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Audited Consolidated Financial Statements

April 30, 2010 and 2009

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Southern Silver Exploration Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

"Lawrence Page"

Lawrence Page, Q.C.
President and Chief Executive Officer

"Mahesh Liyanage"

Mahesh Liyanage, CA
Chief Financial Officer

July 22, 2010
Vancouver, British Columbia

Auditors' Report

To the Shareholders of Southern Silver Exploration Corp.

(an exploration stage company)

We have audited the consolidated balance sheets of Southern Silver Exploration Corp. (an exploration stage company) as at April 30, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
July 22, 2010, except as to Note 12
which is as of July 27, 2010.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Balance Sheets as at April 30,

	2010	2009
Assets		
Current		
Cash	\$ 656,457	\$ 449,203
Receivables	38,607	21,696
Prepays	42,979	35,821
	738,043	506,720
Mineral properties	Note 5 3,312,020	3,277,042
Reclamation bonds	Note 5 54,000	65,241
	\$ 4,104,063	\$ 3,849,003
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 82,080	\$ 50,310
Due to related parties	Note 6 5,116	2,465
	87,196	52,775
Shareholders' Equity		
Share capital	Note 7 21,008,918	19,000,984
Contributed surplus	Note 7 (a) 3,281,090	2,702,685
Deficit	(20,273,141)	(17,907,441)
	4,016,867	3,796,228
	\$ 4,104,063	\$ 3,849,003

Nature of operations and going concern (Note 1)

Contingencies and commitments (Note 11)

Subsequent events (Note 12)

Approved on behalf of the Board

"Lawrence Page"

"Terry Eyton"

Lawrence Page, Q.C.

Terry Eyton

See notes to consolidated financial statements.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Operations and Deficit for the years ended April 30,

	2010	2009
Expenses		
Administration	\$ 96,000	\$ 96,000
Amortization	-	13,564
Consulting		
Services	278,638	275,413
Stock-based compensation	247,500	9,998
Independent directors' fees		
Services	37,411	37,500
Stock-based compensation	48,750	-
Investor relations	105,271	135,050
Office and general	63,544	103,821
Professional fees	178,107	211,565
Regulatory fees and taxes	28,906	17,645
Shareholders' communications	11,060	6,765
Transfer agent	13,287	15,320
Travel and promotion	40,075	38,319
Staff costs		
Stock-based compensation	108,750	-
	1,257,299	960,960
Other Items		
Interest income	(651)	(68,465)
Foreign exchange loss (gain)	77,366	(214,609)
General exploration	62,255	108,492
Share purchase warrants modification	109,494	-
Write-off of mineral properties	859,937	4,130,122
	1,108,401	3,955,540
Net Loss and Comprehensive Loss for Year	2,365,700	4,916,500
Deficit, Beginning of Year	17,907,441	12,990,941
Deficit, End of Year	\$ 20,273,141	\$ 17,907,441
Loss per share - basic and diluted	\$ 0.05	\$ 0.11
Weighted average number of common shares outstanding	51,157,165	42,765,690

See notes to consolidated financial statements.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Cash Flows for the years ended April 30,

	2010	2009
Net loss for the year	\$ (2,365,700)	\$ (4,916,500)
Items not involving cash:		
Amortization	-	13,564
Stock-based compensation	405,000	9,998
Share purchase warrants modification	109,494	-
Unrealized foreign exchange gain (loss)	43,113	(22,275)
Write-off of mineral properties	859,937	4,130,122
	(948,156)	(785,091)
Changes in non-cash working capital		
Receivables	(16,911)	127,302
Prepays	(7,158)	201,548
Accounts payable and accrued liabilities	24,363	(14,924)
Due to related parties	(119)	(49,292)
	175	264,634
Cash Used in Operating Activities	(947,981)	(520,457)
Investing Activities		
Expenditures on mineral properties	(799,488)	(1,630,905)
Reclamation bonds	9,282	(252)
Cash Used in Investing Activities	(790,206)	(1,631,157)
Financing Activities		
Proceeds from issuance of shares, net of share issue costs	1,608,818	-
Proceeds from warrant exercise	377,778	-
Cash Provided by Financing Activities	1,986,596	-
Foreign Exchange Effect on Cash	(41,155)	25,593
Increase (Decrease) in Cash During the Year	207,254	(2,126,021)
Cash , Beginning of Year	449,203	2,575,224
Cash , End of Year	\$ 656,457	\$ 449,203

Supplemental cash flow information (Note 10)

See notes to consolidated financial statements.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

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. The Company and its subsidiaries are engaged in the acquisition and exploration of mineral properties and do not have any mineral properties in production.

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 current or future value.

These consolidated financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at April 30, 2010, the Company had working capital of \$650,847 (2009 - \$453,945).

The Company does not hold any revenue generating properties and therefore continues to incur losses. The Company has an accumulated deficit of \$20,273,141 as at April 30, 2010 (2009 - \$17,907,441).

