



1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670
www.southernsilverexploration.com

Management’s Discussion and Analysis

In respect of the nine months ended January 31, 2008

Dated: March 12, 2008

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Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating results and financial condition of Southern Silver Exploration Corp., formerly known as Newcastle Silver Mines Ltd., (the "Company") compares results for the nine months ended January 31, 2008 to the same period in the previous year. These statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended April 30, 2007.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiaries Minera Plata Del Sur SA De SV (Mexico), Southern Silver Exploration (US) Corp. (USA), and Newcastle American Inc. (USA). This MD&A, dated March 12, 2008, was prepared to conform with National Instrument 51-102 F1 and was approved by the Board of Directors prior to its release.

The Company is a reporting issuer in British Columbia and Alberta and its shares trade on the Tier 2 Board of the TSX Venture Exchange ("TSX") under the symbol SSV.

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

Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. These are subject to significant risks and uncertainties that may cause actual results or events to differ materially from projected results or events.

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 and on SEDAR at www.sedar.com.

B. Qualified Person

Robert W. J. Macdonald, P. Geo., is the qualified person under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of B.C. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

Adrian Robles Salazar and Dr. Linus Keating, two highly regarded geologists with specialized experience in Mexico and Arizona, respectively, provide consulting services to the Company. Mr. Robles has extensive experience with Mexican projects that was gained through his association with Minera Kennecott S.A. de C.V. and Western Silver Corporation. Dr. Keating is an accomplished exploration geologist with many years of international experience, including 14 years with Rio Tinto (Kennecott), supervising work on porphyry and precious metals projects in Arizona. He has a B.Sc. in Geological Engineering from the University of Arizona, and a Doctor of Science in Geology from the University of Brussels, Belgium.

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C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

U.S. Dollar to Canadian Dollars					
	Three months ended Jan 31, 08	Three months ended Jan 31, 07	Nine months ended Jan 31, 08	Nine months ended Jan 31, 07	Year ended Apr 30, 07
Rate at end of period	0.99700	1.18250	0.99700	1.18250	1.11690
Average rate for period	0.99198	1.15458	1.02857	1.13105	1.13800
High for period	1.03780	1.18480	1.11970	1.18480	1.18730
Low for period	0.90570	1.11970	0.90570	1.09260	1.09260

www.oanda.com

Conversion Table			
Imperial			Metric
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Meters
1 Mile	=	1.609344	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

Information from www.onlineconversion.com

Precious metal units and conversion factors					
ppb - Part per billion		1 ppb	=	0.0010 ppm	= 0.000030 oz/t
ppm - Part per million		100 ppb	=	0.1000 ppm	= 0.002920 oz/t
oz - Ounce (troy)		10,000 ppb	=	10.0000 ppm	= 0.291670 oz/t
oz/t - Ounce per ton (avdp.)		1 ppm	=	1.0000 ug/g	= 1.000000 g/tonne
g - Gram					
g/tonne - gram per metric ton		1 oz/t	=	34.2857 ppm	
mg - milligram		1 Carat	=	41.6660 mg/g	
kg - kilogram		1 ton (avdp.)	=	907.1848 kg	
ug - microgram		1 oz (troy)	=	31.1035 g	

Information from www.onlineconversion.com

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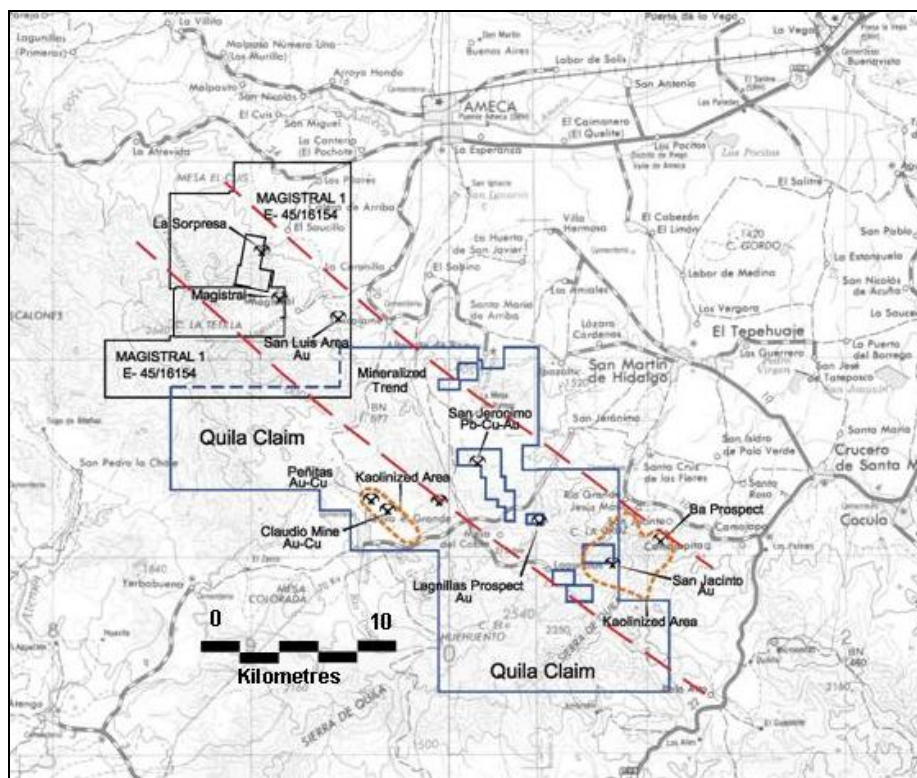
D. Description of Business

