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**Condensed Consolidated Interim Financial Statements  
Six Months Ended October 31, 2017 and 2016  
(Expressed in Canadian Dollars)  
(Unaudited)**

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## NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements of the Company for the six months ended October 31, 2017 and comparatives for the six months ended October 31, 2016 were prepared by management and have not been reviewed or audited by the Company's auditors.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Loss

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

	Note	Three Months Ended October 31,		Six Months Ended October 31,	
		2017	2016	2017	2016
<b>Expenses</b>					
Administration	7	\$ 15,000	\$ 15,000	\$ 30,000	\$ 30,000
Consulting	7	59,083	43,280	108,028	89,858
Exploration and evaluation	5 & 7	180,621	364,014	258,159	920,889
Investor relations	7	136,735	68,580	321,346	199,849
Office and general	7	7,541	9,997	23,473	19,612
Professional fees	7	62,499	62,596	103,508	116,744
Regulatory fees and taxes		4,212	2,536	23,845	19,114
Share-based payments	8	803,648	9,470	804,078	403,201
Shareholders' communications		3,060	9,497	10,952	10,787
Transfer agent		3,065	3,975	6,915	28,432
Travel and promotion		266	826	20,928	826
		<b>1,275,730</b>	<b>589,771</b>	<b>1,711,232</b>	<b>1,839,312</b>
Foreign exchange loss (gain)		3,663	(8,340)	35,787	(36,675)
Share of loss in equity accounted investment	6	182,377	-	638,022	-
		<b>186,040</b>	<b>(8,340)</b>	<b>673,809</b>	<b>(36,675)</b>
<b>Net Loss and Comprehensive Loss for the Period</b>		<b>\$ 1,461,770</b>	<b>\$ 581,431</b>	<b>\$ 2,385,041</b>	<b>\$ 1,802,637</b>
<b>Attributable to:</b>					
Equity holders		\$ 1,461,770	\$ 526,037	\$ 2,385,041	\$ 1,578,385
Non-controlling interest		-	55,394	-	224,252
		<b>\$ 1,461,770</b>	<b>\$ 581,431</b>	<b>\$ 2,385,041</b>	<b>\$ 1,802,637</b>
Loss per share attributable to equity holders - basic and diluted		\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.02
Weighted average number of common shares outstanding		95,025,894	82,008,202	92,797,195	79,255,389

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

**Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars, Unaudited)

As at	Note	October 31, 2017	April 30, 2017
<b>Current Assets</b>			
Cash	9	\$ 3,583,501	\$ 2,401,026
Taxes and other receivables		119,990	29,528
Prepays		71,681	59,981
		<b>3,775,172</b>	<b>2,490,535</b>
<b>Non-Current Assets</b>			
Reclamation bonds		38,571	31,067
Mineral properties	5	100,961	59,753
Investment in associate	6	4,553,746	4,043,938
		<b>4,693,278</b>	<b>4,134,758</b>
		<b>\$ 8,468,450</b>	<b>\$ 6,625,293</b>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 369,250	\$ 275,833
Due to related parties	7	73,670	76,774
		<b>442,920</b>	<b>352,607</b>
<b>Equity</b>			
Share capital	8	37,583,047	34,258,500
Share-based payments reserve		1,630,013	836,198
Warrants reserve		931,156	931,156
Other reserve		9,270	9,270
Deficit		(32,127,956)	(29,762,438)
		<b>8,025,530</b>	<b>6,272,686</b>
		<b>\$ 8,468,450</b>	<b>\$ 6,625,293</b>

Approved on behalf of the Board

*"Lawrence Page"*

Lawrence Page, Q.C.

*"Eugene Spiering"*

Eugene Spiering

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

	Share Capital		Share-based				Equity	Non-	
	Number	Amount	Payments	Warrants	Other	Deficit	Attributable to	Controlling	Total
	of Shares		Reserve	Reserve	Reserve		Equity Holders	Interest	
<b>Balance as at April 30, 2016</b>	66,675,936	\$ 31,974,567	\$ 599,601	\$ 1,016,000	\$ 999,495	\$ (27,373,083)	\$ 7,216,580	\$ (3,693,949)	\$ 3,522,631
Issued									
Private placements	11,000,000	1,100,000	-	-	-	-	1,100,000	-	1,100,000
Exercise of options and warrants	5,951,512	588,391	-	-	-	-	588,391	-	588,391
Proceeds received on account of earn-in	-	-	-	-	393,420	-	393,420	-	393,420
Share issue costs	-	(69,450)	18,550	-	-	-	(50,900)	-	(50,900)
Share-based payments	-	-	403,201	-	-	-	403,201	-	403,201
Fair value of options and warrants exercised	-	191,993	(132,349)	(59,644)	-	-	-	-	-
Fair value of warrants expired	-	-	(17,886)	-	-	17,886	-	-	-
Net loss	-	-	-	-	-	(1,578,385)	(1,578,385)	(224,252)	(1,802,637)
<b>Balance as at October 31, 2016</b>	83,627,448	\$ 33,785,501	\$ 871,117	\$ 956,356	\$ 1,392,915	\$ (28,933,582)	\$ 8,072,307	\$ (3,918,201)	\$ 4,154,106
<b>Balance as at April 30, 2017</b>	87,174,448	\$ 34,258,500	\$ 836,198	\$ 931,156	\$ 9,270	\$ (29,762,438)	\$ 6,272,686	\$ -	\$ 6,272,686
Issued									
Private placements	8,797,000	3,518,800	-	-	-	-	3,518,800	-	3,518,800
Exercise of options	400,000	32,000	-	-	-	-	32,000	-	32,000
Share issue costs	-	(250,799)	33,806	-	-	-	(216,993)	-	(216,993)
Share-based payments	-	-	804,078	-	-	-	804,078	-	804,078
Fair value of options exercised	-	24,546	(24,546)	-	-	-	-	-	-
Fair value of warrants expired	-	-	(19,523)	-	-	19,523	-	-	-
Net loss	-	-	-	-	-	(2,385,041)	(2,385,041)	-	(2,385,041)
<b>Balance as at October 31, 2017</b>	96,371,448	\$ 37,583,047	\$ 1,630,013	\$ 931,156	\$ 9,270	\$ (32,127,956)	\$ 8,025,530	\$ -	\$ 8,025,530