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of share capital to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars, and include the accounts of the Company and its wholly-owned integrated subsidiaries, Minera Plata del Sur S.A de C.V., incorporated in Mexico, Southern Silver Exploration (US) Corp., incorporated in the US, and Southern Silver Holdings Ltd., incorporated in the British Virgin Islands.

All intercompany accounts and transactions were eliminated upon consolidation.

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

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

2. Summary of Significant Accounting Policies, continued

(b) Mineral Properties

The Company defers all costs related to investments in mineral properties on a property-by-property basis. Such costs include mineral property acquisition costs and exploration expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral properties are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

(c) Reclamation Bonds

Reclamation bonds are recorded at cost and held in Mexican pesos and US dollars by Mexican and US government agencies, respectively.

(d) Foreign Currency

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

2. Summary of Significant Accounting Policies, continued

(e) Equipment

Equipment and software are carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets using the declining balance method at an annual rate of 45% for computers and equipment and 100% for software, except in the period of acquisition when one-half of the annual rate is used.

(f) Share Capital Units

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants.

Share issue costs are netted against share proceeds.

(g) Stock-Based Compensation

The Company accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged to operations, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

(h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided against future tax assets when it is more likely than not that the tax asset will not be utilized.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

2. Summary of Significant Accounting Policies, continued

(i) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(j) Financial Instruments

Financial instruments are classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net loss. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The Company categorizes its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(k) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental obligations, asset retirement obligations ("ARO"), receivables, accrued liabilities, the impairment and resulting carrying value of mineral properties, determination of the valuation allowance for future tax assets and the assumptions used in the calculation of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

2. Summary of Significant Accounting Policies, continued

(l) Revenue Recognition

Interest income earned is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method

(m) Asset Retirement Obligations

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated life of the asset. The liability amount will be increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs to record in the financial statements.

(n) Accounting Change

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company adopted this section on May 1, 2009 with no impact the Company's consolidated financial statements.

(o) Future Accounting Changes

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended July 31, 2011, which must include restated interim results for the period ended July 31, 2010 prepared on the same basis. The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

2. Summary of Significant Accounting Policies, continued

(o) Future Accounting Changes, continued

(i) International Financial Reporting Standards (“IFRS”), continued

The Company has identified current GAAP applicable to the Company that will be affected by the changeover and differences with the corresponding IFRSs and has outlined appropriate policy choices allowed under IFRS. Management submitted a document outlining the differences between current GAAP and IFRS, appropriate policy choices, and their impact on the Company’s financial statements and business processes to the Audit Committee for discussion.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners.

Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to the Company’s interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

3. Financial Instruments

The carrying value of financial assets by category at April 30, 2010 and 2009 are as follows:

Financial Assets	2010		2009	
	Held-for-trading	Loans and Receivables	Held-for-trading	Loans and Receivables
Cash	\$ 656,457	\$ -	\$ 449,203	\$ -
Reclamation bonds	-	54,000	-	65,241
Receivables	-	8,905	-	-
	\$ 656,457	\$ 62,905	\$ 449,203	\$ 65,241

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

3. Financial Instruments, continued

The carrying value of financial liabilities by category at April 30, 2010 and 2009 are as follows:

	2010	2009
Financial Liabilities	Other financial Liabilities	Other financial Liabilities
Accounts payable and accrued liabilities	\$ 82,080	\$ 50,310
Due to related parties	5,116	2,465
	\$ 87,196	\$ 52,775

Fair Value

The carrying values of cash, receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short term to maturity. The reclamation bonds are non-interest-bearing and the carrying values approximate their fair value.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit Risk

The Company is exposed to credit risk with respect to managing its cash position. This risk is mitigated by risk management policies that require deposits or short-term investments to be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration and the Company has no exposure to asset-backed commercial paper.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. However, at April 30, 2010 the cash balance of \$656,457 (2009 - \$449,203) would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests and continuing with its exploration program in the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in 2010/2011. At April 30, 2010, the Company had accounts payable and accrued liabilities of \$82,080 (2009 - \$50,310) and amounts due to related parties of \$5,116 (2009 - \$2,465), due within 30 days.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

3. Financial Instruments, continued

(c) Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and other price risk. These are discussed further below:

(i) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of April 30, 2010.

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars and Mexican pesos). The Company does not manage currency risk through hedging or other currency management tools.

As at April 30, 2010, the Company has financial instruments denominated in foreign currencies and is exposed to currency risk as follows:

	US \$	Peso
Cash	232,254	77,124
Reclamation bonds	11,457	510,000
Accounts payable and accrued liabilities	(11,015)	(113,403)
	232,696	473,721
Canadian dollar equivalent	235,395	39,186

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of \$24,000 in the Company's deficit, or a corresponding change in the Mexico peso would result in an increase/decrease of \$4,000 in the Company's deficit.

(iii) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any other price risks.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

4. Management of Capital

The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders.

The Company's capital includes components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been funded by the issuance of common shares and convertible notes to investors in the past. The Company will continue these financing methods in the future depending upon market and economic conditions at the time. There were no changes in the Company's approach to capital management during the year ended April 30, 2010. The Company is not subject to externally imposed capital requirements.

