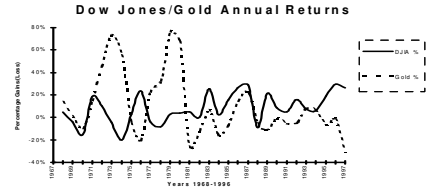




Gold

Energy & Tech Stocks



Weekly Hotline Message (Now in our 29th Year) **December 31, 2010**

New Silver Share Buy Recommendation

Southern Silver Exploration Corp.



Business: Exploration for silver and gold in Mexico, New Mexico, and Arizona. Leasing out a highly prospective copper target in Arizona to Freeport McMoRan Copper and Gold.

Traded Toronto Venture:	SSV
U.S. OTC:	SSVFF
Shares Outstanding:	89,962,096
Price 12/31/10:	\$0.31
Market Capitalization:	\$27.9 Million
Fully Diluted Shares:	143,992,796
Progress Rating:	"C"
Telephone:	604-641-2773
Web Site:	www.southernsilverexploration.com

I received a call last week from a young investor friend of mine who is one of the most successful investors in early-stage exploration companies I know; he asked, "Jay, among the silver stocks, what is your top pick?" I told him I liked Great Panther a lot but going forward, no doubt Alexco Resources would have to

be my No. 1 choice. Without hesitating, this young man said, "Take a look at Southern Silver Exploration Corp. (SSV)" He went on to explain that the company has some highly prospective silver properties but that it could get a very big boost in the not too distant future from its Dagoon Copper Target located in southeastern Arizona. The



stock has had a bit of a run in the last few days, so it's obviously not as attractive now as it was in early November and early December. However, I believe the prospects of Freeport McMoRan Copper and Gold hitting something big on the Dagoon Project are relatively high, and drill results from two deep holes could

help us understand what that potential is in the near future. With a still very modest market cap, a hint that this major company has discovered a world-class copper deposit would likely send this stock to the moon for its 30% retained interest in that property. Not to be lost from sight are the company's silver targets, which also look very enticing as we head into 2011. With copper hitting record highs and silver over \$30 per ounce, this stock would appear to have huge upside potential as we begin the new year.

The Minas de Ameca Project

Jalisco, Mexico

The Minas de Ameca Project is a high-grade copper/gold/silver target located in Jalisco, Mexico, along the western margin of the Sierra Madre Occidental Terrane. The project encompasses a 131-square-kilometer area and is located approximately 80 kilometers W-SW from Guadalajara City. The property was purchased from the Mexican government and includes a historic producing mine, from which copper was extracted with some gold credits, from chalcopyrite, bornite, and oxide ores.

The targets here are several strongly mineralized, copper-rich breccias located at volcanic-intrusive contacts and numerous structurally controlled, quartz-hematite vein systems. These systems extend along an 8-km-long mineralized trend extending southeast through the project area. There are two concessions within what is referred to as the Minas de Ameca. They are the Magistral I claims and the El Magistral claims.

Magistral I Claims – Based on a July 4, 2006, agreement with Fury Exploration Ltd. (now Golden Predator Mines Inc.), Southern Silver acquired a 65% interest in the 94-sq.-km Magistral I Copper Prospect from Fury Exploration Ltd. To earn its interest, Southern Silver has agreed to spend \$1.8 million by July 21, 2011, and an additional \$3 million by July 21, 2012.

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 completed a total of 4,832 meters of drilling in 20 drill holes in two states on the San Luis Vein System and adjacent targets. Seventeen drill holes had tested an 800-meter strike length of the main San Luis Vein Structure and to depths of up to 500 meters. Additional drill holes tested the Cerrito de la Cruz Vein System and two adjacent geophysical anomalies. Higher grade results include an **8.0-meter interval of 1.05 g/t Au and 0.49% Cu within a 30-meter interval grading 0.39 g/t Au and 0.17% Cu**. The system remains open

along strike and down dip. Final targets for a 10-hole, 1,500-meter diamond drilling program on the San Luis Prospect have been selected. Future drilling will test the on-strike and down-dip potential of the San Luis Vein System and for additional adjacent veins.

