The amounts due from related parties of \$11,741 (April 30, 2006: payable \$3,977) were due from directors and senior officers of the Company or by private companies controlled by them.

For the three months ended July 31, 2006 ("Q1 2007") and 2005 ("Q1 2006"), the following is a summary of related party expenditures not disclosed elsewhere in these financial statements:

- (a) The Administration fee of \$15,000 (Q1 2006: \$15,000) was charged by a company controlled by a director.
- (b) Consulting fees of \$31,280 (Q1 2006: \$20,500) were charged by companies controlled by directors or officers of the Company.
- (c) Investor relations fees includes \$4,840 (Q1 2006: \$16,500) charged by companies controlled by a director or officer of the Company.
- (d) Office and Administration includes \$9,944 (Q1 2006: \$21,093) billed, on a costs recovery basis, by either private companies controlled by directors of the Company or by a director or officer of the Company.
- (e) Professional fees of \$5,279 (Q1 2006: \$6,2525) includes accounting fees of \$5,279 (Q1 2006: \$4,340) billed on a cost recovery basis by a private company controlled by a director. In Q1 2006 legal fees of \$1,912 were incurred by an association of lawyers in which an officer of the Company is a member. There were no related party legal fees in Q1 2007.
- (f) Transfer agent fees includes \$3,675 in Q1 2006, billed on a cost recovery basis by a private company controlled by a director. There were no related party payments in Q1 2007.
- (h) Mineral properties includes amounts billed by private companies controlled by directors of the Company for geological, consulting and legal services in the amount of \$5,525 (Q1 2006: \$7,475). These costs were capitalized to following properties:
  - (i) \$2,975 (Q1 2006: Nil) to La Sorpesa.
  - (ii) \$2,550 (Q1 2006: \$4,475) to Tombstone.
  - (iii) Q1 2006 \$3,000 to Pinabete.

These transactions were made in the normal course of operations for consideration established and accepted by the Company and related parties.

**Southern Silver Exploration Corp.**  
Notes to the Consolidated Financial Statements  
For the three months ended July 31, 2006 and 2005

**5. Share Capital**

**(a) Issued and Outstanding**

The authorized share capital of the Company is unlimited. The issued share capital as at July 31, 2006 is as follows:

		No. of Shares	Amount	Contributed Surplus
<b>Balance as at April 30, 2005</b>		<b>16,409,921</b>	<b>9,115,640</b>	<b>394,593</b>
Issued				
Private Placements	Note 5 (b)	4,600,000	1,600,000	-
Exercised share purchase warrants		3,549,000	926,900	-
Exercised Options		295,000	96,900	-
Issued to acquire Pinabete Property	Note 3 (a)	50,000	37,000	-
Fair value of stock options exercised		-	69,024	(69,024)
Stock based compensation		-	-	553,977
Subtotal before share issue costs		8,494,000	2,729,824	484,953
Share issue costs	Note 5 (b) (iii)	230,000	(169,368)	119,918
<b>Balance as at April 30, 2006</b>		<b>25,133,921</b>	<b>\$ 11,676,096</b>	<b>\$ 999,464</b>
Issued				
Exercised share purchase warrants		582,500	220,500	-
Exercised options		105,000	48,400	-
Issued to acquire Magistral Property	Note 3 (f)	50,000	33,500	-
Fair value of stock options exercised		-	24,975	(24,975)
Stock based compensation		-	-	392,257
Subtotal before share issue costs		737,500	327,375	367,282
Share issue costs		-	(2,012)	-
<b>Balance as at July 31, 2006</b>		<b>25,871,421</b>	<b>\$ 12,001,459</b>	<b>\$ 1,366,746</b>

## **5. Share Capital, continued**

### **(b) Private Placements**

There were no private placements during the three months ended July 31, 2006.

#### **Year ended 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 for a two year period. The Company incurred share issuance costs of \$3,500 resulting in net proceeds of \$596,500.

In October 2005, the Company completed a private placement of 4,000,000 units at \$0.25 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common shares and one share purchase warrants exercisable at \$0.30 for a two year period. The Company incurred share issuance costs of \$165,868 resulting in net proceeds of \$834,132

Issuance costs were as follows:

- (i) Finders' fees of \$33,107 being 7% of the value of the units subscribed by clients.
- (ii) Other general cash issuance costs were \$12,843.
- (iii) 230,000 units were issued to the agents involved, consisting of 230,000 common shares and 230,000 share purchase warrants exercisable at \$0.30 for a two year period.
- (iv) The common shares issued to the agents were valued at \$0.25 per share (total \$57,500) and the warrants were valued at \$0.27 per warrant (total \$62,418) using the Black-Scholes option pricing model (Note 5 (e)).

The Company realized net proceeds of \$1,430,632 from these private placements.