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

	2017	2016
<b>Operating Activities</b>		
Net loss	\$ (2,385,041)	\$ (1,802,637)
<b>Items not involving cash:</b>		
Share of loss in equity investment	638,022	-
Share-based payments	804,078	403,201
Unrealized foreign exchange loss (gain)	42,239	(30,685)
	(900,702)	(1,430,121)
<b>Changes in non-cash working capital</b>		
Taxes and other receivables	(90,462)	(22,524)
Prepays	(11,700)	(27,728)
Accounts payable and accrued liabilities	93,417	(89,327)
Due to related parties	(3,104)	28,407
	(11,849)	(111,172)
<b>Cash Used in Operating Activities</b>	(912,551)	(1,541,293)
<b>Investing Activities</b>		
Mineral property acquisition	(41,208)	(171,562)
Reclamation bond	-	(29,631)
<b>Cash Used in Investing Activities</b>	(41,208)	(201,193)
<b>Financing Activities</b>		
Proceeds from share issuance, net	3,333,807	1,637,491
Advances to associate, net	(1,147,830)	-
Proceeds received on account of earn-in	-	393,420
<b>Cash Provided by Financing Activities</b>	2,185,977	2,030,911
<b>Foreign Exchange Effect on Cash</b>	(49,743)	30,634
<b>Increase in Cash During the Period</b>	1,182,475	319,059
<b>Cash, Beginning of Period</b>	2,401,026	1,738,352
<b>Cash, End of Period</b>	\$ 3,583,501	\$ 2,057,411

Supplemental cash flow information (Note 9)

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

# Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

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## 1. Nature of Operations and Going Concern

Southern Silver Exploration Corp. (the "Company") is an exploration stage company incorporated under the laws of British Columbia, Canada. The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements. The Company's registered office is 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These condensed consolidated interim financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2017 the Company had working capital of \$3,332,252 (April 30, 2017 - \$2,137,928). The Company incurred a net loss of \$2,385,041 for the six months ended October 31, 2017 (2016 - \$1,802,637) and had an accumulated deficit of \$32,127,956 as at October 31, 2017 (April 30, 2017 - \$29,762,438).

The Company has relied mainly upon the issuance of share capital and mineral property earn-in agreements to finance its activities. The Company will be required to rely on such funding to finance future exploration and administrative activities. There can be no assurance that further financing will be available to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustment could be material.

## 2. Basis of Preparation and Consolidation

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standards 34: *Interim Financial Reporting* on a historical cost basis, except for cash flow information and financial instruments measured at fair value. The financial statements of the Company consolidates entities controlled and equity accounts entities partially-owned by the Company as follows:

Entity	Country of Incorporation	Principal Activity
Southern Silver Holdings Limited ("SSHL")	British Virgin Islands	Holding company - 40% owned by the Company
Minera Plata del Sur S.A de C.V. ("MPS")	Mexico	Mineral exploration - 100% owned by SSHL
Southern Silver Projects Limited ("SSPL")	British Virgin Islands	Holding company - 100% owned by the Company
Exploraciones Magistral S.A de C.V.	Mexico	Mineral exploration - 100% owned by SSPL
Southern Silver Exploration Corp. (US)	United States of America	Mineral exploration - 100% owned by the Company

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

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### 2. Basis of Preparation and Consolidation, continued

All inter-company transactions and balances have been eliminated upon consolidation. The Company's functional and presentation currency is the Canadian dollar.

These condensed consolidated interim financial statements do not include all of the information required for complete annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended April 30, 2017.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on December 21, 2017.

### 3. Summary of Significant Accounting Policies

The same accounting policies are used in the preparation of these condensed consolidated interim financial statements as for the most recent audited annual consolidated financial statements and reflect all the adjustments necessary for fair presentation of the results for the interim periods presented.

### 4. Financial Instruments

Financial instruments with carrying values that approximate fair values due to the short period to maturity include cash, accounts payable and accrued liabilities and amounts due to related parties. Reclamation bonds are non-interest-bearing, have no maturity date and carrying values approximate fair value.

### 5. Mineral Properties

Mineral property acquisition costs as at October 31, 2017 were as follows:

	<b>Cerro Las Minitas</b>	<b>Minas de Ameca</b>	<b>Oro</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at April 30, 2016	2,200,910	-	-	2,200,910
Additions, net	132,860	-	59,753	192,613
Adjustment on deconsolidation	(2,333,770)	-	-	(2,333,770)
Balance as at April 30, 2017	-	-	59,753	59,753
Additions, net	-	-	41,208	41,208
<b>Balance as at October 31, 2017</b>	<b>-</b>	<b>-</b>	<b>100,961</b>	<b>100,961</b>



## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

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### **5. Mineral Properties, continued**

#### **(a) Cerro Las Minitas - Mexico**

The property consists of twenty mineral concessions located in Durango, Mexico, of which the Company owns an indirect 40% interest (Note 6).

#### **(b) Minas de Ameca - Mexico**

On October 18, 2006, the Company acquired the El Magistral mineral claim in the Ameca region in the State of Jalisco, Mexico located about 80 kilometres west of Guadalajara. The property includes the San Luis claim.

The El Magistral claim is subject to a 1% NSR payable to the Mexican government.

The Company owns an indirect 40% interest in the property (Note 6), previously recorded an impairment provision against all capitalized costs and is in the process of relinquishing its interest in these claims.

#### **(c) Oro - New Mexico, USA**

The property consists of certain unpatented mining claims in the Eureka Mining District, Grant County, New Mexico, eight patented lode mining claims, which are adjacent to these claims, and surface rights to a contiguous property.

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

Pursuant to a lease with option to purchase agreement dated May 1, 2011, the Company can earn a 100% interest in six unpatented lode mining claims also located in the Eureka Mining District, Grant County, New Mexico.

Remaining lease payments are due as follows:

- (i) US \$6,000 on May 1, 2017 (paid);
- (ii) US \$30,000 annually from May 1, 2018 to May 1, 2024; and
- (iii) US \$60,000 annually from May 1, 2025 to May 1, 2031.

The Company can purchase the property at any time by paying any amounts remaining under the lease, subject to a 1% NSR payable to the optionors, which terminates when aggregate payments thereunder equal US \$500,000.