The second group of claims on the Minas de Ameca Project is the El Magistral Mineral Concession; it consists of 13.6 sq. km and was acquired through an auction conducted by the Mexican Federal Government. The mineral concession is subject to a 1% NSR payable to the Mexican government and falls within the Magistral Joint Venture with Golden Predator Mines Inc. Copper and gold mineralization is *localized in structures, contact breccias and breccia pipes along the margins of major intrusions; mineralization is spatially associated with intermediate to felsic sills/dykes, and typically has a strong association with Fe-oxides (hematite, magnetite, specularite)*.

Since acquisition of the Minas de Ameca Project, 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 tested in 2007 and 2008. The San Luis Vein, which strikes east-west and dips 80 to 85 degrees to the north, crops out discontinuously over an 800-meter strike-length. The vein that is located along the contact zone of an intrusive, varies in thickness from 3 to over 20 meters and consists of quartz and iron oxides.

Mineralized intervals with greater than 1 g/t Au and 1% Cu range in thickness from 1 meter to +10 meters and comprise single and sheeted quartz veins within envelopes of strong argillic alteration with iron and copper sulphides. Previously released results include a 1.87-meter interval averaging 5.07 g/t Au, 49.81 g/t Ag, and 4.32% Cu from drill hole 07SL-03, a 7.25-meter interval averaging 2.05 g/t Au, 12.99 g/t Ag, and 0.34% Cu from drill hole 07SL-04, and 2.24 meters grading 3.77 g/t Au, 19.7 g/t Ag, and 1.54% Cu from drill hole 08SL-18.

A total of 4,832 meters of drilling was completed in 20 drill holes over two phases of drilling on the San Luis Vein System and adjacent targets. Seventeen drill holes had tested an 800-meter strike length of the main San Luis Vein Structure and to depths of up to 500 meters. Additional drill holes tested the Cerrito de la Cruz Vein System and two adjacent geophysical anomalies.

Most recently, 25 line-kilometers of detailed gradient IP geophysics has been completed over portions of the San Luis Vein System. Establishing future drill targets may be helped by some correlation between chargeability anomalies and Cu- and Au-enriched drill hole intercepts. Several untested chargeability highs occur to the north of previously tested veins and may represent additional veins within the mineralizing system. Final targets for a 10-hole 1,500-meter diamond drilling program on the San Luis Prospect have been selected and will test the internal continuity and the on-strike and down-dip potential of the San Luis Vein System. Obviously the hope here is that an NI 43-101 resource will soon be forthcoming from this work.

The Pinabete Project **Chihuahua, Mexico**

The Pinabete Project is located 120 km south of the city of Chihuahua and 80 km northwest of Parral in southeast Chihuahua State, Mexico. Southern Silver holds a 100% interest in this silver, zinc, and lead target. The target here is known in geologist lingo as a “Carbonate Replacement Deposit (CRD).” There are several CRD-type deposits in relatively close proximity to the Pinabete Project, including:

- The Santa Eulalia, with 45 million tonnes grading 310 g/t silver, 7.1% zinc, and 8.2% lead
- The Naica, with 26 million tonnes grading 213 g/t silver, 5.6% zinc, 5.19% lead, and 0.34% copper

A six-hole, 1,501-meter Phase II diamond drill program, completed in 2006, consisted of three drill holes that tested widespread fracture controlled mineralization in the El Paplote Zone, and three other drill holes, which tested deeper geophysical targets in the Pinabete Zone. The company completed an 800-meter drill program in 2008. The program followed up on a series of silver enriched structures and felsic intrusions occurring on the eastern margin of the property.

The Cerro Las Minitas **Durango, Mexico**

Limited historical drilling on the project by Noranda (not independently verified by Southern Silver) returned numerous intervals of higher grade silver and base metals including a 11.45-meter interval (down hole) grading 123g/t silver, 1.55% lead and 7.79% zinc from drill hole HGV-00-02, and a 1.41-meter interval (down hole) grading 529g/t silver, 6.99% lead, and 1.27% zinc from drill hole NGV-00-06.

Mapping and sampling by Southern Silver has confirmed the general tenor of historically reported mineralization on the property: Six of 44 initial grab and chip samples returned values in excess of 100g/t

silver including 464g/t silver and 15.7% lead and 1.16% zinc from a sample of mill feed, and 360g/t silver and 6.95% lead from sample 10CM-40.

