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**Condensed Consolidated Interim Financial Statements  
Three Months Ended July 31, 2016 and 2015  
(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 three months ended July 31, 2016 and comparatives for the three months ended July 31, 2015 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

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Note	2016	2015
<b>Expenses</b>			
Administration		\$ 15,000	\$ 15,000
Consulting		46,578	41,278
Exploration and evaluation	5(d)	556,875	359,122
Investor relations		131,269	17,210
Office and general		9,615	6,413
Professional fees		54,148	43,239
Regulatory fees and taxes		16,578	6,044
Share-based payments	7(d)	393,731	47,140
Shareholders' communications		1,290	3,276
Transfer agent		24,457	1,513
Travel and promotion		-	3,481
		<b>1,249,541</b>	<b>543,716</b>
<b>Foreign exchange gain</b>		(28,335)	(20,126)
<b>Mineral property impairment</b>	5	-	17,213
		<b>(28,335)</b>	<b>(2,913)</b>
<b>Net Loss and Comprehensive Loss for the Period</b>		<b>\$ 1,221,206</b>	<b>\$ 540,803</b>
<b>Attributable to:</b>			
Equity holders		\$ 1,052,348	\$ 503,322
Non-controlling interest		168,858	37,481
		<b>\$ 1,221,206</b>	<b>\$ 540,803</b>
Loss per share attributable to equity holders - basic and diluted		\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding		76,502,576	48,505,175

*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)

As at	Note	July 31, 2016	April 30, 2016
<b>Current Assets</b>			
Cash	10	\$ 1,953,018	\$ 1,738,352
Taxes and other receivables		10,914	26,269
Prepays		79,346	46,327
		<b>2,043,278</b>	<b>1,810,948</b>
<b>Non-Current Assets</b>			
Reclamation bonds		36,442	38,231
Mineral properties	5	2,366,345	2,200,910
		<b>2,402,787</b>	<b>2,239,141</b>
		<b>\$ 4,446,065</b>	<b>\$ 4,050,089</b>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 379,451	\$ 511,138
Due to related parties	6	44,984	16,320
		<b>424,435</b>	<b>527,458</b>
<b>Equity</b>			
Share capital	7	33,270,427	31,974,567
Share-based payments reserve		926,643	599,601
Warrants reserve		982,203	1,016,000
Other reserve	2	1,130,595	999,495
Deficit		(28,425,431)	(27,373,083)
<b>Equity attributable to shareholders</b>		<b>7,884,437</b>	<b>7,216,580</b>
<b>Non-controlling interest</b>		<b>(3,862,807)</b>	<b>(3,693,949)</b>
		<b>4,021,630</b>	<b>3,522,631</b>
		<b>\$ 4,446,065</b>	<b>\$ 4,050,089</b>

Approved on behalf of the Board

"Lawrence Page"

"Eugene Spiering"

Lawrence Page, Q.C.

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

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Share Capital		Share-based			Deficit	Equity	Non-	Total
	Number of Shares	Amount	Payments Reserve	Warrants Reserve	Other Reserve		Attributable to Equity Holders	Controlling Interest	
<b>Balance as at April 30, 2015</b>	44,483,436	\$ 30,655,145	\$ 580,265	\$ 800,000	\$ 9,270	\$ (30,411,672)	\$ 1,633,008	\$ -	\$ 1,633,008
Issued									
Private placements	10,000,000	900,000	-	100,000	-	-	1,000,000	-	1,000,000
Issuance of shares by subsidiary	-	-	-	-	-	1,768,809	1,768,809	(1,168,859)	599,950
Proceeds received on account of earn-in	-	-	-	-	975,750	-	975,750	-	975,750
Share issue costs	-	(35,648)	-	-	-	-	(35,648)	-	(35,648)
Share-based payments	-	-	47,140	-	-	-	47,140	-	47,140
Fair value of options and warrants expired	-	-	(18,751)	-	-	18,751	-	-	-
Net loss	-	-	-	-	-	(503,322)	(503,322)	(37,481)	(540,803)
<b>Balance as at July 31, 2015</b>	54,483,436	31,519,497	608,654	900,000	985,020	(29,127,434)	4,885,737	(1,206,340)	3,679,397
<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	1,828,425	146,274	-	-	-	-	146,274	-	146,274
Proceeds received on account of earn-in	-	-	-	-	131,100	-	131,100	-	131,100
Share issue costs	-	(69,450)	18,550	-	-	-	(50,900)	-	(50,900)
Share-based payments	-	-	393,731	-	-	-	393,731	-	393,731
Fair value of options and warrants exercised	-	119,036	(85,239)	(33,797)	-	-	-	-	-
Net loss	-	-	-	-	-	(1,052,348)	(1,052,348)	(168,858)	(1,221,206)
<b>Balance as at July 31, 2016</b>	79,504,361	\$ 33,270,427	\$ 926,643	\$ 982,203	\$ 1,130,595	\$ (28,425,431)	\$ 7,884,437	\$ (3,862,807)	\$ 4,021,630