### **(c) Stock Options**

As at July 31, 2006 and 2005, the Company had a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum of 10% of the number of issued and outstanding common shares of the Company at any given time. The term of 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 and key employees of, 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.

**Southern Silver Exploration Corp.**  
Notes to the Consolidated Financial Statements  
For the three months ended July 31, 2006 and 2005

**5. Share Capital, continued.**

**(c) Stock Options, continued**

2,437,500 of the options outstanding as at July 31, 2006 were exercisable with the remaining 100,000 vesting over the next fourteen months. Transactions for the three months ended July 31, 2006 and the year ended April 30, 2005 were as follows:

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Balance April 30, 2006</b>	<b>Options Granted</b>	<b>Cancelled or Expired</b>	<b>Options Exercised</b>	<b>Balance July 31, 2006</b>
\$0.65	December 10, 2009	927,500	-	-	-	927,500
\$0.30	October 13, 2010	310,000	-	-	55,000	255,000
\$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
		<b>2,092,500</b>	<b>550,000</b>	<b>-</b>	<b>105,000</b>	<b>2,537,500</b>
Weighted average exercise price		\$0.60	\$0.88	\$0.00	\$0.46	\$0.66

1,992,500 of the options outstanding as at April 30, 2006 were exercisable with the remaining 100,000 vesting over the next eighteen months.

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Balance April 30, 2005</b>	<b>Options Granted</b>	<b>Cancelled or Expired</b>	<b>Options Exercised</b>	<b>Balance April 30, 2006</b>
\$0.70	September 13, 2005	77,143	-	77,143	-	-
\$0.65	December 10, 2009	1,085,000	-	157,500	-	927,500
\$0.30	October 13, 2010	-	565,000	-	255,000	310,000
\$0.51	November 8, 2010	-	520,000	-	40,000	480,000
\$0.83	January 16, 2011	-	250,000	-	-	250,000
\$0.82	March 27, 2011	-	125,000	-	-	125,000
		<b>1,162,143</b>	<b>1,460,000</b>	<b>234,643</b>	<b>295,000</b>	<b>2,092,500</b>
Weighted average exercise price		\$0.65	\$0.51	\$0.67	\$0.33	\$0.60

**Southern Silver Exploration Corp.**  
Notes to the Consolidated Financial Statements  
For the three months ended July 31, 2006 and 2005

**5. Share Capital, continued**

**(d) Share Purchase Warrants**

The Company's share purchase warrants for the three months ended July 31, 2006 and the year ended April 30, 2005 are summarized as follows:

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Balance April 30, 2006</b>	<b>Warrants Granted</b>	<b>Cancelled or Expired</b>	<b>Warrants Exercised</b>	<b>Balance July 31, 2006</b>
\$0.20	December 14, 2006	670,000	-	-	-	670,000
\$0.60	April 11, 2007	1,627,500	-	-	102,500	1,525,000
\$0.60	April 11, 2007	197,500	-	-	50,000	147,500
\$0.30	October 31, 2007	3,140,000	-	-	430,000	2,710,000
\$0.30	October 31, 2007	97,500	-	-	-	97,500
\$1.00	April 7, 2008	600,000	-	-	-	600,000
		<b>6,332,500</b>	<b>-</b>	<b>-</b>	<b>582,500</b>	<b>5,750,000</b>
Weighted average exercise price		\$0.44	\$0.00	\$0.00	\$0.38	\$0.45

  

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Balance April 30, 2005</b>	<b>Warrants Granted</b>	<b>Cancelled or Expired</b>	<b>Warrants Exercised</b>	<b>Balance April 30, 2006</b>
\$0.15	December 14, 2005	695,000	-	-	695,000	-
\$0.15	December 14, 2005	1,000,000	-	-	1,000,000	-
\$0.20	December 14, 2006	1,000,000	-	-	330,000	670,000
\$0.60	April 11, 2007	2,092,500	-	-	465,000	1,627,500
\$0.60	April 11, 2007	264,000	-	-	66,500	197,500
\$0.30	October 31, 2007	-	4,000,000	-	860,000	3,140,000
\$0.30	October 31, 2007	-	230,000	-	132,500	97,500
\$1.00	April 7, 2008	-	600,000	-	-	600,000
		<b>5,051,500</b>	<b>4,830,000</b>	<b>-</b>	<b>3,549,000</b>	<b>6,332,500</b>
Weighted average exercise price		\$0.37	\$0.39	\$0.00	\$0.26	\$0.44

**Southern Silver Exploration Corp.**  
Notes to the Consolidated Financial Statements  
For the three months ended July 31, 2006 and 2005

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**5. Share Capital, continued**

**(e) Fair Value Determination**

The fair value of share options or share purchase warrants granted is estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	Options		Warrants	
	Q1 2007	Year Ended 2006	Q1 2007	Year Ended 2006
Risk free interest rate	4.19%	3.68%	N/A	3.41%
Expected stock price volatility	189.69%	171.21%	N/A	164.10%
Expected life in years	2.00	2.63	N/A	2.00
Expected dividend yield	-	-	N/A	-

The option pricing model requires the input of highly subjective assumptions and is particularly sensitive to the expected share price volatility which can affect the fair value estimate.