#### **(d) Exploration and Evaluation Expenditures**

Exploration and evaluation expenditures for the six months ended October 31, 2017 and 2016 were as follows:

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

### 5. Mineral Properties, continued

#### (d) Exploration and Evaluation Expenditures, continued

	Cerro Las Minitas		Oro		Total	
	\$	\$	\$	\$	\$	\$
	2017	2016	2017	2016	2017	2016
Assays and geochemistry	-	57,003	-	45,503	-	102,506
Camp, utilities and supplies	-	3,984	-	-	-	3,984
Drilling	-	266,448	75,734	105,448	75,734	371,896
Equipment and field supplies	-	31,391	-	-	-	31,391
Geological and geophysics	-	42,934	153,936	77,505	153,936	120,439
Land fees	-	44,694	5,571	-	5,571	44,694
Project supervision	-	170,222	22,548	7,157	22,548	177,379
Project support	-	1,783	-	-	-	1,783
Taxes	-	60,868	-	-	-	60,868
Travel	-	1,733	-	-	-	1,733
	-	<b>681,060</b>	<b>257,789</b>	<b>235,613</b>	257,789	916,673
General exploration - other					370	4,216
					<b>258,159</b>	<b>920,889</b>

### 6. Investment in Associate

Pursuant to an earn-in agreement, Electrum Global Holdings L.P. ("Electrum") now owns 60% of SSHL with the Company owning the remaining 40%. Following the earn-in period, each SSHL shareholder is to proportionately participate in all costs and expenditures in accordance with their respective participating interest or have their participating interest diluted in accordance with an applicable dilution formula. If a participating interest is diluted to less than 10%, that interest will be surrendered in exchange for a 2% NSR.

As the Company has retained a 40% interest and is able to exert significant influence, SSHL is considered to be an associate as at October 31, 2017 and April 30, 2017. The interest is now accounted for as an investment in an associate using the equity method as:

	October 31, 2017	April 30, 2017
Balance as at May 1,	\$ 4,043,938	\$ -
Investment amount	-	5,373,913
Advances to (from) associate, net	1,147,830	(663,089)
Share of net loss	(638,022)	(666,886)
	<b>\$ 4,553,746</b>	<b>\$ 4,043,938</b>

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

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### 6. Investment in Associate, continued

With respect to Cerro Las Minitas, the Company will be expected to contribute at its participating interest to the following:

- On April 20, 2017, two contiguous concessions were acquired by staking. One of these claims is subject to a finder's fee whereby minimum periodic payments are due on a semi-annual basis accelerating from US \$5,000 to US \$25,000 over a ninety-six month period and a 1% NSR with such periodic payments being credited to NSR payments. Subsequent to payment of US \$5,000,000 in NSR payments the royalty is reduced to 0.5%.
- One additional concession may be acquired if the underlying owner can deliver registered title and by making a payment, excluding applicable local taxes, of US \$200,000.

Summarized financial information for SSSL and MPS after inter-company eliminations is as follows:

	October 31, 2017	April 30, 2017
Current assets (USD)	\$ 390,326	\$ 609,525
Non-current assets (USD)	2,210,617	2,195,474
Current liabilities (USD)	69,910	296,972
Non-current liabilities (USD)	11,429,456	10,678,245
Net loss (USD)	1,228,205	1,825,091

### 7. Related Party Balances and Transactions

Except as disclosed elsewhere, the Company entered into the following related party transactions:

- (a) Pursuant to a service agreement between the Company and a private company controlled by a director and officer of the Company, the Company was charged as follows:
- \$30,000 (2016 - \$30,000) for office space and general administration services;
  - \$21,450 (2016 - \$14,000) for professional services;
  - \$17,728 (2016 - \$18,698) for consulting services;
  - \$98,215 (2016 - \$24,630) for investor relations services;
  - \$23,188 (2016 - \$63,165) for geological services;
  - \$76,586 (2016 - \$nil) for geological services (charged to investment in associate); and
  - \$3,245 (2016 - \$1,313) for the mark-up on out-of-pocket expenses.

Amounts payable as at October 31, 2017 were \$49,106 (April 30, 2017 - \$35,731).

- (b) Fees in the amount of \$59,800 (2016 - \$56,160) were charged by a director and officer of the Company for consulting services. Effective October 1, 2017 such fees of \$13,000 (2016 - \$nil) were charged by a company controlled by a director and officer of the Company. Amounts payable as at October 31, 2017 were \$nil (April 30, 2017 - \$9,828).

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

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### 7. Related Party Balances and Transactions, continued

- (c) Fees in the amount of \$59,630 (2016 - \$18,725) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs, mineral property expenditures or charged to investment in associate. Amounts payable as at October 31, 2017 were \$18,789 (April 30, 2017 - \$28,590).
- (d) Fees in the amount of \$15,000 (2016 - \$15,000) were charged by an officer of the Company for consulting services. Amounts payable as at October 31, 2017 were \$2,625 (April 30, 2017 - \$2,625).
- (e) Fees in the amount of \$21,000 (2016 - \$nil) were charged by a an officer of the Company for consulting services and included in consulting fees, mineral property expenditures or charged to investment in associate. Amounts payable as at October 31, 2017 were \$3,150 (April 30, 2017 - \$nil).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits.

Compensation awarded to key management, included in (b), (d) and (e) above, was as follows:

	2017	2016
Short-term benefits	\$ 95,800	\$ 71,160
Share-based payments	584,471	283,221
Total	\$ 680,271	\$ 354,381

One executive officer is entitled to termination benefits in the event of a change of control equal to thirty six months of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at October 31, 2017 was \$468,000.

### 8. Share Capital

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

#### (a) Equity Financings

*Six months ended October 31, 2017*

On June 13, 2017, the Company closed the first tranche of a non-brokered and brokered private placement and issued 6,372,500 units for gross proceeds of \$2,549,000.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

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### 8. Share Capital, continued

#### (a) Equity Financings, continued

On August 31, 2017, the Company closed the second tranche of this private placement and issued 1,170,000 units for gross proceeds of \$468,000. On September 29, 2017, the Company closed the final tranche of this private placement and issued 1,254,500 units for gross proceeds of \$501,800.

Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of three years at an exercise price of \$0.55 per share.

On August 31, 2017, the Company also issued 105,600 finders' compensation options exercisable to purchase one common share for a period of three years at an exercise price of \$0.40 per share and 1,750 finders' share purchase warrants exercisable to purchase one common share for a period of three years at an exercise price of \$0.55 per share. The compensation options were fair valued at \$33,279 and the warrants were fair valued at \$527 both using the Black-Scholes option pricing model (Note 8(e)).

*Six months ended October 31, 2016*

On May 19, 2016, the Company closed a private placement and issued 11,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,100,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of five years at an exercise price of \$0.15 per share.