The company plans more systematic sampling of select surface exposures and historical trenches and three-dimensional rendering of the historic drill database and workings. Certainly, given a substantial continuity of the kinds of grades noted above, over a large volume of rocks, the Cerro Las Minitas could become very interesting.

The Oro Polymetallic Project **Grant County, New Mexico**

The 6.9-sq.-km Oro Project comprises eight patented mining claims and 89 BLM mineral claims, which cover the majority of the historic Eureka Mining District in Grant County, New Mexico; the project is located approximately 40 km SW of the Silver City porphyry copper district.

The Oro claims overlie a large Laramide-age, intrusive-related gold, silver, and base metal center located in the Little Hatchet Mountains. The company has identified multiple prospective drill targets throughout a 2-km-long mineralized corridor largely untested by modern exploration.



Initial exploration on the project included geological mapping, surface sampling, and a five-hole, 1,645-meter diamond drill program, conducted over a nine month period in 2009-10. This work identified the exploration potential for three deposit types at Oro, recommendations for IP geophysics to assist drill targeting, and a minimum of six core holes to test these additional targets.

Southern Silver's work on the project to date has identified strong surface alteration and distinct geochemical zoning in rock and bio-geochemical samples throughout the property. Anomalous gold, base-metals, and arsenic occur in association with intervals, often tens of meters thick, of silicification, pyritic sulphides, and variable skarn alteration and hornfels in two of the five Phase I core holes that tested the property.

In 1877, the discovery of lead, copper, and silver created the Eureka Mining District. By 1880, several high-grade base and precious metal mines were in operation in the district, but were mined sporadically due to hostile local inhabitants and fluctuating silver prices.

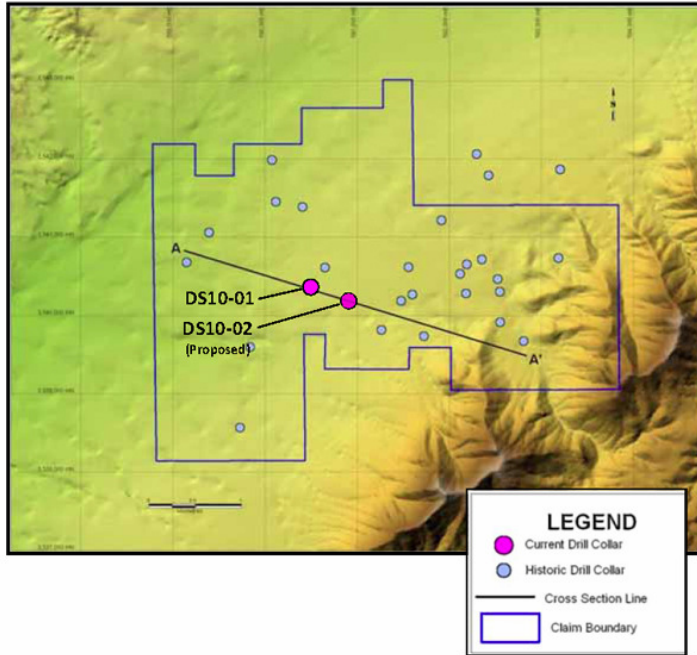
Production began at the Oro Project shortly after the discovery of lead, silver, and copper in 1877 and continued sporadically through the early 1960s. The New Mexico Bureau of Mines estimates production from the Eureka District between 1880 and 1961 at 2.9 million pounds of lead, 1.7 million pounds of zinc, 0.5 million pounds of copper, 0.45 million ounces of silver, and 5,000 ounces of gold. Reported grades are in the range of 20 oz/ton (685 g/t) Ag, 4% combined Zn and Pb, and up to 0.04 oz/ton (1.4g/t) Au. Smaller amounts of high-grade mineralization were reported to have assayed up to 5.5% Cu and 840 oz/ton Ag.