The calculated value of call stock options issued is as follows:

**Three months ended July 31, 2006**

- a. 550,000 options issued in June 2006 with a fair value of \$392,257 being \$0.71 per option.

**Year ended April 30, 2006**

- b. 565,000 options issued in October 2005 with a fair value of \$150,625 being \$0.27 per option.
- c. 520,000 options issued in November 2005 with a fair value of \$224,319 being \$0.43 per option.
- d. 250,000 options issued January 2006 with fair value of \$161,012 being \$0.65 per option.
- e. 125,000 options issued in March 2006 gave a fair value of \$90,105 being \$0.72 per option. These options are vested over an 18 month period, with 20%, or 25,000 options being available to the optionee at April 30, 2006 with a fair value of \$18,021. This amount was expensed as at April 30, 2006. The remaining fair value will be expensed when the options are vested.
- f. The total calculated fair value for year ended April 31, 2006 was \$553,977 which was expensed to the income statement.



**Southern Silver Exploration Corp.**  
Notes to the Consolidated Financial Statements  
For the three months ended July 31, 2006 and 2005

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**5. Share Capital, continued**

**(e) Fair Value Determination, continued**

In fiscal 2006 the fair value for the 230,000 warrants issued to agents as finders' fees using the Black-Scholes model was calculated to be \$0.27 per warrant giving a calculated total fair value of \$62,418 and is included in share issue costs and contributed surplus.

In fiscal 2005 the fair value for the 264,000 warrants issued to agents as finders' fees using the Black-Scholes model was calculated to be \$0.16 per warrant giving a calculated total cost of \$41,184.

**6. Segmented Disclosure**

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

	July 31, 2006		April 30, 2006		July 31, 2005	
Mexico	\$	1,612,846	\$	1,332,041	\$	560,588
USA		210,039		156,173		36,166
	\$	1,822,885	\$	1,488,214	\$	596,754

**7. Supplemental Cash Flow Information**

Supplemental cash flow information	July 31, 2006		July 31, 2005	
<b>Cash Items</b>				
Interest received	\$	6,659	\$	-
<b>Share issue Costs</b>				
Cash items				
Share issue costs	\$	2,012	\$	3,500
<b>Non-cash financing activities</b>				
Shares issued for mineral properties	\$	(33,500)	\$	-

## **8. Contingent Liabilities**

Certain claims have been filed against the Company. Details are as follows:

- (a) A claim for US \$80,000 plus 50,000 shares of the Company exists 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 July 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.

## **9. Subsequent Events**

### **(a) Mineral Properties**

On August 28, 2006, the Company signed a letter agreement to acquire a 100% interest in the Oro Claims, Grant Country, New Mexico.

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

- a. US \$10,000 on or before February 28, 2007.
- b. US \$20,000 on or before August 28, 2007.
- c. US \$50,000 on or before August 28, 2008.
- d. US \$100,000 on or before August 28, 2009.
- e. US \$200,000 on or before August 28, 2010.
- f. 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 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.

### **(b) Stock Options**

Subsequent to July 31, 2006, 40,000 common shares were issued upon the exercise of options for proceeds of \$12,000 and a weighted average exercise price of \$0.30 per share.



## Management's Discussion and Analysis

In respect of the three months ended July 31, 2006

Dated: September 22, 2006

### Index Page

A - Introduction	1
B - Qualified person	1
C - Exchange information and conversion tables	2
D - Description of business	3
E - Description of mineral properties	3 - 10
F - Mineral property expenditure	10
G - Results of operations	10 - 11
H - Quarterly results	11
I - Related party information	12
J - Financial conditions, liquidity and capital resources	12 - 14
K - Outstanding shares, options and share purchase warrants	14 - 15
L - Subsequent events and outlook	16
M - Off balance sheet	16
N - Managements responsibility for financial information	16
O - Risks and uncertainties	16 - 17
P - Licenses and permits	17 - 18
Q - Whistleblower policy	18
R - Forward looking statements	18

## **Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

### **A. Introduction**

The following Management 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, 2006 to the same period in the previous year. These statements should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2006. All notes referenced herein may be found in the consolidated financial statements.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles. This MD&A, dated as of September 22, 2006, was prepared to conform with National Instrument 51-102 F1 and it was approved by the Board of Directors prior to 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](http://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.