The Company also issued 72,000 finders' share purchase warrants exercisable to purchase one common share for a period of five years at an exercise price of \$0.15 per share. The warrants were fair valued at \$18,550 using the Black-Scholes option pricing model (Note 8(e)).

#### (b) Compensation Options

Compensation options outstanding and exercisable as at October 31, 2017 were as follows:

Exercise Price	Expiry Date	Balance	
		April 30, 2017	October 31, 2017
\$0.40	August 31, 2020	-	105,600
		-	105,600
Weighted average exercise price		-	\$0.40
Weighted average remaining life in years		-	2.84

#### (c) Stock Options

On October 2, 2017, the Company granted 2,750,000 fully-vested stock options to directors, officers and consultants exercisable for a period of five years at an exercise price of \$0.34 per share.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

### 8. Share Capital, continued

#### (c) Stock Options, continued

Stock options outstanding and exercisable as at October 31, 2017 were as follows:

Exercise Price	Expiry Date	Balance				Balance October 31, 2017
		April 30, 2017	Granted	Exercised	Expired	
\$1.00	June 5, 2017	35,000	-	-	35,000	-
\$1.00	March 14, 2018	150,000	-	-	-	150,000
\$0.08	March 14, 2018	79,200	-	-	-	79,200
\$0.50	March 24, 2019	50,000	-	-	-	50,000
\$0.08	March 26, 2020	2,518,000	-	300,000	-	2,218,000
\$0.08	July 29, 2020	750,000	-	100,000	-	650,000
\$0.08	September 28, 2020	190,000	-	-	-	190,000
\$0.11	April 22, 2021	1,188,500	-	-	-	1,188,500
\$0.30	June 3, 2021	1,625,000	-	-	-	1,625,000
\$0.34	October 2, 2022	-	2,750,000	-	-	2,750,000
<b>Options outstanding</b>		<b>6,585,700</b>	<b>2,750,000</b>	<b>400,000</b>	<b>35,000</b>	<b>8,900,700</b>
<b>Options exercisable</b>		<b>6,566,950</b>				<b>8,900,700</b>
Weighted average exercise price, outstanding		\$0.17	\$0.34	\$0.08	\$1.00	\$0.22
Weighted average exercise price, exercisable		\$0.17	\$0.34	\$0.08	\$1.00	\$0.22
Weighted average remaining life in years, outstanding		3.35				3.52
Weighted average remaining life in years, exercisable		3.34				3.52

#### (d) Share Purchase Warrants

Share purchase warrants outstanding as at October 31, 2017 were as follows:

Exercise Price	Expiry Date	Balance		Balance October 31, 2017
		April 30, 2017	Issued	
\$0.08	March 4, 2020	1,259,295	-	1,259,295
\$0.08	March 5, 2020	15,884,593	-	15,884,593
\$0.08	March 11, 2020	1,810,000	-	1,810,000
\$0.15	June 26, 2020	9,000,000	-	9,000,000
\$0.08	March 4, 2021	6,000,000	-	6,000,000
\$0.08	April 8, 2021	2,300,000	-	2,300,000
\$0.15	May 19, 2021	9,062,500	-	9,062,500
\$0.55	June 13, 2020	-	6,372,500	6,372,500
\$0.55	August 31, 2020	-	1,171,750	1,171,750
\$0.55	September 29, 2020	-	1,254,500	1,254,500
		<b>45,316,388</b>	<b>8,798,750</b>	<b>54,115,138</b>
Weighted average exercise price		\$0.11	\$0.55	\$0.18
Weighted average remaining life in years		3.34		2.81

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

### 8. Share Capital, continued

#### (e) Fair Value Determination

The weighted average fair value of stock options granted was \$0.29 (2016 - \$0.25), compensation options granted was \$0.32 (2016 - \$nil) and finders warrants issued was \$0.30 (2016 - \$0.26). Fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017			2016	
	Options	Compensation Options	Warrants	Options	Warrants
Risk-free interest rate	1.78%	1.35%	1.35%	0.61%	0.75%
Expected share price volatility	129.75%	142.72%	142.72%	128.60%	125.32%
Expected life (years)	5.00	3.00	3.00	5.00	5.00
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price. The total calculated fair value of share-based payments recognized was as follows:

	2017	2016
Consolidated Statements of Comprehensive Loss		
Directors and officers	\$ 584,471	\$ 283,221
Consultants	219,607	119,980
	804,078	403,201
Consolidated Statements of Changes in Equity		
Compensation Options / Finders' warrants	33,806	18,550
Total	\$ 837,884	\$ 421,751

### 9. Supplemental Cash Flow Information

	2017	2016
Cash comprised of:		
Cash	\$ 3,583,501	\$ 1,597,027
Cash reserved for exploration expenditures	-	460,384
	\$ 3,583,501	\$ 2,057,411
Cash items		
Interest received	\$ -	\$ -
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

## **Southern Silver Exploration Corp.**

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Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2017 and 2016

(Expressed in Canadian Dollars, Unaudited)

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### **10. Segmented Information**

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at October 31, 2017, the Company's non-current assets were located in the British Virgin Islands (\$4,553,746) and in the United States of America (\$139,532).

### **11. Events After the Reporting Period**

Other than disclosed elsewhere, no significant events occurred subsequent to October 31, 2017.





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**Management's Discussion and Analysis  
For the Six Months Ended October 31, 2017  
Dated: December 21, 2017**

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# Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2017

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## A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating results and financial condition of Southern Silver Exploration Corp. (the "Company") is for the six months ended October 31, 2017 and is dated December 21, 2017. This MD&A was prepared to conform to National Instrument ("NI") 51-102F1 and was approved by the Board of Directors prior to its release.

This analysis should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended October 31, 2017, and the Company's audited consolidated financial statements for the year ended April 30, 2017, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares trade on the TSX Venture Exchange ("SSV"), the Frankfurt Stock Exchange ("SEG1"), the Santiago Stock Exchange, Venture ("SSVCL") and the OTCQB Marketplace ("SSVFF").