The Company acquires and explores mineral properties in North America. It is currently exploring for precious and base metals in Mexico (Jalisco and Chihuahua) and the USA (Arizona and New Mexico).

E. Description of Mineral Properties

i) Minas de Ameca Project - Jalisco, Mexico

The **Minas de Ameca project** encompasses a 322 sq. km claim package assembled in part through option agreements between the Company and, M. Munoz Martin, Fury Explorations Ltd. (see News Release dated July 17, 2006) and Soltoro Ltd. (see News Release dated January 22, 2007) together with the purchase from the Mexican Government of the El Magistral claim which includes an historic producing mine from which copper was extracted, with some gold credits, from chalcopirite, bornite and oxide ores. The concessions that make up the project include the La Sorpresa claims, the Magistral I claims, the El Magistral claims and the Quila claims.



The district is located along the western margin of the Sierra Madre Occidental terrane. Geological reconnaissance has identified several strongly mineralized, copper-rich breccias located at volcanic-intrusive contacts and numerous structurally controlled, quartz-hematite vein systems which occur along a 25 km long mineralized trend extending southeast through the project area.

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E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

La Sorpresa Property – Jalisco , Mexico

The La Sorpresa prospect in Jalisco, Mexico, consists of four mining concessions covering 360 hectares located approximately 80 kilometers west-southwest of Guadalajara City. This is a copper prospect with the potential to develop both high-grade copper-rich quartz-tourmaline breccias and bulk tonnage targets of disseminated copper sulphides hosted by altered granodiorite.

On October 18, 2005, the Company signed a letter of intent in respect of the La Sorpresa mineral concessions to acquire a 100% interest in the project for a total cost of US\$1,000,000, and both parties signed a formal contract and in December 2005. Terms were consistent with the letter of intent previously signed. (see Note 5 (a) to the unaudited interim consolidated financial statements dated January 31, 2008 for further details).

The La Sorpresa claims cover an area of mineralized quartz-tourmaline breccias hosted by andesitic volcanics and quartz-monzonite to granodiorite intrusive. Mapping and surface sampling on the property has revealed several areas of copper mineralization (>1% Cu) within the breccias. Phase I drilling proceeded in the spring of 2006.

Two phases of drilling totaling 3,415 metres have been completed on the property. Highlights of this work include anomalous copper values of up to **0.26% Cu over 61.5 metres, 0.35% Cu over 18 metres and 10 metres grading 0.41% Cu**. Mineralization in the area of the Main Breccia remains partially open and sub-vertical feeders to the mineralized lens remain only partially defined.

Magistral Property – Jalisco , Mexico

Magistral I

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd. ("Fury"), the Company has an option to acquire a 65% interest in the property (see Note 5 (a) to the unaudited interim consolidated financial statements dated January 31, 2008).

The Magistral I property is accessible via a series of gravel roads from the town of Ameca (population 50,000), which is located 80 kilometers southwest of Guadalajara.

Since acquisition, the Company has initiated a systematic program of target generation and evaluation, which utilizes newly available reprocessed airborne geophysical and satellite data, ground geophysics and systematic mapping and sampling of the newly defined target areas. The initial target generated from this work is the San Luis – Cerro de la Cruz vein systems, which were initially tested as part of the Phase II drill program on the adjoining La Sorpresa project. Follow-up drilling started in May, 2007

Results from the first phase include **an 8.0 metre interval of 1.05g/t Au and 0.49% Cu within a 30 metre interval grading 0.39g/t Au and 0.17% Cu**. The second hole reported a **6.85 metre interval of 1.05g/t Au, 15.7 g/t Ag and 0.55% Cu** within a longer, **14.5 metre interval**, that carried **0.62g/t Au, 8.78g/t Ag and 0.31% Cu**. Estimated true thicknesses have not been calculated for these intervals, however, the mineralized zone is believed to be steeply dipping.