The Company engaged Adrian Robles Salazar and Dr. Linus Keating, two highly regarded geologists with specialized experience in Mexico and Arizona, respectively, to provide consulting services. 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.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**C. Exchange information and conversion tables.**

For ease of reference, the following information is provided:

U.S. Dollar to Canadian Dollars			
	Three months	Years ended	
	Ended	April 30,	
	July 31, 2006	2006	2005
Rate at end of period	1.13170	1.13170	1.25860
Average rate for period	1.11709	1.18717	1.27011
High for period	1.14560	1.27320	1.40030
Low for period	1.09260	1.11600	1.17140

www.oanda.com

Conversion Table			
Imperial			Metric
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Metres
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.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

### **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 Arizona.

During the first two quarters of the fiscal year 2005, the Company was an inactive issuer and its common shares were listed on the NEX Board of the TSX. The NEX Board provides a market for the shares of former Tier 1 or 2 issuers that do not have an active business. Effective December 10, 2004, the TSX accepted a reactivation plan, enabling the listing of the Company's common shares to graduate from the NEX Board to the Tier 2 Board of the TSX.

### **E. Description of Mineral Properties**

#### **i) 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 optionors 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.

The La Sorpresa claims cover an area of mineralized quartz-tourmaline breccias hosted by 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 seen only limited shallow drill testing and has been explored by shallow adits and cross-cuts in an area 180 meters x 70 meters wide. Up to 2700 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.

Surface mapping on the property in the Fall of 2005 focused on two additional mineralized zones, known as the West and South Breccias. These form a semi continuous zone of approximately 300 meters long x 60 to 180 meters width. Copper oxides are widely distributed as disseminations in argillized quartz monzonite intrusive and in breccia zones located on the periphery of the intrusive. Surface channel sampling along a 120 meter strike length through this area returned four highly anomalous intervals, ranging from 56 meters of 0.45% Cu and 4.57g/t Ag, 26 meters of 0.66% Cu and 10.9g/t Ag, 24 meters of 0.67% Cu and 2.0g/t Ag to a high of 18.2 meters of 1.22% Cu and 1.44g/t Ag. Individual samples returned values as high as 2.17% Cu and 33g/t Ag. Sampling tested both mineralized quartz-tourmaline breccias and disseminated sulphides in altered intrusive.

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**E. Description of Mineral Properties, continued**

**i) La Sorpresa Property – Mexico, continued**

In January and February 2006, the Company completed 20 line-kilometers of 3D-IP geophysics over the areas of the Main, West and South breccias and identified several widespread, near-surface geophysical targets on the property. Coincident high-chargeability and low-resistivity anomalies, which extend to greater than 200 meters depth, occur in three areas and may indicate zones of increased disseminated mineralization.

On April 20, 2006, the Company announced the start of a 15-hole, 2500 meter drill program on the La Sorpresa Property. The program included up to six holes to test a series of targets down-dip and on-strike of the main La Sorpresa Breccia. Four drill holes would test several targets in the area of the West and South Breccias where sub-vertical, north-south-trending feeder structures intersect a series of shallowly dipping tourmaline-quartz breccias. Up to five drill holes would test deeper (>150m) geophysical targets and possible on-strike extensions of north-south feeder structures in more poorly exposed areas.

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. Drilling proceeded under difficult conditions. Core recovery was unsatisfactorily low through portions of the main mineralized zones due to significant grinding of the fragments and washing of the matrix material in some critical intervals. Chalcopyrite mineralization is contained mainly in matrix and washing and loss of this material may have resulted in reported values for these intervals that may not be truly representative of the mineralization in these zones.

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.

A second thick zone of mineralized quartz-tourmaline breccia was tested at the South Breccia and includes reportable higher-grade intervals of up to **0.55% Cu over 10.1 metres**. This mineralization is associated with a broad IP geophysical anomaly that extends to the south and west under post-mineral cover.

Two drill holes, which tested the north extension of the Main Breccia also intersected copper mineralization, however the drill holes were abandoned prior to completion due to poor drilling conditions. The results from these two holes are pending.

**Southern Silver Exploration Corp.**

## Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**E. Description of Mineral Properties, continued****i) La Sorpresa Property – Mexico, continued**

Continued work on the La Sorpresa project will include surface exploration and drilling on the Company's newly acquired, 9700ha, Magistral I claims, which border the La Sorpresa property (see NR10-06). Widespread copper mineralization identified in recent drilling on the La Sorpresa claims, airborne geophysical data obtained as part of the Magistral I acquisition and reconnaissance mapping and sampling in the newly acquired property, highlight the district scale, exploration potential of the area. The geophysical data is currently being re-processed and evaluated by the Company's geophysical consultants and detailed mapping and sampling of the newly acquired property is scheduled to begin in August. Results of the recent drilling on the La Sorpresa project will be combined with this new data to establish the next set of targets for follow-up drill testing.