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

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

## B. Qualified Person

Robert W. J. Macdonald, P. Geo., is the qualified person as defined by 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 British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

## C. Foreign Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

Canadian Dollars per US Dollar <sup>(1)</sup>			Conversion Table <sup>(2)</sup>		
	Six months ended				
	October 31,		Imperial		Metric
	2017	2016			
Rate at end of period	1.2895	1.3411	1 acre	=	0.404686 hectares
Average rate for period	1.2790	1.3034	1 foot	=	0.304800 meters
			1 mile	=	1.609344 kilometres
			1 ton	=	0.907185 tonnes
			1 Ounce (troy)/ton	=	34.285700 g/t

(1) [www.bankofcanada.ca](http://www.bankofcanada.ca) (2) [www.onlineconversion.com](http://www.onlineconversion.com)

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2017

### C. Foreign Exchange Information and Conversion Tables, continued

Precious metal units and conversion factors <sup>(2)</sup>					
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/t
g	- Gram				
g/t	- 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	

### D. Summary of Mineral Properties

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements.

The Company is continuing to advance its core asset - Cerro Las Minitas - a silver-lead-zinc property located in Durango State, Mexico. The property is a large land position and lies within the prolific Faja de Plata (Belt of Silver) of north central Mexico with the Company owning an indirect interest of 40% along with joint venture partner Electrum Global Holdings L.P. ("Electrum") which owns an indirect 60% interest.

The Company also continues to advance Oro - a gold-silver-copper-lead-zinc property located in New Mexico, USA. The property features a classic porphyry zonation within the highly prospective Laramide Porphyry belt of the southern USA.

#### Cerro Las Minitas - Durango, Mexico

The property is located about 70 kilometres to the northeast of the city of Durango in Durango State, Mexico, and is accessed easily by road. The property comprises 20 concessions totaling approximately 23,240 hectares in one of the most significant silver producing regions in the world.

Since acquisition in 2010 the Company has completed 107 drill holes totaling over 49,600 metres. Drilling has identified three high-grade silver-polymetallic deposits, the Blind deposit, the El Sol deposit and the Skarn Front deposit, several new discoveries including the North Skarn and Las Victorias targets and extensions to the historic deposits at Mina La Bocona. Mineralization occurs as massive-sulphide pipes, veins and replacements in sub-vertical structures that demonstrate good continuity between drill holes. Mineralization is open on-strike and at depth in a similar geological environment to that of major Mexican Carbonate Replacement Deposits (CRDs) such as Santa Eulalia (45Mt of 310g/t Ag, 7.1% Zn and 8.2% Pb) and Skarn deposits such as San Martin (60Mt of 118g/t Ag, 0.9% Pb and 3.9% Zn).

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2017

### D. Summary of Mineral Properties, continued

#### Cerro Las Minitas - Durango, Mexico, continued

On March 21, 2016, the Company released an initial NI 43-101 resource for the property of 10.8Mozs Ag, 189Mlbs Pb and 207Mlbs Zn (36.5Mozs AgEq) Indicated and 17.5Mozs Ag, 237Mlbs Pb and 626Mlbs Zn (77.3Mozs AgEq) Inferred.

**Table 1: Base-case Mineral Resource Estimate utilizing a 150g/t AgEq cut-off value**

<b>Indicated</b>													
Zone	Tonnes (Kt)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Cu (%)	AgEq (g/t)	Ag (ozs*1000)	Au (ozs*1000)	Pb (Mlbs)	Zn (Mlbs)	Cu (Mlbs)	AgEq (Oz) (000's)
Blind Zone	2,641	99	0.07	2.4	2.1	0.10	303	8,442	5.7	139.4	123.3	5.6	25,720
El Sol Zone	1,083	69	0.02	2.1	3.5	0.09	311	2,392	0.6	49.8	83.6	2.0	10,812
<b>Total</b>	<b>3,724</b>	<b>90</b>	<b>0.05</b>	<b>2.3</b>	<b>2.5</b>	<b>0.09</b>	<b>305</b>	<b>10,834</b>	<b>6.3</b>	<b>189.2</b>	<b>206.9</b>	<b>8</b>	<b>36,532</b>
<b>Inferred</b>													
Zone	Tonnes (Kt)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Cu (%)	AgEq (g/t)	Ag (ozs*1000)	Au (ozs*1000)	Pb (Mlbs)	Zn (Mlbs)	Cu (Mlbs)	AgEq (Oz) (000's)
Blind Zone	2,863	91	0.28	1.6	3.9	0.21	364	8,370	25.9	98.0	249.0	13.1	33,498
El Sol Zone	2,909	71	0.09	1.9	4.1	0.11	339	6,594	8.6	121.8	264.4	7.2	31,719
Santo Nino Zone	839	95	0.03	0.9	6.1	0.47	446	2,568	0.8	17.5	113.0	8.6	12,036
<b>Total</b>	<b>6,611</b>	<b>82</b>	<b>0.17</b>	<b>1.6</b>	<b>4.3</b>	<b>0.20</b>	<b>363</b>	<b>17,533</b>	<b>35.4</b>	<b>237.3</b>	<b>626.4</b>	<b>29.0</b>	<b>77,252</b>

Notes:

1. The current Resource Estimate was prepared by Garth Kirkham, P.Geol., of Kirkham Geosystems Ltd.
2. CIM definitions were followed for classification of Mineral Resources
3. Mineral resources were constrained using mainly geological constraints and approximate 10g/t AgEq grade shells
4. Mineral Resources were estimated using a long-term prices of prices of \$15/oz. silver, \$1,100/oz. gold, \$2.75/lb Cu, \$0.90/lb lead and \$0.90/lb zinc and metal recoveries of 82% silver, 86% lead and 80% zinc. All prices are stated in \$USD.
5. Contained metal calculations assume 100% recoveries.
6. Mineral resources are not mineral reserves until they have demonstrated economic viability. Mineral resource estimates do not account for a resource's mineability, selectivity, mining loss, or dilution.

In September 2017, the Company announced the completion of a US\$2,000,000 core drilling program on the property financed by funding from Electrum which comprised 17 drill holes totaling over 13,500 metres.