On May 22, 2007, the Company announced the start of follow-up drilling on the Minas de Ameca project. Gold- and copper-enriched quartz-hematite veins in the San Luis and Cerro de la Cruz prospect areas occur along the contact between altered felsic and monzonitic intrusive rocks. The veins are interpreted as high level (epithermal) expressions of deeper, porphyry-related mineralization. Recently conducted IP geophysics over this mineralized area has traced the associated east-west-trending geophysical anomaly a total of 1,400 metres along strike and to over 400 metres depth.

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E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco , Mexico, continued

Magistral I, continued

As of January, 2008 a total of 4,832 metres of drilling had been completed in 20 drill holes over two phases of drilling. Seventeen drill holes had tested an 800 metre strike length of the main **San Luis** vein structure and to depths of up to 200 metres. A single drill hole tested the **Cerrito de la Cruz** vein system (07SL-15), located 400 metres to the north of the San Luis vein. Two additional drill holes tested a northeast-trending EM anomaly immediately adjacent to the San Luis vein and a large magnetic anomaly associated with a +1g/t gold surface grab sample located about 1,000 metres to the north of the San Luis vein. Assays for a number of these more recently completed drill holes are pending.

Significant assays from the 2007 drilling program include:

Drill Hole Number	Collar Data			Est. True						
	AZ Deg	Dip Deg	Depth m	From m	To m	Interval m	Thcknss m	Au g/t	Ag g/t	Cu %
07SL-03**	180	-71	237.00	195.85	199.20	3.35	1.92	5.07	49.81	4.32
Includes				214.10	216.90	2.80	1.61	1.33	9.20	0.84
07SL-04**	180	-60	149.80	103.25	113.50	10.26	7.25	2.05	12.88	0.34
Includes				107.80	110.30	2.50	1.77	4.58	30.80	0.65
07SL-05**	180	-60	246.00	174.95	196.35	21.40	15.13	1.03	12.15	0.58
Includes				187.30	189.80	2.50	1.77	3.44	6.10	2.29
07SL-06	0	-65	351.00	115.15	116.10	0.95	0.61	0.52	2.40	0.06
07SL-07	180	-46	299.20	247.90	250.00	2.10	1.89	0.51	13.70	0.58
07SL-08	190	-50	328.00	258.30	260.40	2.10	1.82	1.01	25.79	1.52
Includes				273.75	284.35	10.60	9.18	1.14	7.70	0.86
Includes				279.80	282.00	2.20	1.91	4.14	11.70	2.40
07SL-09	180	-55	270.00	159.00	161.20	2.20	1.80	0.60	12.92	0.75
Includes				202.90	207.60	4.70	3.85	0.45	5.13	0.31
07SL-11	180	-55	152.20	81.40	93.60	12.20	10.57	1.50	1.26	0.28
Includes				86.60	88.60	2.00	1.73	5.92	2.60	0.23
Includes				98.00	100.00	2.00	1.73	1.96	4.20	0.31

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E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco, Mexico, continued

El Magistral – Mexico

On October 20, 2006, the Company announced that it was the successful bidder 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 has agreed to purchase the 1,366 hectare mineral concession by the payment of \$15,600 (Mexican Peso 150,000) over a twenty-four month period to earn a 100% interest. (see Note 5 (a) to the unaudited interim consolidated financial statements dated January 31, 2008 for further details).

The El Magistral concession adjoins to the south La Sorpresa claims and in turn is bound, to the east and south by the Magistral I concession. This concession forms part of the Magistral I property subject to the terms of its options agreement.

Five core drill holes, of which three were completed to target depth, tested the Magistral Mine target for a total of 747.1 metres of drilling. Several narrow intervals of anomalous copper and precious-metal values were returned from three of the drill holes. Assays are pending from two of the five drill holes.

No further work is planned for this target in 2008.

Quila Property – Jalisco, Mexico

On January 19, 2007, the Company signed an agreement to acquire a 70% interest in the Quila Claims, Jalisco, Mexico. (see Note 5 (a) to the unaudited interim consolidated financial statements dated January 31, 2008).