5. Mineral Properties

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

- **Mexico**
 - (i) Minas de Ameca
 - (a) Magistral properties, which include Magistral I and El Magistral
 - (b) Quila property (relinquished the rights to the property during the year)
 - (c) Altavista (relinquished the rights to the property during the year)
 - (ii) Pinabete property
 - (iii) San Juan property (Note 12 (b))
- **USA**
 - (i) Oro property
 - (ii) Dragoon properties

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

5. Mineral Properties, continued

Deferred mineral property costs by property for the year ended April 30, 2010 are as follows:

Mineral Properties	Minas de					Total
	Ameca	Pinabete	San Juan	Oro	Dragoon	
	\$	\$	\$	\$	\$	\$
Acquisition						
Balance as at April 30, 2009	341,807	196,847	-	320,296	68,895	927,845
Additions during the year	80,513	40,202	53,996	173,957	7,728	356,396
Write-offs during the year	(213,908)	-	-	-	-	(213,908)
Balance as at April 30, 2010	208,412	237,049	53,996	494,253	76,623	1,070,333
Exploration						
Balance as at April 30, 2009	2,114,946	-	-	187,560	46,691	2,349,197
Additions during the year						
Assays and geochemistry	137	-	1,406	28,544	-	30,087
Camp, utilities and supplies	7,426	-	5,162	4,396	-	16,984
Drilling services	-	-	-	234,300	-	234,300
Equipment/rentals/supplies	7,270	-	6,103	9,738	-	23,111
Geological and geophysics	2,860	-	4,473	44,669	8,566	60,568
General exploration	1,458	-	272	1,898	825	4,453
Project supervision	69,241	-	38,239	45,098	3,008	155,586
Project support	2,591	-	2,583	-	-	5,174
Travel	1,650	-	3,143	1,579	-	6,372
Environmental	1,884	-	-	-	-	1,884
Total additions during the year	94,517	-	61,381	370,222	12,399	538,519
Write-offs during the year	(646,029)	-	-	-	-	(646,029)
Balance as at April 30, 2010	1,563,434	-	61,381	557,782	59,090	2,241,687
Total mineral properties as at April 30, 2010	1,771,846	237,049	115,377	1,052,035	135,713	3,312,020

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Years ended April 30, 2010 and 2009

5. Mineral Properties, continued

Deferred mineral property costs by property for the year ended April 30, 2009 are as follows:

Mineral Properties	Minas de Ameca	Pinabete	Tombstone	Oro	Dragoon	Total
	\$	\$	\$	\$	\$	\$
Acquisition						
Balance as at April 30, 2008	501,693	181,691	189,983	180,682	34,458	1,088,507
Additions during the year	87,034	15,156	115,819	139,614	34,437	392,060
Write-offs during the year	(246,920)	-	(305,802)	-	-	(552,722)
Balance as at April 30, 2009	341,807	196,847	-	320,296	68,895	927,845
Exploration						
Balance as at April 30, 2008	2,735,693	915,131	1,118,382	96,846	33,467	4,899,519
Additions during the year						
Assays and geochemistry	29,968	1,820	1,398	3,898	-	37,084
Camp, utilities and supplies	22,521	393	17,556	5,819	458	46,747
Drilling services	172,035	65,079	174,514	-	-	411,628
Equipment/rentals/supplies	36,184	673	28,835	3,089	135	68,916
Geological and geophysics	90,659	979	100,526	73,194	11,571	276,929
General exploration	29,263	781	9,470	2,283	124	41,921
Project supervision	102,325	5,754	3,217	274	359	111,929
Project support	16,528	226	-	-	-	16,754
Travel	11,358	120	958	2,157	577	15,170
Total additions during the year	510,841	75,825	336,474	90,714	13,224	1,027,078
Write-offs during the year	(1,131,588)	(990,956)	(1,454,856)	-	-	(3,577,400)
Balance as at April 30, 2009	2,114,946	-	-	187,560	46,691	2,349,197
Total mineral properties as at April 30, 2009	2,456,753	196,847	-	507,856	115,586	3,277,042

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5. Mineral Properties, continued

Terms of the agreements for these properties are described below:

(a) Minas de Ameca – Mexico

Magistral Property

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd. (“Fury”), the Company obtained an option to acquire a 65% interest in the Magistral I mining exploration concession (“Magistral”) located in Mexico.

Pursuant to the agreement, the Company’s commitments are as follows:

- (i) Issue 50,000 common shares on or before July 26, 2006 (issued);
- (ii) Issue 50,000 common shares and incur in the aggregate a minimum of US \$100,000 in exploration expenditures on or before July 21, 2007 (issued and incurred);
- (iii) Issue 50,000 common shares and incur in the aggregate a minimum of US \$450,000 in exploration expenditures on or before July 21, 2008 (issued and incurred);
- (iv) Issue 50,000 common shares and incur in the aggregate a minimum of US \$950,000 in exploration expenditures on or before July 21, 2009 (issued and incurred);
- (v) Issue 50,000 common shares and incur in the aggregate a minimum of US \$1,800,000 in exploration expenditures on or before July 21, 2010 (*); and
- (vi) Issue 250,000 common shares and incur in the aggregate a minimum of US \$3,000,000 in exploration expenditures on or before July 21, 2011.