Highlights from the 2016-17 drilling program include:

- a 15.1m down hole interval (14.8m est. True Thickness) averaging 39.4g/t Ag, 0.1% Pb and 10.2% Zn (410.7g/t AgEq; 11.6% ZnEq) in drill hole 16CLM-091, including a higher grade 4.8m interval (4.7m est. TT) averaging 38.7g/t Ag, 0.12% Cu, 0.1% Pb and 23.2% Zn (877g/t AgEq; 24.8% ZnEq);
- a 7.3m down hole interval (6.5m est. true thickness) averaging 737g/t Ag, 8.6% Pb and 21.8% Zn (1814.3g/t AgEq; 51.2% ZnEq) in drill hole 17CLM-095, including a higher grade 3.4m interval (3.0m est. TT) averaging 981g/t Ag, 11.7% Pb and 26.4% Zn (2327.9g/t AgEq; 65.7% ZnEq);

## Southern Silver Exploration Corp.

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Management's Discussion and Analysis

For the Six Months Ended October 31, 2017

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### D. Summary of Mineral Properties, continued

#### Cerro Las Minitas - Durango, Mexico, continued

- a 14.5m down hole interval (8.7m est. True Thickness) averaging 288g/t Ag, 2.0% Cu, 0.8% Pb and 1.2% Zn (575g/t AgEq; 16.2% ZnEq) in drill hole 17CLM-098 including a higher grade 4.1m interval (2.5m est. TT) averaging 686g/t Ag, 3.7% Cu, 1.0% Pb and 1.7% Zn (1171g/t AgEq; 33.1% ZnEq); and
- a 17.6m down hole interval (12.5m est. True Thickness) averaging 154g/t Ag, 2.0g/t Au, 3.2% Pb and 3.9% Zn (558g/t AgEq; 15.7% ZnEq) in drill hole 17CLM-101, including a higher grade 4.2m interval (3.0m est. TT) averaging 329g/t Ag, 4.6g/t Au, 7.4% Pb and 7.3% Zn (1175g/t AgEq; 33.2% ZnEq).

The 2016-17 drill program was successful in identifying a continuous zone of new mineralization beneath the Blind and El Sol deposits. The mineralization is localized along the leading edge of the skarn which surrounds the central monzonite stock. Mineralization along this "Skarn Front" can now be traced, discontinuously, for up to 800 metres down dip and for over 600 metres along strike and remains open both to depth and laterally.

The 2016-17 drill program was also successful in establishing potential extensions to the known zones of mineralization in two areas which now provide new targets for systematic resource expansion in future drill programs including an 800 metre strike-length of exploration potential along the North Skarn target area and a 500 metre strike-length of exploration of both the Blind Zone deposit and the Skarn Front zone, as identified in drill hole 17CLM-101, which remain open for extension to the southeast.

The Company also reported that surface sampling on the newly staked Biznagas, Los Lenchos and Creston del Oro claims has been encouraging and has returned multiple float samples with strongly anomalous values of gold (0.25 to 1.28g/t Au), silver (11.6 to 57.2g/t Ag), arsenic (132 to 1155ppm), antimony (383 to 777ppm Sb) and mercury (6.1 to 45.9ppm Hg). Anomalous samples occur in three main clusters containing elevated silver values along a 7 kilometre NW-SE transect through the two claims as well as several other smaller target areas that require additional follow-up exploration.

Highlights of the sampling include a four square kilometre area of anomalous Ag-As-Au-Pb-Zn centered in the middle of the Biznagas claim and a four kilometre-long, multi-element Ag-Au-As-Hg anomaly in the southern part of the claims.

Sampling has been conducted throughout the three claims over the last several months. Collected samples are of mostly quartz and rhyolite float that are likely part of the Tertiary volcanic stratigraphy. Locally quartz veins contain fine black bands and limonite after fine grained sulphides. Over 2,400 samples have been collected as part of this initial evaluation.

Encouraging results of preliminary metallurgical testing were also reported from the Blind - El Sol Zone. Testing was done on a composite of ten samples taken from the high-grade dump at the La Lupita shaft. The head analyses of the composite returned 225g/t Ag, 0.06g/t Au, 0.11% Cu, 6.6%Pb and 5.4% Zn. Both lead and zinc concentrates were produced via batch flotation as follows:

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

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For the Six Months Ended October 31, 2017

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### **D. Summary of Mineral Properties, continued**

#### **Cerro Las Minitas - Durango, Mexico, continued**

- Approximately 82% of the silver, 86% of the lead and 12% of the zinc was recovered into the lead rougher concentrate assaying 2000ppm Ag, 61.5% Pb and 7.2% Zn. The concentrate was later upgraded to 2300ppm Ag and 71.1% Pb, and
- Subsequent zinc flotation recovered 79% of the zinc into a rougher concentrate at a grade of 39.5% Zn. Two-stage cleaning of the concentrate increased the grade to 49.7% Zn.

These preliminary results are significant in that two separate, high-grade concentrates were produced from mined material from the Blind Zone. Additional test-work is recommended utilizing different reagents in order to further upgrade the final concentrates. Samples charges of the composite have been retained.

#### **Minas de Ameca - Jalisco, Mexico**

The Minas de Ameca project, located about 80 kilometres west of Guadalajara, comprises the El Magistral and San Luis claims. The Company is in the process of relinquishing its interest in these claims.

#### **Oro - New Mexico, USA**

The Oro property comprises a contiguous block of Federal, State and private land in the historic Eureka mining district in Grant County, New Mexico and is located approximately 80 kilometres southwest of the Silver City porphyry copper district.

The claims surround a highly prospective zone of quartz-sericite-pyrite alteration footprint, interpreted to overlie an unexposed porphyry centre. Classic porphyry system zonation is indicated by surface gold and copper mineralization associated with Laramide-age intrusions in this core area, flanked by lead-zinc skarn mineralization and distal sediment-hosted gold occurrences. In addition to bulk-tonnage porphyry copper-molybdenum-gold potential, the property also includes the sediment-hosted gold mineralization Stockpond target located 3 kilometres to the northeast of the porphyry system.

In October 2017 the company completed an eight hole, 1520 metre reverse circulation (RC) drill program on the Stockpond gold target. The drilling program is a follow-up to Phase I drilling in 2016 which intersected thick horizons of strongly silicified and hematite-rich sediments in eight of nine holes drilled, with the higher gold grades spatially associated with zones of strong silicification. The strongest values were obtained in the easternmost hole, SP16-004, which intersected a 41.2 metre interval of 0.42g/t Au (including a 9.1 metre interval of 0.75g/t Au). Phase II holes have offset this encouraging drill intercept and tested to bedrock in the large gravel-covered area to the east of the earlier drilling. The program is now completed and assays are pending.