*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  
Three Months Ended July 31, 2016 and 2015  
(Expressed in Canadian Dollars)

	2016	2015
<b>Operating Activities</b>		
Net loss	\$ (1,221,206)	\$ (540,803)
<b>Items not involving cash:</b>		
Mineral property impairment	-	17,213
Share-based payments	393,731	47,140
Unrealized foreign exchange (gain) loss	(20,606)	103,778
	(848,081)	(372,672)
<b>Changes in non-cash working capital</b>		
Taxes and other receivables	15,355	9,045
Prepays	(33,019)	(46,685)
Accounts payable and accrued liabilities	(131,687)	109,129
Due to related parties	28,664	(104,483)
	(120,687)	(32,994)
<b>Cash Used in Operating Activities</b>	(968,768)	(405,666)
<b>Investing Activities</b>		
Mineral property acquisition	(165,435)	(28,734)
<b>Cash Used in Investing Activities</b>	(165,435)	(28,734)
<b>Financing Activities</b>		
Proceeds from shares issued by Company, net	1,195,374	964,352
Proceeds from shares issued by subsidiary	-	599,950
Proceeds received on account of earn-in	131,100	975,750
<b>Cash Provided by Financing Activities</b>	1,326,474	2,540,052
<b>Foreign Exchange Effect on Cash</b>	22,395	(105,354)
<b>Increase in Cash During the Period</b>	214,666	2,000,298
<b>Cash, Beginning of Period</b>	1,738,352	63,149
<b>Cash, End of Period</b>	\$ 1,953,018	\$ 2,063,447

Supplemental cash flow information (Note 10)

*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

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

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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 July 31, 2016 the Company had working capital of \$1,618,843 (April 30, 2016 - \$1,283,490). The Company incurred a net loss of \$1,221,206 for the three months ended July 31, 2016 (2015 - \$540,803) and had an accumulated deficit of \$28,425,431 as at July 31, 2016 (April 30, 2016 - \$27,373,083).

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.

## 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, and incorporate the financial statements of the Company and of the entities controlled by the Company as follows:

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Name of Subsidiary	Country of Incorporation	Principal Activity
Southern Silver Holdings Limited ("SSHL")	British Virgin Islands	Holding company - 69.9% 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

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## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

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

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, 2016. All inter-company transactions and balances have been eliminated upon consolidation. The Company's functional and presentation currency is the Canadian dollar.

Pursuant to an agreement with Electrum Global Holdings L.P. ("Electrum") for the right to earn an indirect 60% interest in the Cerro Las Minitas property, Electrum previously contributed US \$2,000,000 for a 30.1% interest in SSSL. Electrum has the right to earn an additional 20% by expending US \$1,500,000 (US \$850,000 received as of July 31, 2016 and shown in Other Reserve) in the succeeding months of the option term and a final 10% interest by expending an additional US \$1,500,000 during this time period.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on September 29, 2016.