* Not issued or paid as at July 22, 2010, management is currently renegotiating the option payments.

Upon earning its interest, the Company will enter into a joint venture agreement (the “JV Agreement”) with Fury for the development of Magistral and contribute 65% of all costs associated with the development of Magistral.

The JV Agreement provides for pro-rata dilution should either party fail to pay its share of such costs and expenses. Should either party allow their interest to dilute to less than a 10% interest, its joint venture interest will automatically convert to a 1% net smelter return (“NSR”) royalty.

On October 18, 2006, the Company won a bid in an auction conducted by the Mexican federal government with respect to the sale of the El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico. The Company purchased the 1,366 hectare mineral concession by paying \$15,600 (Mexican peso 150,000) to earn a 100% interest. The mineral concession is subject to a 1% NSR payable to the Mexican government.

The El Magistral concession is considered part of the Magistral I concession pursuant to the terms of the option agreement with Fury. As such, all expenditures incurred on the property will be attributed to the Magistral I concession pursuant to the terms of the agreement with Fury as described above.

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5. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

A non-interest-bearing reclamation bond of \$42,362 (Mexican peso 510,000 in regard to the 1% NSR royalty) is being held in escrow by the Mexican government as security for future reclamation costs and is refundable upon completion of the exploration and reclamation program on the properties.

Quila Property

Pursuant to an agreement dated January 19, 2007 with Soltoro Ltd., the Company obtained an option to acquire a 70% interest in the Quila Claims, Jalisco, Mexico.

Pursuant to this agreement, the Company's commitments are as follows:

- (i) Issue 50,000 common shares on or before February 1, 2007 (issued);
- (ii) Issue 75,000 common shares and incur in the aggregate a minimum of US \$150,000 exploration in expenditures on or before January 19, 2008 (issued and incurred);
- (iii) Issue 75,000 common shares and incur in the aggregate a minimum of US \$500,000 in exploration expenditures on or before January 19, 2009 (issued and incurred);
- (iv) Issue 100,000 common shares and incur in the aggregate a minimum of US \$1,000,000 in exploration expenditures on or before January 19, 2010 (see below);
- (v) Issue 100,000 common shares and incur in the aggregate a minimum of US \$1,900,000 in exploration expenditures on or before January 19, 2011; and
- (vi) Issue 100,000 common shares and incur in the aggregate a minimum of US \$3,000,000 in exploration expenditures on or before January 19, 2012.

On January 13, 2010, the Company relinquished its right to the above property and, accordingly, \$814,641 (acquisition costs of \$168,612 and \$646,029 in exploration cost) was written off and included in the statements of operations.

Altavista de Ramos Property

Pursuant to an agreement dated July 5, 2007 with Porfirio Prieto Torres and Juan Amilcar Flores Reynaga, the Company obtained an option to acquire a 100% interest in the Altavisa Claims, Jalisco, Mexico.

Pursuant to this agreement, the Company's commitments are as follows:

- (i) US \$20,000 upon signing of the contract (paid);
- (ii) US \$20,000 on or before July 5, 2008 (paid);
- (iii) US \$20,000 on or before July 5, 2009 (see below);
- (iv) US \$40,000 on or before July 5, 2010; and
- (v) US \$100,000 on or before July 5, 2011.

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5. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

Altavista de Ramos Property, continued

On July 5, 2009, the Company relinquished its right to the above property and, accordingly, \$45,296 (acquisition costs of \$45,296 and \$Nil in exploration cost) was written off and included in the statements of operations.

(b) Pinabete Property - Mexico

Pursuant to an agreement dated August 16, 2004 and incorporated into an option agreement dated April 6, 2005, Anglo American Mexico S.A. de C.V. ("Anglo American") granted the Company an option to acquire a 100% undivided interest in the Pinabete Mineral Concessions ("Pinabete") located in southern Chihuahua, Mexico.

To exercise the option, the Company is required to:

- (i) Issue an initial 200,000 common shares to Anglo American (issued);
- (ii) Issue a further 50,000 common shares and incur in the aggregate a minimum of US \$200,000 in exploration expenditures on or before December 12, 2005 (issued and incurred);
- (iii) Issue a further 50,000 common shares and incur in the aggregate a minimum of US \$400,000 in exploration expenditures on or before December 12, 2006 (issued and incurred);
- (iv) Issue a further 50,000 common shares and incur in the aggregate a minimum of US \$700,000 in exploration expenditures on or before December 12, 2007 (issued and incurred); and
- (v) Issue a further 50,000 common shares (issued) and incur in the aggregate a minimum of US \$2,000,000 in exploration expenditures on or before December 12, 2010 (amended February 25, 2009).