Summary of the Drill Results from Phase I Drilling at La Sorpresa Property, Jalisco Mexico were as follows:

Drill Hole	Azimuth	Dip	From (m)	To (m)	Interval (m)	Est. True Thickness	Cu %	
LS06-01	280	-50	Abandoned after 10 metres					
LS06-02	80	-50	NSV					
LS06-03	270	-50	9.15	89.40	80.25	61.47	0.26	
		inc	49.80	89.40	39.60	30.33	0.38	
		inc	70.85	82.00	11.15	8.54	0.64	
LS06-04	280	-50	15.95	78.00	62.05	47.53	0.11	
LS06-05	45	-54	NSV					
LS06-06	40	-45	17.65	66.15	48.50	34.29	0.07	
		and	69.40	83.65	14.25	10.07	0.55	
LS06-07	20	-50	75.10	85.90	10.80	8.27	0.12	
LS06-08	85	-50	NSV					
LS06-09	85	-45	18.35	78.05	59.70	42.21	0.15	
LS06-10	85	-75	14.20	56.70	42.50	40.80	0.17	
		inc	14.20	25.25	11.05	10.61	0.37	
LS06-11	350	-80	Assays Pending					
LS06-12	90	-45	Assays Pending					

Assays were provided by BSI Inspectorate, Reno Nevada and ALS Chemex, Vancouver British Columbia using multi-acid digestion followed by ICPAES and AAs analytical methods.

As at July 31, 2006, the Company had incurred exploration costs of \$495,718 (US\$434,991) on La Sorpresa with acquisition costs of \$85,264 (US\$73,141), giving total expenditures of \$580,982 (US\$508,132). As at April 30, 2006, the Company had incurred exploration costs of \$285,508 (US\$246,814) on La Sorpresa with acquisition costs of \$81,924 (US\$70,151), giving total expenditures of \$367,432 (US\$316,965). As at July 31, 2005, the Company had not started work on this property and therefore had incurred no exploration.



**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**E. Description of Mineral Properties, continued**

**ii) Magistral I Property – Mexico**

In July 2006, the Company announced an agreement to acquire a 65% interest in the Magistral I copper prospect in Jalisco, Mexico from Fury Explorations Ltd. (FUR-TSX.V). The Magistral I claims border the 100 percent-owned La Sorpresa project. The agreement with Fury Explorations Ltd. also includes the acquisition of data from a 1997 airborne geophysical survey, which covers both the La Sorpresa claims and a significant portion of the Magistral I claim within a total flown area of 81 square kilometers.

The Magistral I concession, which covers 9,400 hectares and adjoins the La Sorpresa claim on the North, East and West borders, is significantly larger than the original 360 hectare La Sorpresa claim block and includes multiple untested magnetic, electromagnetic and radiometric geophysical anomalies, some of which overlap the boundaries between the two claim blocks.

The Company may acquire 65% interest in the property by issuing a total of 500,000 shares vested as to 50,000 shares upon signing the option agreement, 50,000 shares in each of the first four years of the option term and 250,000 shares in year five, as well as, expending US\$3 million on exploration expenditures in staged increments, over five years.

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.

The Company has started surface mapping and sampling on the property in order to define targets for drill testing

As at July 31, 2006, the Company had incurred exploration costs of \$2,374 (US\$2,125) on Magistral with acquisition costs of \$47,754 (US\$42,749), giving total expenditures of \$50,128 (US\$44,874). As at April 30, 2006, the Company had not started work on this property and therefore had incurred no exploration.

**iii) Tombstone Property – Arizona**

Pursuant to an agreement dated May 26, 2005, the Company obtained 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 over the next five years. The vendors retain a 2% net smelter royalty ("NSR"), which the Company may purchase by paying US \$500,000 for each one-half percent acquired.

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. The Company stated the additional land acquisition was driven by the recently completed compilation of detailed mapping and airborne geophysical data that has revealed evidence of a previously unrecognized and unexplored porphyry copper system with possible silver-rich satellite replacement bodies under shallow pediment cover.

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**E. Description of Mineral Properties, continued**

**iii) Tombstone Property – Arizona, continued**

The Tombstone/Warren mining district historically produced silver between the 1800's and early 1900's from clusters of silver-lead-molybdenum-rich carbonate replacement bodies. Similar styles of mineralization were identified on surface and in drill holes on the Tombstone prospect.

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.

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.

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.

As at July 31, 2006, the Company had incurred exploration costs of \$110,000 on the Tombstone property with acquisition costs of \$100,039, giving total expenditures of \$210,039. As at April 30, 2006, the Company had incurred exploration costs of \$86,857 on the Tombstone property with acquisition costs of \$69,316, giving total expenditures of \$156,173. As at July 31, 2005, the Company had incurred exploration costs of \$6,905 on the Tombstone property with acquisition costs of \$29,261, giving total expenditures of \$36,166.