### 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 July 31, 2016 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, 2015	2,055,487	-	-	2,055,487
Additions, net	145,423	-	21,477	166,900
Impairments	-	-	(21,477)	(21,477)
Balance as at April 30, 2016	2,200,910	-	-	2,200,910
Additions, net	132,860	-	32,575	165,435
<b>Balance as at July 31, 2016</b>	<b>2,333,770</b>	<b>-</b>	<b>32,575</b>	<b>2,366,345</b>



## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

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

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

The property consists of 18 mineral concessions located in Durango, Mexico.

During the three months ended July 31, 2016, the Company completed its obligations to acquire certain equipment and one additional mineral concession by a final payment, excluding applicable local taxes, of US \$100,000.

#### **(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 claim is subject to a 1% NSR payable to the Mexican government. The property includes the San Luis claim.

The Company is continuing efforts to option the claims to a third party and previously considered this to be an indicator of impairment recording an impairment provision against all capitalized costs relating to 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 annually on May 1, 2016 (paid subsequent to period end) and May 1, 2017;
- (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.

During the three months ended July 31, 2015, the Company continued to assess its planned course of action with respect to the property and determined this to be an indicator of impairment. As no recoverable amount could be calculated, an impairment provision was recorded against all capitalized costs relating to these claims of \$nil (2015 - 17,213).

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

### 5. Mineral Properties, continued

#### (d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the three months ended July 31, 2016 and 2015 were as follows:

	Cerro Las Minitas		Oro		Total	
	\$ 2016	\$ 2015	\$ 2016	\$ 2015	\$ 2016	\$ 2015
Assays and geochemistry	25,365	28,638	-	1,406	25,365	30,044
Camp, utilities and supplies	2,007	21,145	-	2,603	2,007	23,748
Drilling	265,670	105,846	648	-	266,318	105,846
Equipment and field supplies	16,452	3,862	-	-	16,452	3,862
Geological and geophysics	28,214	19,124	26,333	11,515	54,547	30,639
Land fees	44,694	12,301	-	-	44,694	12,301
Project supervision	88,201	114,008	2,977	-	91,178	114,008
Project support	991	449	-	4,382	991	4,831
Taxes	52,057	32,168	-	-	52,057	32,168
Travel	794	-	-	-	794	-
	<b>524,445</b>	<b>337,541</b>	<b>29,958</b>	<b>19,906</b>	554,403	357,447
General exploration - other					2,472	1,675
					<b>556,875</b>	<b>359,122</b>

### 6. Related Party Balances and Transactions

Except as disclosed elsewhere in these condensed consolidated interim financial statements, 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:

- \$15,000 (2015 - \$15,000) for office space and general administration services;
- \$6,750 (2015 - \$6,000) for professional services;
- \$10,998 (2015 - \$7,198) for consulting services;
- \$9,565 (2015 - \$9,648) for investor relations services;
- \$38,738 (2015 - \$34,558) for mineral property geological consulting services; and
- \$513 (2015 - \$97) for the mark-up on out-of-pocket expenses.

Amounts payable as at July 31, 2016 were \$13,056 (April 30, 2016 - \$3,992).

(b) Fees in the amount of \$28,080 (2015 - \$28,080) were charged by a director and officer of the Company for consulting services. Amounts payable as at July 31, 2016 were \$9,828 (April 30, 2016 - \$9,828).

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

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

(c) Fees in the amount of \$18,725 (2015 - \$25,047) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at July 31, 2016 were \$19,600 (April 30, 2016 - \$nil).

(d) Fees in the amount of \$7,500 (2015 - \$6,000) were charged by an officer of the Company for consulting services. Amounts payable as at July 31, 2016 were \$2,500 (April 30, 2016 - \$2,500).

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) and (d) above, was as follows:

	2016	2015
Short-term benefits	\$ 35,580	\$ 34,080
Share-based payments	283,221	36,534
Total	\$ 318,801	\$ 70,614

One executive officer is also entitled to termination benefits in the event of a change of control equal to one hundred percent 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 July 31, 2016 was \$327,600.

### 7. Share Capital

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

#### (a) Equity Financings

*Three months ended July 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 7(d)).

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

### 7. Share Capital, continued

#### (a) Equity Financings, continued

*Three months ended July 31, 2015*

On June 26, 2015, the Company closed a private placement and issued 10,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,000,000. 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.