Upon exercise of the option, the Company would acquire a 100% undivided interest in Pinabete subject to a 1.5% NSR payable to Anglo American. Alternatively, in lieu of the 1.5% NSR, Anglo American has the right, for a period of 90 days after such election, to reduce the Company's interest from a 100% to a 40% working interest by paying to the Company an amount equal to 200% of its total expenditures incurred on Pinabete. Anglo American has the right to further reduce the Company's interest to a 35% working interest by completing a pre-feasibility study.

On February 25, 2009, the option agreement was amended to extend the exploration commitment date from December 12, 2008 to December 12, 2010 in consideration for the Company issuing an additional 100,000 common shares to Anglo American. The property was written down by \$990,956 during the year ended April 30, 2009 as the Company plans to focus exploration efforts on other mineral interests.

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5. Mineral Properties, continued

(c) San Juan Property - Mexico (Note 12)

Pursuant to an agreement dated January 25, 2010, the Company obtained an option to acquire a 100% interest in the San Juan property in consideration of cash payments totaling US \$1,000,000 over four years as follows:

- (i) US \$10,000 upon signing (paid);
- (ii) US \$40,000 60 days later (paid);
- (iii) US \$50,000 July 25, 2010;
- (iv) US \$50,000 January 25, 2011;
- (v) US \$75,000 July 25, 2011;
- (vi) US \$75,000 January 25, 2012;
- (vii) US \$75,000 July 25, 2012;
- (viii) US \$75,000 January 25, 2013;
- (ix) US \$50,000 July 25, 2013; and
- (x) US \$500,000 January 25, 2014.

(d) Oro Property – New Mexico, USA

Pursuant to an agreement dated August 28, 2006, the Company acquired an option to acquire a 100% interest in the Oro Claims, Grant County, New Mexico. To exercise the option, the Company paid US \$10,000 on August 28, 2006 and is required to make staged payments totaling US \$680,000 over the next five years as follows:

- (i) US \$10,000 on or before February 28, 2007 (paid);
- (ii) US \$20,000 on or before August 28, 2007 (paid);
- (iii) US \$50,000 on or before August 28, 2008 (paid);
- (iv) US \$100,000 on or before August 28, 2009 (paid);
- (v) US \$200,000 on or before August 28, 2010; and
- (vi) US \$300,000 on or before August 28, 2011.

Upon exercise of the option, the Company would acquire a 100% undivided interest in the Oro property subject to a 2% NSR payable to the optionors. The optionors have granted the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 for each increment.

Pursuant to an agreement effective December 1, 2007 the Company acquired a 100% interest in the American Mine claims, New Mexico, USA, consisting of eight patented lode mining claims and surface rights to a contiguous property. The American Mine claims are adjacent to the Oro property claims and will be reported under Oro property claims.

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5. Mineral Properties, continued

(d) Oro Property – New Mexico, USA, continued

Under this agreement, the Company is required to make staged payments totaling US \$350,000 as follows:

- (i) US \$50,000 upon signing of the agreement (paid);
- (ii) US \$50,000 on or before December 1, 2008 (paid);
- (iii) US \$50,000 on or before December 1, 2009 (paid);
- (iv) US \$50,000 on or before December 1, 2010;
- (v) US \$75,000 on or before December 1, 2011; and
- (vi) US \$75,000 on or before December 1, 2012.

A non-interest-bearing reclamation bond in the amount of \$11,638 (US \$11,457) is held in escrow by the US Department of the Interior – Bureau of Land Management as security for future reclamation costs.

(e) Dragoon Property – Arizona, USA

Pursuant to an agreement dated August 28, 2007, the Company has obtained an option to acquire a 100% interest in certain claims located in the state of Arizona referred to as the Dragoon property.

To exercise the option, the Company paid US \$20,000 on September 11, 2007 and is required to make staged payments totaling US \$670,000 over the next five years as follows:

- (i) US \$20,000 on or before August 28, 2008 (paid);
- (ii) US \$50,000 on or before August 28, 2009 (paid by FMEC);
- (iii) US \$100,000 on or before August 28, 2010;
- (iv) US \$200,000 on or before August 28, 2011; and
- (v) US \$300,000 on or before August 28, 2012.

Upon exercise of the option, the Company will acquire a 100% interest in the Dragoon property subject to a 2% NSR payable to the optionors. The optionors have granted the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 for each increment.

On August 26, 2009 the Company signed an earn-in agreement with Freeport-McMoRan Exploration Corporation (“FMEC”) for the property. FMEC has the exclusive right and option to acquire a 70% ownership interest in the property by spending US \$3,000,000 on the property by December 31, 2012, which includes drilling one hole of approximately 300 metres on or before December 31, 2010. FMEC will assume all annual property maintenance requirements with the state and federal authorities as well as assuming all payments pertaining to the underlying option agreement.

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5. Mineral Properties, continued

(f) General

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties. The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(g) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

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6. Related Party Balances and Transactions

The Company entered into the following related party transactions during the year ended April 30, 2010.