The Company also completed a 300 line-kilometre airborne Z-TEM survey over the entire property at 200 metre line spacing as part of a larger evaluation of the property to identify new targets for drill testing Cu-Mo porphyry potential. Preliminary results show several potential target areas. Further 3D processing and interpretation of the data is pending.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2017

### D. Summary of Mineral Properties, continued

#### Acquisition Costs

Mineral property acquisition costs as at October 31, 2017 were:

	Cerro Las Minitas \$	Minas de Ameca \$	Oro \$	Total \$
Balance as at April 30, 2016	2,200,910	-	-	2,200,910
Additions, net	132,860	-	59,753	192,613
Adjustment on deconsolidation	(2,333,770)	-	-	(2,333,770)
Balance as at April 30, 2017	-	-	59,753	59,753
Additions, net	-	-	41,208	41,208
<b>Balance as at October 31, 2017</b>	<b>-</b>	<b>-</b>	<b>100,961</b>	<b>100,961</b>

The Company retains an indirect 40% interest in Cerro Las Minitas and is able to exert significant influence over operations. However, effective from November 2, 2016, the Company was required to deconsolidate certain assets and liabilities as a result of the Electrum earn-in. The interest is now accounted for as an investment in an associate using the equity method.

#### Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the six months ended October 31, 2017 and 2016 were:

	Cerro Las Minitas		Oro		Total	
	\$ 2017	\$ 2016	\$ 2017	\$ 2016	\$ 2017	\$ 2016
Assays and geochemistry	-	57,003	-	45,503	-	102,506
Camp, utilities and supplies	-	3,984	-	-	-	3,984
Drilling	-	266,448	75,734	105,448	75,734	371,896
Equipment and field supplies	-	31,391	-	-	-	31,391
Geological and geophysics	-	42,934	153,936	77,505	153,936	120,439
Land fees	-	44,694	5,571	-	5,571	44,694
Project supervision	-	170,222	22,548	7,157	22,548	177,379
Project support	-	1,783	-	-	-	1,783
Taxes	-	60,868	-	-	-	60,868
Travel	-	1,733	-	-	-	1,733
	<b>-</b>	<b>681,060</b>	<b>257,789</b>	<b>235,613</b>	257,789	916,673
General exploration - other					370	4,216
					<b>258,159</b>	<b>920,889</b>

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2017

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### E. Results of Operations

During the six months ended October 31, 2017 the Company recognized a net loss and comprehensive loss of \$2,385,041 (2016 - \$1,802,637).

A summary of variances is as follows:

	2017	2016	Variance
	\$	\$	\$
Administration	30,000	30,000	-
Consulting	108,028	89,858	18,170
Exploration and evaluation	258,159	920,889	(662,730)
Investor relations	321,346	199,849	121,497
Office and general	23,473	19,612	3,861
Professional fees	103,508	116,744	(13,236)
Regulatory fees and taxes	23,845	19,114	4,731
Share-based payments	804,078	403,201	400,877
Shareholders' communications	10,952	10,787	165
Transfer agent	6,915	28,432	(21,517)
Travel and promotion	20,928	826	20,102
Foreign exchange loss (gain)	35,787	(36,675)	72,462
Share of loss in equity accounted investment	638,022	-	638,022

As per its mandate to acquire, explore, and develop mineral resource properties, the Company continued drill and surface geochemistry programs on the Cerro Las Minitas and Oro properties (*D - Summary of Mineral Properties*). As a result of the Electrum earn-in, the Company's share of costs associated with exploration and other activities in Mexico at Cerro Las Minitas are accounted for within Share of Loss in Equity Accounted Investment.

Consulting fees increased due to new contracts for certain related parties (*G - Related Party Transactions*). Investor relations and travel and promotion increased due to the engagement of investor relations consultants and increased activity associated with on-going financing and promotional initiatives. Additional professional fees and transfer agent costs were recognized in the prior period with respect to obtaining a listing on the OTCQB Marketplace.

Non-cash share-based payments vary as stock options are granted and vest.

Foreign exchange gains and losses fluctuate based on the US and Canadian dollar exchange rate and the extent of transactions and balances denominated in US dollars.

### F. Summary of Quarterly Results

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



## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2017

### F. Summary of Quarterly Results, continued

	Oct 31, 2017 \$	Jul 31, 2017 \$	Apr 30, 2017 \$	Jan 31, 2017 \$	Oct 31, 2016 \$	Jul 31, 2016 \$	Apr 30, 2016 \$	Jan 31, 2016 \$
Net loss - equity holders	1,461,770	923,271	606,691	222,165	526,037	1,052,348	543,634	696,396
Net loss - non-controlling interest	-	-	-	-	55,394	168,858	100,001	243,126
Basic and diluted loss per share - equity holders	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Basic and diluted loss per share - non-controlling interest	\$ -	\$ -	\$ -	\$ -	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

The Company earned no revenue due to the nature of current operations.

Quarterly fluctuations mainly relate to recognition of share-based payments which occur as stock options are granted and vest, foreign exchange gains and losses which vary with market rates, mineral property exploration expenses which occur as projects are identified or impairments which occur when indicators arise and share of losses in equity accounted investment. A significant gain upon deconsolidation of certain assets and liabilities was recognized in the three months ended January 31, 2017.

### G. Related Party Transactions

Except as disclosed elsewhere, the Company entered into the following related party transactions:

(a) Pursuant to a service agreement between the Company and a private company controlled by a director and officer of the Company, the Company was charged as follows:

- \$30,000 (2016 - \$30,000) for office space and general administration services;
- \$21,450 (2016 - \$14,000) for professional services;
- \$17,728 (2016 - \$18,698) for consulting services;
- \$98,215 (2016 - \$24,630) for investor relations services;
- \$23,188 (2016 - \$63,165) for geological services;
- \$76,586 (2016 - \$nil) for geological services (charged to investment in associate); and
- \$3,245 (2016 - \$1,313) for the mark-up on out-of-pocket expenses.

Amounts payable as at October 31, 2017 were \$49,106 (April 30, 2017 - \$35,731).

(b) Fees in the amount of \$59,800 (2016 - \$56,160) were charged by a director and officer of the Company for consulting services. Effective October 1, 2017 such fees of \$13,000 (2016 - \$nil) were charged by a company controlled by a director and officer of the Company. Amounts payable as at October 31, 2017 were \$nil (April 30, 2017 - \$9,828).

(c) Fees in the amount of \$59,630 (2016 - \$18,725) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs, mineral property expenditures or charged to investment in associate. Amounts payable as at October 31, 2017 were \$18,789 (April 30, 2017 - \$28,590).