#### (b) Stock Options

On June 3, 2016, the Company granted 1,625,000 stock options to directors, officers and consultants exercisable for a period of five years at an exercise price of \$0.30 per share. Included within this grant were 75,000 stock options that vest on September 3, 2016 (25%), December 3, 2016 (25%), March 3, 2017 (25%) and June 3, 2017 (25%).

Stock options outstanding and exercisable as at July 31, 2016 were as follows:

Exercise Price	Expiry Date	Balance			Balance July 31, 2016
		April 30, 2016	Granted	Exercised	
\$1.00	June 5, 2017	35,000	-	-	35,000
\$1.00	March 14, 2018	150,000	-	-	150,000
\$0.08	March 14, 2018	220,200	-	81,000	139,200
\$0.50	March 24, 2019	50,000	-	-	50,000
\$0.08	March 26, 2020	3,429,000	-	730,500	2,698,500
\$0.08	July 29, 2020	1,000,000	-	100,000	900,000
\$0.08	September 28, 2020	250,000	-	60,000	190,000
\$0.11	April 22, 2021	1,350,000	-	-	1,350,000
\$0.30	June 3, 2021	-	1,625,000	-	1,625,000
<b>Options outstanding</b>		<b>6,484,200</b>	<b>1,625,000</b>	<b>971,500</b>	<b>7,137,700</b>
<b>Options exercisable</b>		<b>6,284,200</b>			<b>6,943,950</b>
Weighted average exercise price, outstanding		\$0.12	\$0.30	\$0.08	\$0.16
Weighted average exercise price, exercisable		\$0.12	\$0.30	\$0.08	\$0.16
Weighted average remaining life in years, outstanding		3.92			3.96
Weighted average remaining life in years, exercisable		4.06			4.08

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

### 7. Share Capital, continued

#### (c) Share Purchase Warrants

Share purchase warrants outstanding as at July 31, 2016 were as follows:

Exercise Price	Expiry Date	Balance			Balance July 31, 2016
		April 30, 2016	Issued	Exercised	
\$0.50	September 13, 2016	703,015	-	-	703,015
\$0.50	October 11, 2016	1,836,750	-	-	1,836,750
\$0.08	March 4, 2020	2,217,407	-	856,925	1,360,482
\$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	10,000,000	-	-	10,000,000
\$0.08	March 4, 2021	7,716,000	-	-	7,716,000
\$0.08	April 8, 2021	4,526,400	-	-	4,526,400
\$0.15	May 19, 2021	-	11,072,000	-	11,072,000
		<b>44,694,165</b>	<b>11,072,000</b>	<b>856,925</b>	<b>54,909,240</b>
Weighted average exercise price		\$0.12	\$0.15	\$0.08	\$0.13
Weighted average remaining life in years		4.01			3.97

#### (d) Fair Value Determination

The weighted average fair value of stock options granted was \$0.25 (2015 - \$0.05) and finders warrants issued was \$0.26 (2015 - \$nil). Fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016		2015	
	Options	Warrants	Options	Warrants
Risk-free interest rate	0.61%	0.75%	0.83%	N/A
Expected share price volatility	128.60%	125.32%	117.22%	N/A
Expected option/warrant life (years)	5.00	5.00	5.00	N/A
Expected dividend yield	0.00%	0.00%	0.00%	N/A

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

### 7. Share Capital, continued

#### (d) Fair Value Determination, continued

The total calculated fair value of share-based payments recognized was as follows:

	2016	2015
Consolidated Statements of Comprehensive Loss		
Directors and officers	\$ 283,221	\$ 36,534
Consultants	110,510	10,606
	393,731	47,140
Consolidated Statements of Changes in Equity		
Finders' warrants	18,550	-
Total	\$ 412,281	\$ 47,140

### 8. Segmented Information

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at July 31, 2016, the Company's non-current assets were located in Mexico (\$2,370,212) and in the United States of America (\$32,575).

### 9. Prior Period

Certain prior period figures have been reclassified to conform to the current period presentation.