The early phase of mining in the Eureka Mining District lasted until the 1920s, when a decrease in metal prices made the mines uneconomic. Limited work has been done in the region since then, with the most recent records of exploration and mining dating to the early 1960s. Historical records indicate that low metal prices were again responsible for the cessation of mining activity in the area in 1960, and that untested targets remain in the vicinity of the old mine workings, particularly at the American Mine, now part of the Oro claim group. Commenting on the New Mexico project, Lawrence Page, president, said, "*The presence of historical base and precious metal mines from the late 19th and early 20th centuries, coupled with a relative lack of modern*

exploration in the area, make the Oro Project an exciting potential location of future discovery.”

The Dragoon Property Cochise County, Arizona

The Dragoon Property is not a gold or silver target; it is a copper target, which we normally do not pay a lot of attention to because the cost of building a sizeable copper mine can be very steep for a junior exploration company. However, much as I am recommending this stock for its silver and gold prospects, it now seems very possible that this copper target could make shareholders extremely wealthy.



The reason I say that is because the world’s largest copper company, Freeport Copper and Gold (FCG), approached Southern Silver to lease the property. Freeport can earn a 70% interest in the property by spending \$3 million on it by December 31, 2012.

The reason FCG is willing to spend \$3 million is to test its theory that the property hosts a deeply buried porphyry copper/moly system of potentially similar size and grade as the **Resolution Deposit**, located 5 kilometers east of Superior, Arizona. The Resolution Deposit is operated through a joint venture between Rio Tinto Plc and BHP Billiton. It is a world-class porphyry Cu-Mo system located beneath a minimum of 1000m of post-mineral

cover. In May 2008, Rio Tinto reported an Inferred Resource for the Resolution Deposit of 1.34 billion tonnes containing 1.51% Cu and 0.04% Mo.

The 12.8-sq.-km property is on 68 patented mining claims and four state leases. Some of the reasons FCG looks at this as a favorable target for the potential of finding a Resolution-like deposit are areas of exposed copper-molybdenum mineralization on surface and a leached capping in the eastern part of the property. The presence of the “leached cap” rocks is significant, as they may overlie supergene-enriched copper mineralization at depth.

In August 2010, FMEC indicated it completed a single RC/core drill hole to a depth of 1,065 meters within the gravel-covered western side of the project area. This hole, which was drilled beyond the target depth of 900 meters, tested a down-thrown fault block of prospective Paleozoic stratigraphy adjacent to an exposed Laramide-age porphyry system in the eastern part of the property. FMEC reported that the hole intersected thick gravel cover to 380 meters’ depth followed by variable to strong skarn alteration and silicification within the underlying Paleozoic stratigraphy. Extensive oxidation of the primary sulphide minerals is noted to a depth of 820 meters where the hole then intersected, across a faulted contact, a sulphide-bearing footwall schist. FMEC reports it is encouraged by the extent of alteration of the host lithologies in the drill hole and overall thickness of the oxide zone.

FCG will decide whether or not to continue to opt towards its potential 70% interest after it receives and reviews assays and the results of geophysical surveys over the gravel covered areas of the property. Obviously if assays are favorable and if FCG opts to enter the next phase of drilling, it would be potentially bullish for this stock. If the market begins to see anything like a Resolution Deposit in the making, these shares could blast off for a moon shot on this property alone. In fact, as good as the other properties are, the company’s president has called this property “the most exciting property” for Southern Silver at this time.

MANAGEMENT

Lawrence Page, B.A., LL.B., O.C. President and Director: Southern Silver Exploration Corp. and Valterra Resource Corp. **Director:** Bravo Gold Corp., Bravada Gold Corp., Duncastle Gold Corp., Fortune River Resource Corp., Quaterra Resources Inc.

Lawrence Page practiced natural resource law, corporate and securities law for over 45 years. Mr. Page acted as an Officer and Director of many mineral exploration companies including six which have discovered and brought into production the David Bell and Page Williams mines in Ontario, the Snip, Calpine/Eskay Creek and Mascot Gold Mines in British Columbia as well as the discovery of the Peñasquito Mine in Mexico.

Through his experience with natural resource companies and, in particular, precious metals development, Mr. Page has established a unique relationship with financiers, geologists and consultants and has been counsel for public Companies which have discovered and developed producing mines in North America.