## Southern Silver Exploration Corp.

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Management's Discussion and Analysis

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### G. Related Party Transactions, continued

- (d) Fees in the amount of \$15,000 (2016 - \$15,000) were charged by an officer of the Company for consulting services. Amounts payable as at October 31, 2017 were \$2,625 (April 30, 2017 - \$2,625).
- (e) Fees in the amount of \$21,000 (2016 - \$nil) were charged by a an officer of the Company for consulting services and included in consulting fees, mineral property expenditures or charged to investment in associate. Amounts payable as at October 31, 2017 were \$3,150 (April 30, 2017 - \$nil).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. Compensation awarded to key management, included in (b), (d) and (e) above, was as follows:

	2017	2016
Short-term benefits	\$ 95,800	\$ 71,160
Share-based payments	584,471	283,221
Total	\$ 680,271	\$ 354,381

One executive officer is entitled to termination benefits in the event of a change of control equal to thirty six months of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at October 31, 2017 was \$468,000.

### H. Financial Condition, Liquidity and Capital Resources

As at October 31, 2017 the Company had working capital of \$3,332,252 (April 30, 2017 - \$2,137,928).

However, the Company does not yet generate any revenue from operations and, for the foreseeable future, the Company will need to rely upon earn-in agreements and / or issue share capital to finance future exploration and administrative activities. Although the Company has been successful in its financing initiatives, there can be no assurance that the Company will be able to obtain adequate future financing. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

On June 13, 2017, the Company closed the first tranche of a non-brokered and brokered private placement and issued 6,372,500 units for gross proceeds of \$2,549,000. On August 31, 2017, the Company closed a second tranche and issued 1,170,000 units for gross proceeds of \$468,000. On September 29, 2017, the Company closed the final tranche and issued 1,254,500 units for gross proceeds of \$501,800. Net proceeds are being utilized to contribute to the Company's proportionate share of the costs associated with continuing exploration at Cerro Las Minitas, further exploration at Oro and for additional working capital.

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### I. Outstanding Equity and Convertible Securities

#### i) Issued and Outstanding Shares

As at December 21, 2017, the Company had 96,371,448 common shares issued and outstanding.

#### ii) Stock Options

Stock options outstanding and exercisable as at December 21, 2017 were as follows:

Exercise Price	Expiry Date	Balance October 31, 2017	Balance December 21, 2017
\$1.00	March 14, 2018	150,000	150,000
\$0.08	March 14, 2018	79,200	79,200
\$0.50	March 24, 2019	50,000	50,000
\$0.08	March 26, 2020	2,218,000	2,218,000
\$0.08	July 29, 2020	650,000	650,000
\$0.08	September 28, 2020	190,000	190,000
\$0.11	April 22, 2021	1,188,500	1,188,500
\$0.30	June 3, 2021	1,625,000	1,625,000
\$0.34	October 2, 2022	2,750,000	2,750,000
		<b>8,900,700</b>	<b>8,900,700</b>
Weighted average exercise price		\$0.22	\$0.22
Weighted average remaining life in years		3.52	3.38

#### iii) Share Purchase Warrants

Share purchase warrants outstanding as at December 21, 2017 were as follows:

Exercise Price	Expiry Date	Balance October 31, 2017	Balance December 21, 2017
\$0.08	March 4, 2020	1,259,295	1,259,295
\$0.08	March 5, 2020	15,884,593	15,884,593
\$0.08	March 11, 2020	1,810,000	1,810,000
\$0.15	June 26, 2020	9,000,000	9,000,000
\$0.08	March 4, 2021	6,000,000	6,000,000
\$0.08	April 8, 2021	2,300,000	2,300,000
\$0.15	May 19, 2021	9,062,500	9,062,500
\$0.55	June 13, 2020	6,372,500	6,372,500
\$0.55	August 31, 2020	1,171,750	1,171,750
\$0.55	September 29, 2020	1,254,500	1,254,500
		<b>54,115,138</b>	<b>54,115,138</b>
Weighted average exercise price		\$0.18	\$0.32
Weighted average remaining life in years		2.81	2.67

## Southern Silver Exploration Corp.

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### I. Outstanding Equity and Convertible Securities, continued

#### iv) Compensation Options

Compensation options outstanding as at December 21, 2017 were as follows:

Exercise Price	Expiry Date	Balance October 31, 2017	Balance December 21, 2017
\$0.40	August 31, 2020	105,600	105,600
		<b>105,600</b>	<b>105,600</b>
Weighted average exercise price		\$0.40	\$0.40
Weighted average remaining life in years		2.84	2.70

### J. Financial Instruments

The Company's financial instruments include cash, reclamation bond, accounts payable and accrued liabilities and amounts due to related parties. The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash	FVTPL	Fair Value
Reclamation Bond	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

These financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require significant cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. In addition, all investments must be less than one year in duration.

### K. Events After the Reporting Period and Outlook

There are no other material events subsequent to the date of this document. The Company is continuing to explore its properties and activities over the ensuing year will focus on this. The Company expects to continue its strategy of collaborating with experienced mining companies to acquire and develop other properties and to advance them to production.

### L. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate entering into any such arrangements in the foreseeable future.

## **Southern Silver Exploration Corp.**

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### **M. Disclosure Controls and Procedures**

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

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

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Audit Committee has established 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 Whistleblower policy is in accordance with National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures and Internal Control Over Financial Reporting. The Company is required to file Form 52-109FV1 for annual reporting and Form 52-109FV2 for interim reporting.

### **N. Risks and Uncertainties**

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

#### *Exploration Stage Company*

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive.

There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

## **Southern Silver Exploration Corp.**

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

#### *No Operating History and Availability of Financial Resources*

The Company does not have an operating history and has no operating revenues and is unlikely to generate any significant amount in the foreseeable future. Therefore, it may not have sufficient financial resources to undertake, by itself, all of its planned exploration and administrative activities.

Historically, the Company has relied mainly upon the issuance of share capital to finance its activities. In the future, the Company will be required to rely on earn-in agreements and / or issue share capital to finance future exploration and administrative activities, 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. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

#### *Dependence on Key Personnel*

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

#### *Price Volatility and Lack of Active Market*

Securities markets in Canada and elsewhere continue to experience a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

#### *Government Regulations and Environmental Risks and Hazards*

The Company conduct is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated.

The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation.

## **Southern Silver Exploration Corp.**

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

Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any existing environmental hazards related to any of its current property interests that may result in material liability to the Company.

#### *Competition*

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped properties.

The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

#### *Title to Property*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, aboriginal land claims or government expropriation and title may be affected by undetected defects.

#### *Licenses and Permits*

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

### **O. Proposed Transactions**

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

### **P. Forward-Looking Statements**

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence.

## **Southern Silver Exploration Corp.**

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### **P. Forward-Looking Statements, continued**

Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

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

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