### 10. Supplemental Cash Flow Information

	2016	2015
Cash comprised of:		
Cash	\$ 1,756,501	\$ 896,219
Cash reserved for exploration expenditures	196,517	1,167,228
	\$ 1,953,018	\$ 2,063,447
Cash items		
Interest received	\$ -	\$ -
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

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

Other than events disclosed elsewhere in these condensed consolidated interim financial statements, the following occurred subsequent to July 31, 2016:

- During August and September 2016, a total of 285,500 stock options with an exercise price of \$0.08 per share and a total of 61,500 stock options with an exercise price of \$0.11 per share, were exercised for total proceeds of \$29,605.
- On September 13, 2016, 703,015 share purchase warrants with an exercise price of \$0.50 per share, expired unexercised.
- During August and September 2016, a total of 65,000 share purchase warrants with an exercise price of \$0.50 per share, a total of 2,523,587 share purchase warrants with an exercise price of \$0.08 per share and a total of 1,157,500 share purchase warrants with an exercise price of \$0.15 per share, were exercised for total proceeds of \$408,012.



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**Management's Discussion and Analysis  
For the Three Months Ended July 31, 2016  
Dated: September 29, 2016**

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# Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2016

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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 three months ended July 31, 2016 and is dated September 29, 2016. 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 three months ended July 31, 2016, and the Company's audited consolidated financial statements for the year ended April 30, 2016, 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 under the symbol "SSV", on the Frankfurt Stock Exchange under the symbol "SEG1", on the Santiago Stock Exchange, Venture under the symbol "SSVCL" and on the OTCQB Marketplace under the symbol "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 under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of 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>		
	Three Months ended July 31,				
	2016	2015	Imperial		Metric
Rate at end of period	1.3056	1.3080	1 acre	=	0.404686 hectares
Average rate for period	1.2956	1.2478	1 foot	=	0.304800 meters
High for period	1.3220	1.3080	1 mile	=	1.609344 kilometres
Low for period	1.2536	1.1967	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 Three Months Ended July 31, 2016

### 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.

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 18 concessions totalling approximately 13,700 hectares in one of the most significant silver producing regions in the world.

Since acquisition in 2010 the Company has completed 91 core holes totaling 35,955 metres. Drilling has identified three high-grade silver-polymetallic deposits, the Blind Zone and El Sol zones, several new discoveries including the North Skarn and South Skarn targets and extensions to the historic deposits at Mina Santo Nino and 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).

On May 14, 2015, the Company granted Electrum Global Holdings L.P. ("Electrum") the right to earn an indirect 60% interest in the property by funding exploration and development expenditures of US \$5,000,000 over a maximum 48 month period. To date, Electrum has contributed US \$3,050,000 and has earned an indirect 30.1% interest in the property.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2016

### 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>

The 150g/t AgEq cut-off value was calculated using average long-term prices of \$15/oz. silver, \$1,100/oz. gold, \$2.75/lb. Copper, \$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 \$US.

**Table 2: Summary of Mineral Resources at the Cerro Las Minitas Project, Durango State, Mexico**

	Tonnes (Kt)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Cu (%)	AgEq (g/t)	Ag (Oz) (000's)	Au (Oz) (000's)	Pb (Mlbs)	Zn (Mlbs)	Cu (Mlbs)	AgEq (Oz) (000's)
<b>100g/t AgEq Cut-off</b>													
Indicated	5,499	74	0.06	1.9	2.0	0.08	247	13,060	10.1	225.8	241.8	9.8	43,635
Inferred	7,958	75	0.14	1.5	3.7	0.19	322	19,170	36.9	258.3	650.2	33.1	82,448
<b>150g/t AgEq Cut-Off</b>													
<b>Indicated</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>7.7</b>	<b>36,532</b>
<b>Inferred</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>
<b>250g/t AgEq Cut-Off</b>													
Indicated	1,658	125	0.04	3.4	4.0	0.14	452	6,686	2.3	124.6	146.8	5.1	24,072
Inferred	4,434	98	0.17	1.9	5.5	0.25	446	13,962	24.3	182.9	539.9	24.7	63,642
<b>350g/t AgEq Cut-Off</b>													
Indicated	1,086	143	0.05	4.0	5.0	0.16	536	4,997	1.6	95.7	119.2	3.9	18,724
Inferred	2,692	120	0.13	2.1	7.0	0.31	543	10,378	11.0	126.3	414.1	18.5	47,002
<b>450g/t AgEq Cut-Off</b>													
Indicated	641	169	0.05	4.9	5.7	0.16	630	3,477	1.0	69.5	80.9	2.3	12,995
Inferred	1,909	131	0.12	2.3	7.9	0.37	605	8,021	7.4	95.2	333.6	15.4	37,112