**iv) 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.

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**E. Description of Mineral Properties, continued**

**iv) 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.

In August 2004, the Company received a technical report on the property and thereafter completed financing in preparation for a diamond-drilling program. A ten-hole drill program began in May 2005. Drilling results from this program indicated the potential for discovery of mineralization in two separate zones in the large property: the Pinabete zone and the El Papalote zone. Induced Polarization ("IP") and Ground Magnetic geophysics were undertaken to define the geometry and distribution of the host structures and to assist in identifying new buried targets on the property. 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, upon reactivation, 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 over the next four years, totaling US \$2 million by December 12, 2008. The Company will also be required to 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.

A follow-up diamond drill program began in late August 2005, results of which were disclosed in a news release made November 29, 2005. Three holes were drilled in the El Papalote zone to test wide spread, fracture controlled mineralization and another three holes were drilled in the Pinabete zone to test deeper geophysical targets.

Phase II drilling extended a 30 to 40 meter wide mineralized fracture zone an additional 85 meters to the southeast from the holes previously drilled in the Phase I program. 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.

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**E. Description of Mineral Properties, continued**

**iv) Pinabete Property – Mexico, continued**

The Company is currently evaluating and compiling IP and ground geophysical and drilling data in preparation for a further phase of drilling.

As at July 31, 2006, the Company had incurred exploration costs of \$779,187 (US\$639,624) on the Pinabete property with acquisition costs of \$127,606 (US\$105,769), giving total expenditures of \$906,793 (US\$745,393). As at April 30, 2006, the Company had incurred exploration costs of \$776,674 (US\$637,374) on the Pinabete property with acquisition costs of \$124,162 (US\$102,686), giving total expenditures of \$900,836 (US\$740,060). As at July 31, 2005, the Company had incurred exploration costs of \$415,346 on the Pinabete property with acquisition costs of \$83,199, giving total expenditures of \$498,545.

**v) 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 an 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 over the next three years, on or before the June 22 anniversary dates.

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

As at July 31, 2006, the Company had incurred exploration costs of \$1,731 (US\$1,505) on the Cristoforos property with acquisition costs of \$73,213 (US\$60,081), giving total expenditures of \$74,944 (US\$61,586). As at April 30, 2006, the Company had incurred exploration costs of \$1,731 (US\$1,505) on the Cristoforos property with acquisition costs of \$62,042 (US\$50,081), giving total expenditures of \$63,773 (US\$51,585). As at July 31, 2005, the Company had incurred no exploration costs on the Cristoforos property but acquisition costs were \$62,042 (US\$50,081).

**vi) Oro Claims – Grant County, New Mexico**

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

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

- a. US \$10,000 on or before February 28, 2007.
- b. US \$20,000 on or before August 28, 2007.
- c. US \$50,000 on or before August 28, 2008.
- d. US \$100,000 on or before August 28, 2009.
- e. US \$200,000 on or before August 28, 2010
- f. US\$300,000 on or before August 28, 2011.

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**E. Description of Mineral Properties, continued**

If the Company meets the above terms and conditions 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.

**F. Mineral Properties Expenditures**

All mineral property expenditures, detailed by property, can be found in Note 3 of the consolidated financial statements dated July 31, 2006. The deferred mineral property costs as at July 31, 2006, were as follows:

<b>Period ended July 31, 2006</b>	<b>Pinabete</b>	<b>Tombstone</b>	<b>Cristoforos</b>	<b>La Sorpresa</b>	<b>Magistral</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Acquisition	127,606	100,039	73,213	85,264	47,754	433,876
Assays and analysis	52,496	2,390	-	19,208	-	74,094
Camp and supplies	5,406	386	-	678	-	6,470
Consulting and project supervision	2,513	26,984	-	52,253	-	81,750
Drilling	427,428	-	-	129,002	-	556,430
Equipment rental	43,373	396	-	29,293	-	73,062
Exploration and other	25,677	3,254	233	72,304	-	101,468
Field supplies	-	-	369	9,991	-	10,360
Geological and geophysics services	161,556	63,049	-	124,233	2,374	351,212
Project support	18,832	503	344	26,580	-	46,259
Repair and maintenance	23,594	1,800	-	-	-	25,394
Travel	16,473	9,044	785	31,499	-	57,801
Vehicle costs	1,839	2,194	-	676	-	4,709
<b>Total</b>	<b>906,793</b>	<b>210,039</b>	<b>74,944</b>	<b>580,981</b>	<b>50,128</b>	<b>1,822,885</b>

Of the total mineral expenditures, 50% was spent on the Pinabete property, 32% on La Sorpresa, 12% Tombstone, 4% on Cristoforos and 3% on Magistral.