Mr. Page is the principal of the Manex Resource Group of Vancouver, a private company comprised of an exceptional multi-disciplinary team of professionals, with specific expertise in all the areas of exploration, development and public company administration. Mr. Page obtained his law degree from the University of British Columbia in 1964 and was called to the Bar of British Columbia in 1965.

Scott B. Hean, BA, MBA, ICD.D - VP Administration, Director- Mr. Hean is currently Chief Financial Officer of Manex Resource Group and Quaterra Resources Inc. Previously, he held senior management and executive positions with Bank of Montreal as Senior Vice President and Managing Director responsible for financing in the natural resources sectors in North America and with J.P. Morgan of New York, primarily financing junior oil and gas companies in the United States. Currently he is a Director of Sabina Silver Corporation (SBB traded on the TSE) and a number of TSX – Venture companies. He is the current Chair, Bill Reid Foundation Services Ltd and has served on numerous other not-for-profit Boards, including Outward Bound and B.C. Children's Hospital. Graduating from Simon Fraser University (B.A.) in 1973 and from the Ivey School of Business (M.B.A.), London, Ontario, in 1975, Mr. Hean, graduated from the Institute of Corporate Directors, Directors Education Program (ICD.D) in 2006.

Mahesh Liyanage, CA, CFO - Mahesh Liyanage joins the Company with over 10 years of experience in public practice and industry. He is a Chartered Accountant and has headed finance and audit teams nationally and internationally. He started his career with BDO Burah Hathy Sri Lanka and held a supervisory role leading audits in manufacturing, banking, and natural resource industries. Before moving to McDonald's Fiji as head of finance he served as controller for a garment manufacturing company which catered to the North American market.

In McDonald's Fiji he pioneered the implementation of accounting systems and revitalized office structures, document flows and inter-department relationships in order to achieve excellence and profitability. Mahesh Liyanage is a member of the Institute of Chartered Accountants of British Columbia as well as the Institute of Chartered Accountants of Sri Lanka, Society of Certified Management Accountants of Sri Lanka and Fiji Institute of Accountants.

Roger Scammell, B.Sc, PGeo Director, Senior Geological Advisor - Roger Scammell has more than 30 years experience in the mining and exploration industry. He was the Regional Manager of Exploration for Teck Corporation's Mexican subsidiary, Minera Teck SA de CV From 1992 to 2002. Under his direction, Minera Teck discovered the 72 million tonne San Nicolas volcanogenic massive sulphide deposit in Zacatecas, Mexico and the El Limon gold skarn in Guerrero, Mexico.

Outside directors include Terry Eyton, Nazlin Rahemtulla, and R. Dale Janowsky

SUMMARY AND CONCLUSION

Given the current market cap of this company, combined with a portfolio of exceptional silver and gold targets and the potential for a world-class copper discovery with joint venture partner, Freeport McMoRan Copper and Gold, I view SSV as a very exciting speculative exploration play for both precious metals and base metals. I believe this stock certainly can be placed in a group of companies that could enjoy a tenfold rise in value from its current levels, assuming of course exploration success and a continuation of the bull market in the metals.

While we are enthusiastic about this company providing major returns to investors who buy in at these levels, this stock is not without risk. As with any junior exploration company, with the exception of those employing the project generator model, SSV will have to go back to the equity markets to raise capital to fund its exploration efforts. So the biggest risk for this company as well as most others in this space is shareholder dilution. That risk would be exacerbated by a major credit implosion like that of 2008 following the Lehman Brothers default. Most companies coped with that issue by cutting back their activities until market conditions improved and capital could be raised more efficiently once again. I would expect SSV would respond in that manner as well if the need arose. I should also like to point out that while credit implosions may be painful in the short run, the economics for gold and silver, not to mention copper more recently, all improved dramatically following the 2008-2009 decline.

On top of those macroeconomic risks, there are always exploration risks inherent in this business. However, there is enough known already about this company's properties that I believe the chances are very good that this company will have a high level of exploration success to justify much higher prices going forward. Still, with the potential for an upside of several fold or more, we think an allocation of up to 5% of your portfolio in this stock makes sense, at least for more speculative investors. The odds of winning in this play are very high, given current market conditions in my view.

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