*Notes:*

1. The current Resource Estimate was prepared by Garth Kirkham, P.Geo., 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.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2016

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

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

A total of 3,236 metres of core drilling was completed in the 2016 Phase I drill program, consisting of three new holes which tested the lateral and depth extensions of the Blind and El Sol deposits on the west side of the Central Intrusion as well as an extension of hole CLM-001 which tested down dip and along strike of the Mina La Bocona zone located on the eastern side of the Central Intrusion. Drill results identified a thick interval of continuous polymetallic semi-massive and massive sulphide mineralization in drill hole 16CLM-088 which forms part of a new, previously unrecognized, extension of the Blind and El Sol deposits.

Delineation of this newly identified mineral extension is a high priority for future drilling on the property which if successful could have a positive impact on the cumulative mineral resources of the project.

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:

- 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 and this work will be completed after the next phase of exploration on the property.

#### **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's efforts continue to option the claims to a third party.

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

The Oro property comprises a contiguous block of Federal, State and private land totaling 11.8 square kilometres 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 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 high-grade sediment-hosted Stock Pond gold target located 3 kilometres to the northeast of the porphyry system.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2016

### D. Summary of Mineral Properties, continued

#### Oro - New Mexico, USA, continued

Exploration on the Stock Pond target started in September 2016 with a short trenching program over some key target areas, followed by a 1,200 metre reverse-circulation drill program. Eight to ten holes are planned for this phase of drilling, which will test the area of the Stock Pond target within and around a previously outlined 500m x 500m gold-in-soil anomaly and mineralized outcrop exposure where rock-chip samples returned up to 4.8g/t Au. The dimension of the gold anomaly coupled with the sampled grades underscore the project's potential for the discovery of a significant bulk-tonnage, intrusive-related, disseminated oxide-gold deposit.

#### Acquisition Costs

Mineral property acquisition costs as at July 31, 2016 were:

	Cerro Las Minitas \$	Minas de Ameca \$	Oro \$	Total \$
Balance as at April 30, 2015	2,055,487	-	-	2,055,487
Additions, net	145,423	-	21,477	166,900
Impairments	-	-	(21,477)	(21,477)
Balance as at April 30, 2016	2,200,910	-	-	2,200,910
Additions, net	132,860	-	32,575	165,435
<b>Balance as at July 31, 2016</b>	<b>2,333,770</b>	<b>-</b>	<b>32,575</b>	<b>2,366,345</b>

#### Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the three months ended July 31, 2016 and 2015 were:

	Cerro Las Minitas		Oro		Total	
	\$ 2016	\$ 2015	\$ 2016	\$ 2015	\$ 2016	\$ 2015
Assays and geochemistry	25,365	28,638	-	1,406	25,365	30,044
Camp, utilities and supplies	2,007	21,145	-	2,603	2,007	23,748
Drilling	265,670	105,846	648	-	266,318	105,846
Equipment and field supplies	16,452	3,862	-	-	16,452	3,862
Geological and geophysics	28,214	19,124	26,333	11,515	54,547	30,639
Land fees	44,694	12,301	-	-	44,694	12,301
Project supervision	88,201	114,008	2,977	-	91,178	114,008
Project support	991	449	-	4,382	991	4,831
Taxes	52,057	32,168	-	-	52,057	32,168
Travel	794	-	-	-	794	-
	<b>524,445</b>	<b>337,541</b>	<b>29,958</b>	<b>19,906</b>	554,403	357,447
General exploration - other					2,472	1,675
					<b>556,875</b>	<b>359,122</b>