**G. Results of Operations**

In the three months ended July 31, 2006, ("Q1") the Company had a net loss of \$500,516 compared to a net loss of \$186,010 for the comparative period last year. Share based compensation was \$392,257 in Q1, which was the fair value of 550,000 options granted, as calculated using the Black-Scholes option pricing model. Last year there was no share based compensation as no options were granted during the three months ended July 31, 2005.

**Southern Silver Exploration Corp.**

## Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**G. Results of Operations, continued**

Excluding stock-based compensation, the loss in Q1 was \$108,259 (Q1 2006: \$186,010). This decrease of \$77,751 was primarily due to the following:

- i) The Company reported a net foreign currency gain of \$26,902 in Q1, compared to a net foreign exchange gain of \$2,175 for Q1 2006. Since all current assets and liabilities held in US dollars have to be translated to Canadian dollars, on consolidation, at the period end exchange rate of 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.

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.

- ii) Professional fees increased to \$15,981 in Q1 compared to \$11,649 for Q1 2006. This increase of \$4,332 is due to higher accounting costs as well as a rise in the Q1 accrued audit fee for the year end April 30, 2007.
- iii) Travel and promotion decreased to \$11,623 in Q1 compared to \$34,239 for Q1 2006. This represents a decrease of \$22,616 and is due to the reduction in travel for Q1 compared to Q1 2006 when expenses were incurred in association with travel to financial centres in Canada, the U.S. and Europe.
- iv) Interest income was \$22,362 for Q1 compared to no income in Q1 2006. This is due to placement of cash on various term deposits during Q1.

**H. Quarterly Results**

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

	July 31, 2006 \$	April 30, 2006 \$	Jan 31 2006 \$	Oct 31 2005 \$	July 31 2005 \$	April 30 2005 \$	Jan 31 2005 \$	Oct 31 2004 \$	July 31 2004 \$
Operating expenses	130,621	184,182	287,715	284,952	186,010	153,827	81,430	51,925	60,545
Interest earned	(22,362)	(13,106)	(12,047)	(2,486)	-	-	-	-	-
Loss before the undernoted	108,259	171,076	275,668	282,466	186,010	153,827	81,430	51,925	60,545
Stock-based compensation	392,257	55,341	370,115	128,521	-	234,091	135,365		-
<b>Net Loss</b>	<b>500,516</b>	<b>226,417</b>	<b>645,783</b>	<b>410,987</b>	<b>186,010</b>	<b>387,918</b>	<b>216,795</b>	<b>51,925</b>	<b>60,545</b>
Loss per share - basic and diluted	0.02	0.01	0.04	0.02	0.01	0.03	0.03	0.03	0.04

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**I. Related Party Transactions**

The Company has no employees. Private companies controlled by directors and an officer provided management, administration and corporate development services to the Company. 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 expenditure, refer to Note 4 of the consolidated financial statements dated July 31, 2006.

**J. Financial Conditions, Liquidity and Capital Resources**

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

The Company had a working capital balance of \$2,191,771 as at July 31, 2006 compared to \$2,334,313 as at April 30, 2006 and \$1,358,134 at July 31, 2005. Cash and cash equivalents totaled \$2,081,973, \$2,326,667 and \$1,556,416, respectively.

**i) Equity financings**

The Company completed a private placement for gross proceeds of \$600,000 in April 2006, (Quarter 4, 2006).

The Company completed a private placement for gross proceeds of \$1,000,000 in October 2005, (Quarter 2, 2006).

After going through a reactivation process in fiscal 2005 and the re-instatement of the Company's shares on the TSX Tier 2 Board, the Company completed private placements for gross proceeds of \$2.7 million, of which \$2 million was raised in April, 2005 (Quarter 4, 2005) and the remainder in December 2004 (Quarter 3, 2005).

**ii) Funds raised by Stock options and share purchase warrants**

During the Q1, 582,500 share purchase warrants were exercised for gross proceeds of \$220,500 and 105,000 stock options were exercised for proceeds of \$48,400 giving total proceeds of \$268,900.

During the year ended April 30, 2006, 3,549,000 share purchase warrants were exercised for proceeds of \$926,900 and 295,000 stock options were exercised for proceeds of \$96,900 giving total proceeds of \$1,023,800.

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**J. Financial Conditions, Liquidity and Capital Resources, continued**

**iii) Exploration expenditures**

During Q1, the Company spent \$291,887 on mineral property expenditures, (including acquisition costs but excluding amounts accrued for exploration costs payable), of which 64% was directed towards the La Sorpresa property, 16% Tombstone, 15% Magistral, 3% Cristoforos and 2% Pinabete.

For further information on these expenditures see Note E of this MD&A and Note 3 of the consolidated financial statements dated July 31, 2006.