- (a) Under the service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company was charged as follows:
- \$96,000 in respect of office space and general administration services (2009 - \$96,000) (Note 11);
 - \$61,515 in respect of professional services (2009 - \$76,120);
 - \$58,443 in respect of consulting services (2009 - \$55,454);
 - \$56,827 in respect of investor relations services (2009 - \$34,759);
 - \$23,153 in respect of geological consulting services in relation to mineral properties (2009 - \$36,854);
 - \$4,967 in respect of the mark-up on out-of-pocket expenses (2009 - \$5,247); and
 - \$5,175 in respect of administrative services (2009 - \$33,405).

As of April 30, 2010, prepayment of \$11,025 (2009 - \$18,333) was made in relation to the office space and administration services, and consulting services.

- (b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$112,320 (2009 - \$111,600) for consulting services. The amount prepaid was \$Nil (2009 - \$5,000).
- (c) Fees in the amount of \$59,218 (2009 - \$46,162) were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2010 were \$2,576 (2009 - \$2,465).
- (d) Fees in the amount of \$147,000 (2008 - \$54,000) were charged by a private company controlled by a director and an officer of the Company and included in consulting and share issue costs.
- (e) Consulting fees relating to office administration of \$24,000 (2009 - \$24,000) were charged by a private company controlled by a director and an officer of the Company.
- (f) Fees in the amount of \$2,540 (2009 - \$Nil) were charged by a director of the Company for geological services. Amounts payable as at April 30, 2010 were \$2,540 (2009 - \$Nil).

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7. Share Capital

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

(a) Issued and Outstanding

The issued common shares are as follows:

	Number of Shares	Amount	Contributed Surplus
Balance as at April 30, 2008	42,699,321	\$ 18,981,258	\$ 2,692,687
Issued			
To acquire mineral properties	175,000	19,726	-
Stock-based compensation	-	-	9,998
Balance as at April 30, 2009	42,874,321	19,000,984	2,702,685
Issued			
Private placement	18,160,000	1,816,000	-
Issued to acquire mineral properties	100,000	10,250	-
Exercised share purchase warrants	3,777,775	377,778	-
Fair value of warrants exercised	-	63,637	(63,637)
Stock-based compensation	-	-	480,000
Share purchase warrants modification	-	-	109,494
	64,912,096	21,268,649	3,228,542
Share issuance cost	-	(259,731)	52,548
Balance as at April 30, 2010	64,912,096	\$ 21,008,918	\$ 3,281,090

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7. Share Capital, continued

(b) Private Placements

A non-brokered unit private placement was announced on November 24, 2009 and amended on December 10, 2009 to issue up to 18,000,000 common shares at a price of \$0.10 per unit to raise \$1,800,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one common share at \$0.20 for a period of two years. The private placement closed in two tranches, December 10, 2009 and December 24, 2009.

The first tranche, for 14,570,000 units at \$0.10 per unit, closed on December 10, 2009 for gross proceeds of \$1,457,000. The final tranche, of 3,590,000 units at \$0.10 per unit, closed on December 24, 2010 for gross proceeds of \$359,000. The placement was oversubscribed and the Company issued a total of 18,160,000 common shares for gross proceeds of \$1,816,000.

The Company incurred total share issuance costs of \$259,731 comprised of \$87,420 finder's fees, \$119,763 general share issue costs and \$52,548 representing the fair value of agent's warrants issued (820,200 warrants exercisable at \$0.20 per unit expiring December 24, 2015) and calculated using the Black-Scholes option pricing model.

No private placements were announced or completed by the Company during the year ended April 30, 2009.

(c) Shares Issued for Mineral Properties

During the year ended April 30, 2010, the Company issued 100,000 (2009 - 175,000) common shares valued at \$10,250 (2009 - \$19,726) as follows:

- (i) 50,000 common shares at a fair value of \$0.085 per share, \$4,250 in total, pursuant to an option to acquire a 65% interest in the Magistral I, Mexican mining exploration concession (Note 5 (a)) (2009 - 50,000 common shares at \$0.22 per share).
- (ii) 50,000 common shares at a fair value of \$0.12 per share, \$6,000 in total, pursuant to an option agreement to acquire a 100% undivided interest in the Pinabete property, Mexico (Note 5 (b)) (2009 - 50,000 common shares at \$0.08 per share).
- (iii) No common shares were issued in the year pursuant to an option agreement to acquire a 70% undivided interest in the Quila property, Mexico (Note 5 (a)) (2009 - 75,000 common shares at \$0.08 per share).

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7. Share Capital, continued

(d) Stock Options

As at April 30, 2010 and 2009, the Company had a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The terms of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount.

Except those options issued to persons providing investor relation services, which vest in stages over 12 months with no more than one-quarter of such options so granted vesting in any three-month period, the Board of Directors shall have complete discretion to set the terms of any vesting schedule at the date of grant. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

On January 8, 2010, the Company granted a total of 3,200,000 stock options to directors, officers, consultants and management company employees exercisable at \$0.16 per share with immediate vesting and expiring five years after the date of the grant.