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2016

### E. Results of Operations

During the three months ended July 31, 2016 the Company recognized a net loss and comprehensive loss of \$1,221,206 (2015 - \$540,803). A summary of variances is as follows:

	2016	2015	Variance	
	\$	\$	\$	%
Administration	15,000	15,000	-	0%
Consulting	46,578	41,278	5,300	13%
Exploration and evaluation	556,875	359,122	197,753	55%
Investor relations	131,269	17,210	114,059	663%
Office and general	9,615	6,413	3,202	50%
Professional fees	54,148	43,239	10,909	25%
Regulatory fees and taxes	16,578	6,044	10,534	174%
Share-based payments	393,731	47,140	346,591	735%
Shareholders' communications	1,290	3,276	(1,986)	(61%)
Transfer agent	24,457	1,513	22,944	1,516%
Travel and promotion	-	3,481	(3,481)	(100%)
Foreign exchange (gain) loss	(28,335)	(20,126)	(8,209)	41%
Mineral property impairment	-	17,213	(17,213)	(100%)

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 property and commenced preparation for a trenching and reverse-circulation drill program on the Oro property (*D - Summary of Mineral Properties*).

Investor relations costs increased due to the engagement of internal and external investor relations consultants and increased activity associated with on-going financing and promotional initiatives.

Additional consulting, professional fees, regulatory fees and transfer agent costs were incurred 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.

During the previous period, the Company continued to assess its planned course of action with respect to the Oro property, determined this to be an indicator of impairment and, as a result, recorded an impairment provision against all capitalized costs.

### 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 Three Months Ended July 31, 2016

### F. Summary of Quarterly Results, continued

	Jul 31, 2016 \$	Apr 30, 2016 \$	Jan 31, 2016 \$	Oct 31, 2015 \$	Jul 31, 2015 \$	Apr 30, 2015 \$	Jan 31, 2015 \$	Oct 31, 2014 \$
Net loss - equity holders	1,052,348	543,634	696,396	1,166,173	503,322	613,032	457,961	126,702
Net loss - non-controlling interest	168,858	100,001	243,126	121,283	37,481	-	-	-
Basic and diluted loss per share - equity holders	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.01
Basic and diluted loss per share - non-controlling interest	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ -	\$ -	\$ -

The Company earned no revenue due to the nature of current operations. Quarterly fluctuations mainly relate recognition of share-based payments which occur as stock options are granted and vest, foreign exchange gains and losses which vary with market rates and mineral property exploration expenses which occur as projects are identified or impairments which occur when indicators arise.

### 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:

- \$15,000 (2015 - \$15,000) for office space and general administration services;
- \$6,750 (2015 - \$6,000) for professional services;
- \$10,998 (2015 - \$7,198) for consulting services;
- \$9,565 (2015 - \$9,648) for investor relations services;
- \$38,738 (2015 - \$34,558) for mineral property geological consulting services; and
- \$513 (2015 - \$97) for the mark-up on out-of-pocket expenses.

Amounts payable as at July 31, 2016 were \$13,056 (April 30, 2016 - \$3,992).

(b) Fees in the amount of \$28,080 (2015 - \$28,080) were charged by a director and officer of the Company for consulting services. Amounts payable as at July 31, 2016 were \$9,828 (April 30, 2016 - \$9,828).

(c) Fees in the amount of \$18,725 (2015 - \$25,047) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at July 31, 2016 were \$19,600 (April 30, 2016 - \$nil).

(d) Fees in the amount of \$7,500 (2015 - \$6,000) were charged by an officer of the Company for consulting services. Amounts payable as at July 31, 2016 were \$2,500 (April 30, 2016 - \$2,500).

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.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Three Months Ended July 31, 2016

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### G. Related Party Transactions, continued

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) and (d) above, was as follows:

	2016	2015
Short-term benefits	\$ 35,580	\$ 34,080
Share-based payments	283,221	36,534
Total	\$ 318,801	\$ 70,614

One executive officer is also entitled to termination benefits in the event of a change of control equal to one hundred percent 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 July 31, 2016 was \$327,600.