**iv) Amounts receivable**

At the three months ended July 31, 2006, the Company had \$81,345 receivable for IVA paid to the Mexican government on exploration expenditures. IVA is a 15% value added tax applied to expenditures at source, which is considered recoverable. This amount is included in Receivables on the balance sheet

**v) Commitments**

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

- (a) The Company is required to make payments for the Cristoforos property.
  - a. US \$75,000 on or before June 22, 2007.
  - b. US \$165,000 on or before June 22, 2008.
- (b) The Company is required to make payments for La Sorpresa property.
  - a. US \$33,000 on or before December 19, 2006.
  - b. US \$100,000 on or before December 19, 2007
- (c) The Company is required to make payments for the Tombstone prospect.
  - a. US \$50,000 on or before June 1, 2007.
  - b. US \$100,000 on or before June 1, 2008
- (d) The Company is required to incur, on or before December 31, 2007 minimum expenditure in aggregate of not less than US\$700,000 for the Pinabete property.
- (e) The Company is required to issue 50,000 common shares to Fury Explorations Ltd on or before July 26, 2007 and incur minimum expenditure in aggregate of not less than US\$100,000 for the Magistral property.
- (f) The Company is required to make a payment for Oro property.
  - a. US \$10,000 on or before February 28, 2007.
  - b. US \$20,000 on or before August 28, 2007
  - c. US \$50,000 on or before August 28, 2008



**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**J. Financial Conditions, Liquidity and Capital Resources, continued**

**vi) Outstanding Stock options and share purchase warrants**

As at September 22, 2006, 3,477,500 share purchase warrants and 665,000 stock options are "in the money" (the exercise price is less than the current share trading price). If these outstanding warrants and options were exercised, the Company would realize approximately \$1,270,250 in additional capital; \$976,250 from the exercise of the warrants and \$294,000 from the exercise of options.

For further information on Options and Warrants see Note L of this MD&A and Note 5 of the consolidated financial statements dated July 31, 2006.

**K. 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 22, 2006 is as follows:

	<b>Number of Shares</b>	<b>Total \$</b>
Balance as at July 31, 2006	25,871,421	\$12,001,459
Issued subsequent to year end		
Exercise of share purchase warrant	-	-
Exercise of stock options	40,000	\$12,000
<b>Balance as at September 22, 2006</b>	<b>25,911,421</b>	<b>\$12,013,459</b>

**Southern Silver Exploration Corp.**

## Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

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

As at July 31, 2006, there were 5,750,000 share purchase warrants outstanding with a weighted average exercise price of \$0.45 per share. No share purchase warrants were exercised subsequent to the period end. Warrants outstanding at September 22, 2006 are as follows:

Exercise Price	Expiry Date	Balance July 31, 2006	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance Sept 22, 2006
\$0.20	December 14, 2006	670,000	-	-	-	670,000
\$0.60	April 11, 2011	1,525,000	-	-	-	1,525,000
\$0.60	April 11, 2011	147,500	-	-	-	147,500
\$0.30	October 31, 2007	2,710,000	-	-	-	2,710,000
\$0.30	October 31, 2007	97,500	-	-	-	97,500
\$1.00	April 7, 2008	600,000	-	-	-	600,000
		<b>5,750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,750,000</b>
Weighted average exercise price		\$0.45	\$0.00	\$0.00	\$0.00	\$0.45

**iii) Stock Options**

As at July 31, 2006, there were 2,537,500 stock options outstanding with a weighted average exercise price of \$.66 per share. Subsequent to the period end, 40,000 stock options were exercised at \$0.30 per share for proceeds of \$12,000 and 40,000 common shares were issued. Stock options outstanding at September 22, 2006 are as follows:

Exercise Price	Expiry Date	Balance July 31, 2006	Granted	Cancelled or Expired	Exercised	Balance Sept 22, 2006
\$0.65	December 10, 2009	927,500	-	-	-	927,500
\$0.30	October 13, 2010	255,000	-	-	40,000	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
		<b>2,537,500</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>2,497,500</b>
Weighted average exercise price		\$0.66	\$0.00	\$0.00	\$0.30	\$0.67

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**L. Subsequent Events and Outlook**

Significant events that occurred after year-end are disclosed in Note 9 of the consolidated financial statements dated July 31, 2006 and elsewhere in this MD&A.

Stock options were exercised after the period ended July 31, 2006. For detailed information see Note L in this MD&A or Note 9 of the consolidated financial statements dated July 31, 2006.

**M. Off Balance Sheet**

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

**N. 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 fulfils its responsibilities for financial reporting and internal control. 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.

**O. 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 other, should be considered.

## **Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

### **O. Risks and Uncertainties, continued**

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 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 favorable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

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

### **P. 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.

**Southern Silver Exploration Corp.**

Management's Discussion and Analysis

In respect to the three months ended July 31, 2006

**P. Licenses and Permits, continued**

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.

**Q. 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. 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.

**R. 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.

Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Such forward-looking statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. 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.