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7. Share Capital, continued

(d) Stock Options, continued

As at April 30, 2010, 6,360,000 (2009 – 4,132,500) options were outstanding and exercisable as follows (Note 12):

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2009	Granted	Cancelled or Expired	Balance April 30, 2010
\$0.65	\$0.34	December 10, 2009	827,500	-	827,500	-
\$0.30	\$0.27	October 13, 2010	205,000	-	-	205,000
\$0.51	\$0.43	November 8, 2010	415,000	-	15,000	400,000
\$0.83	\$0.64	January 16, 2011	190,000	-	15,000	175,000
\$0.82	\$0.72	March 27, 2011	125,000	-	-	125,000
\$0.88	\$0.80	June 1, 2011	460,000	-	25,000	435,000
\$0.58	\$0.54	March 1, 2012	1,210,000	-	65,000	1,145,000
\$0.58	\$0.41	March 26, 2012	100,000	-	-	100,000
\$0.58	\$0.37	October 19, 2012	25,000	-	-	25,000
\$0.58	\$0.39	December 4, 2012	25,000	-	-	25,000
\$0.21	\$0.12	March 26, 2013	550,000	-	25,000	525,000
\$0.16	\$0.15	January 8, 2015	-	3,200,000	-	3,200,000
			4,132,500	3,200,000	972,500	6,360,000
Weighted average exercise price			\$0.58	\$0.16	\$0.64	\$0.35
Weighted average remaining contractual life (in years)						3.14

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7. Share Capital, continued

(d) Stock Options, continued

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2008	Cancelled or Expired	Balance April 30, 2009
\$0.65	\$0.34	December 10, 2009	827,500	-	827,500
\$0.30	\$0.27	October 13, 2010	205,000	-	205,000
\$0.51	\$0.43	November 8, 2010	435,000	20,000	415,000
\$0.83	\$0.64	January 16, 2011	205,000	15,000	190,000
\$0.82	\$0.72	March 27, 2011	125,000	-	125,000
\$0.88	\$0.80	June 1, 2011	460,000	-	460,000
\$0.58	\$0.54	March 1, 2012	1,235,000	25,000	1,210,000
\$0.58	\$0.41	March 26, 2012	100,000	-	100,000
\$0.58	\$0.37	October 19, 2012	25,000	-	25,000
\$0.58	\$0.39	December 4, 2012	25,000	-	25,000
\$0.21	\$0.12	March 26, 2013	625,000	75,000	550,000
			4,267,500	135,000	4,132,500
Weighted average exercise price			\$0.57	\$0.39	\$0.58
Weighted average contractual life (in years)					2.18

(e) Share Purchase Warrants

On December 10, 2008, the Company extended the expiry date of 6,500,000 share purchase warrants from February 24, 2009 to February 24, 2010 (exercise price \$0.60). These warrants were issued pursuant to a private placement of 13,000,000 common shares with 6,500,000 share purchase warrants attached, which closed on February 23, 2007. The extension of the share purchase warrants resulted in \$Nil addition to stock-based compensation expense.

The Company amended the exercise price of the share purchase warrants from \$0.60 per share to \$0.10 per share on May 6, 2009 with a provision to accelerate the expiry to 30 days if the closing trading price of the Company's common shares is \$0.135 or greater for a period of 10 consecutive trading days.

The re-pricing of the warrants resulted in a non-cash expense of \$109,494, derived using the Black-Scholes option pricing model and included in the statements of operations.

The Company gave notice to the warrant holders on November 17, 2009, that the Company accelerated the date upon which the 6,500,000 warrants will expire from February 24, 2010 to December 23, 2009 since the Company's shares have traded at a closing price of \$0.135 or more per share for a period of ten consecutive trading days. As a result 3,777,775 warrants were exercised for total proceeds of \$377,778 and 2,722,225 warrants expired unexercised.

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7. Share Capital, continued

(e) Share Purchase Warrants, continued

The Company's share purchase warrants for the years ended April 30, 2010 and 2009 are summarized as follows:

Exercise Price	Expiry Date	Balance		Cancelled or Expired	Exercised	Balance
		April 30, 2009	Granted			
\$0.60	February 24, 2010	6,500,000	-	2,722,225	3,777,775	-
\$0.20	December 10, 2011	-	15,223,400	-	-	15,223,400
\$0.20	December 24, 2011	-	3,756,800	-	-	3,756,800
		6,500,000	18,980,200	2,722,225	3,777,775	18,980,200
Weighted average exercise price		\$0.60	\$0.20	\$0.60	\$0.10	\$0.20
Weighted average remaining contractual life (in years)						1.62

Exercise Price	Expiry Date	Balance		Cancelled or Expired	Exercised	Balance
		April 30, 2008	Granted			
\$0.60	February 24, 2010	6,500,000	-	-	-	6,500,000
\$0.60	February 24, 2009	164,700	-	164,700	-	-
		6,664,700	-	164,700	-	6,500,000
Weighted average exercise price		\$0.60	-	\$0.60	-	\$0.60
Weighted average remaining contractual life (in years)						0.82

(f) Fair Value Determination

The fair value of stock options and warrants granted were estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2010		2009	
	Options	Warrants	Options	Warrants
Risk-free interest rate	2.69%	1.31%	N/A	1.21%
Expected share price volatility	112.08%	137.00%	N/A	89.51%
Expected option/warrant life in years	5	2	N/A	1.2
Expected dividend yield	0%	0%	N/A	0%