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

As at July 31, 2016 the Company had working capital of \$1,618,843 (April 30, 2016 - \$1,283,490).

However, the Company does not yet generate any revenue from operations and, for the foreseeable future, the Company will need to rely upon current 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 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. Net proceeds are being mainly utilized for working capital and continued costs associated with permitting and other exploration for Oro.

During August and September 2016, a total of 285,500 stock options with an exercise price of \$0.08 per share and a total of 61,500 stock options with an exercise price of \$0.11 per share, were exercised for total proceeds of \$29,605.

During August and September 2016, a total of 65,000 share purchase warrants with an exercise price of \$0.50 per share, a total of 2,523,587 share purchase warrants with an exercise price of \$0.08 per share and a total of 1,157,500 share purchase warrants with an exercise price of \$0.15 per share, were exercised for total proceeds of \$408,012.

### I. Outstanding Equity and Convertible Securities

#### i) Issued and Outstanding Shares

As at September 29, 2016, the Company had 83,597,448 common shares issued and outstanding.



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

#### ii) Stock Options

Stock options outstanding and exercisable as at September 29, 2016 were as follows:

Exercise Price	Expiry Date	Balance		Balance September 29, 2016
		July 31, 2016	Exercised	
\$1.00	June 5, 2017	35,000	-	35,000
\$1.00	March 14, 2018	150,000	-	150,000
\$0.08	March 14, 2018	139,200	36,000	103,200
\$0.50	March 24, 2019	50,000	-	50,000
\$0.08	March 26, 2020	2,698,500	149,500	2,549,000
\$0.08	July 29, 2020	900,000	100,000	800,000
\$0.08	September 28, 2020	190,000	-	190,000
\$0.11	April 22, 2021	1,350,000	61,500	1,288,500
\$0.30	June 3, 2021	1,625,000	-	1,625,000
<b>Options outstanding</b>		<b>7,137,700</b>	<b>347,000</b>	<b>6,790,700</b>
<b>Options exercisable</b>		<b>6,943,950</b>		<b>6,678,200</b>
Weighted average exercise price, outstanding		\$0.16	\$0.09	\$0.17
Weighted average exercise price, exercisable		\$0.16	\$0.09	\$0.17
Weighted average remaining life in years, outstanding		3.96		3.94
Weighted average remaining life in years, exercisable		4.08		3.92

#### iii) Share Purchase Warrants

Share purchase warrants outstanding as at September 29, 2016 were as follows:

Exercise Price	Expiry Date	Balance			Balance September 29, 2016
		July 31, 2016	Expired	Exercised	
\$0.50	September 13, 2016	703,015	703,015	-	-
\$0.50	October 11, 2016	1,836,750	-	65,000	1,771,750
\$0.08	March 4, 2020	1,360,482	-	101,187	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	10,000,000	-	-	10,000,000
\$0.08	March 4, 2021	7,716,000	-	596,000	7,120,000
\$0.08	April 8, 2021	4,526,400	-	1,826,400	2,700,000
\$0.15	May 19, 2021	11,072,000	-	1,157,500	9,914,500
		<b>54,909,240</b>	<b>703,015</b>	<b>3,746,087</b>	<b>50,460,138</b>
Weighted average exercise price		\$0.13	\$0.50	\$0.11	\$0.29
Weighted average remaining life in years		3.97			3.81

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### **J. Financial Instruments**

The Company's financial instruments include cash, reclamation bonds, accounts payable and accrued liabilities and amounts due to related parties.

The Company has classified its financial instruments into the following categories:

<u>Financial Instrument</u>	<u>Category</u>	<u>Carrying Value</u>
Cash	FVTPL	Fair Value
Reclamation Bonds	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. Reclamation bonds are non-interest-bearing, have no maturity date and their carrying values approximate 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.

### **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.

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

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.

#### *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.

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

In the future, the Company will be required to rely on current 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.

#### *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.

#### *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.

#### *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. 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.

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

#### *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. 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.

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

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.