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7. Share Capital, continued

(f) Fair Value Determination, continued

The total calculated fair value of stock-based compensation included in Operations for the years ended April 30, 2010 and 2009 is as follows

	2010	2009
Consulting	\$ 247,500	\$ 9,998
Independent directors' fees	48,750	-
Wages and benefits	108,750	-
Total	\$ 405,000	\$ 9,998

8. Income Taxes

The Company has available approximate non-capital losses that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

Available to	Amount
2014	\$ 138,000
2015	541,000
2016	1,292,000
2017	1,384,000
2018	1,930,000
2019	735,000
2020	486,000
2026	830,000
2027	1,206,000
2028	1,148,000
2029	761,600
2030	1,051,600
	\$ 11,503,200

The tax losses above include approximately \$5,900,000 that may be applied against future taxable income in Mexico, which expire in stages over a 10-year period; and tax losses of approximately \$24,000 that may be applied against future taxable income in the United States over a 20-year period.

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8. Income Taxes, continued

The future benefits of these losses and deductions have not been recorded in the accounts. A reconciliation of income tax provision computed at statutory rates to the reported income tax provision is provided as follows:

	2010	2009
Income tax benefit computed at Canadian statutory rates	\$ 696,961	\$ 1,497,864
Permanent differences		
Stock-based compensation	(119,475)	(3,050)
Other permanent differences	(1,820)	(10,715)
Temporary differences		
Share issue costs	33,148	18,428
Write-off of mineral properties	(236,489)	(1,259,688)
Mineral properties additions expensed	80,339	210,101
Other temporary differences	993	3,669
Differences due to tax rates of other countries	(6,542)	(18,320)
Change resulting from timing differences	154,024	1,056,210
Change in valuation allowance	(480,944)	(1,328,574)
Change resulting from tax rate reduction	(120,195)	(165,925)
	\$ -	\$ -

Significant components of the Company's future income tax assets, after applying enacted corporate income tax rates, are as follows:

	2010	2009
	25%	26%
Future income tax assets		
Tax value over book value of mineral properties	\$ 649,861	\$ 527,491
Net tax losses carried forward	3,056,775	2,733,601
Tax value over book value of assets	7,302	7,563
Share issuance costs	66,233	30,568
	3,780,171	3,299,223
Valuation allowance	(3,780,171)	(3,299,223)
Future income tax assets, net	\$ -	\$ -

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9. Segmented Information

The Company has one business segment, the acquisition and exploration of mineral properties. The Company's total assets are distributed by geographic area as follows:

	2010		2009
	\$	%	\$
			%
Canada	622,799	15%	383,053
Mexico	2,281,879	56%	2,821,348
USA	1,199,385	29%	644,602
	4,104,063	100%	3,849,003

10. Supplemental Cash Flow Information

	2010	2009
Cash Items		
Interest received	\$ 651	\$ 68,465
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Non-Cash Items		
Investing Activities		
Mineral property costs included in accounts payable	\$ 16,251	\$ 8,844
Mineral property costs included in due to related parties	\$ 2,770	\$ -
Stock-based compensation included in mineral properties	\$ 75,000	\$ -
Financing Activities		
Shares issued for mineral property	\$ 10,250	\$ 19,726
Share issuance costs	\$ 52,548	\$ -
Fair value of warrants exercised	\$ 63,637	\$ -

11. Contingencies and Commitments

Certain claims have been filed against the Company as follows:

- (a) A claim for US \$80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was initiated in October 1998 and since then no further claims or legal proceedings have taken place.
- (b) A claim for \$6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

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11. Contingencies and Commitments, continued

These financial statements do not reflect the liability, if any, which may result from these claims as the outcome of either claim is indeterminable at this time. The impact to any outcome will be recorded at the time of settlement and, accordingly, may impact future results of operations and cash flows.

Under a service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company is charged \$8,000 monthly for office space and general administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012. The fee commitment for the next three years is as follows:

Year ending April 30,	Commitment \$
2011	96,000
2012	96,000
2013	16,000

12. Subsequent Events

The following events occurred subsequent to April 30, 2010:

(a) Stock Options

Pursuant to the Company stock option plan (Note 7 (d)), 115,000 stock options issued were cancelled subsequent to April 30, 2010.

- 65,000 stock options with an exercise price of \$0.88 and expiry date of June 1, 2011;
- 10,000 stock options with an exercise price of \$0.58 and expiry date of March 1, 2012;
- 15,000 stock options with an exercise price of \$0.58 and expiry date of March 26, 2013; and
- 25,000 stock options with an exercise price of \$0.58 and expiry date of January 15, 2015.

(b) Mineral Properties

San Juan Property

Subsequent to the year end, management obtained mineral sampling results for the San Juan property which did not meet their expectations and accordingly has terminated the Company's interest in the property. The capitalized acquisition and exploration costs in the amount of \$115,377 as of April 30, 2010 will be written off during the period ended July 31, 2010.