A single drill hole has tested the Tres Copales target within the Quila concession. Drilling intersected locally strong argillic alteration, quartz veining and variable pyrite mineralization. Assays from this drill hole returned anomalous silver values but not significant mineralized intervals.

ii) Pinabete Property – Chihuahua, Mexico

The Company has an option to acquire a 100% undivided interest in the 4,649-hectare Pinabete Mineral Concessions located in southern Chihuahua, Mexico ("Pinabete"). The Property occurs along the southern extension of the Sierra Madre Occidental, which is one of the most historically prolific regions of silver-lead-zinc carbonate replacement deposits (CRD) in the world.

The option on the Pinabete property was acquired pursuant to a non-binding letter agreement dated August 16, 2004, as incorporated into a binding option agreement dated April 6, 2005, with Anglo American Mexico S.A. de C.V. ("Anglo American"). (see Note 5 (b) to the unaudited interim consolidated financial statements dated January 31, 2008 for details).

Previous work by Anglo American confirmed a large area of hydrothermal alteration, corresponding to a 5 kilometer long under-explored belt of historical mineral showings and favourable lithology stretching across the property. Anglo American conducted a short three hole diamond-drilling program that identified high-grade silver-lead-zinc mineralization over 7.7 meters and several priority targets for follow-up mapping, sampling and drill testing.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

E. Description of Mineral Properties, continued

ii) Pinabete Property – Chihuahua, Mexico, continued

Drilling results from Company's diamond drilling programs indicated the potential for discovery of mineralization in two separate zones in the large property: the Pinabete zone and the El Papalote zone. Mineralization through the zone averages greater than 1% combined lead and zinc with narrower higher grade intervals returning up to 1.8% Pb and 3.6% Zn. Skarn mineralization with highs of 2.1% Pb and 4.1% Zn over 1.7 meters were tested along the margins of the lower felsite intrusive in the Pinabete zones.

Future exploration includes drilling up to 1,000 metres, which will test the potential for Ag-Pb-Zn-rich replacement bodies and skarn along the margins of a large rhyolite stock exposed to the northeast of the previously tested mineral horizons. Previous work on this target by Anglo American identified a large AMT geophysical anomaly and was tested with one drill hole. Drilling encountered altered and pyritized volcanic stratigraphy but failed to adequately test carbonate horizons along the margins of the felsic intrusive.

Drilling has now started on these targets.

iii) Cristoforos Property – Chihuahua, Mexico

In June 2005, the Company reached an agreement with the owners of certain mineral concessions in Chihuahua, Mexico, referred to as the Cristoforos property, to acquire a 100% interest (see Note 5 (c) to the unaudited interim consolidated financial statements dated January 31, 2008).

These claims are contiguous to the Pinabete property, discussed above, within the same belt of CRD's that have potential silver-lead-zinc mineralization.

iv) Tombstone Property – Arizona, USA

Pursuant to an agreement dated May 26, 2005, the Company entered into an option to acquire the Tombstone project, a multi-target, precious and base metal exploration prospect located six kilometers southwest of the town of Tombstone, Arizona (see Note 5 (d) to the unaudited interim consolidated financial statements dated January 31, 2008 for details on the option agreement).

Bonanza silver ores, totaling over 50 million metric tonnes were mined from the Tombstone District in the late 1800's and early 1900's from clusters of Ag-Pb-Mn-rich carbonate replacement bodies in the highly prospective Cretaceous-age lower Bisbee formation and underlying Paleozoic limestones, spatially associated with a prominent district-wide magnetic high.

Mineralization on the property is hosted along a series of east-northeast-trending structures up to 600 meters in exposed length. Mineralized fault breccias along these structures progress easterly and southerly from silver-lead-manganese-rich on the west, to more copper-silver-rich towards the east gravel-covered target area. Mineralization along these structures is interpreted as leakage from a more robust mineralizing system hosted by more favorable lithologies at depth and to the east.

Although not exposed at the surface on the Tombstone South property, the Lowermost Bisbee Group and the Paleozoic-age Naco Formation are inferred to be present at relatively shallow depths (<400 metres) based on surface mapping. Elsewhere in Arizona these units host significant mines, such as those at Bisbee (2.8 MMoz Au, 102 MMoz Ag and 7.8 billion lbs Cu), Christmas (0.36 billion lbs Cu) and Magma (0.7 MMoz Au, 34.5MMoz Ag and 2.5 billion lbs Cu).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

E. Description of Mineral Properties, continued

iv) Tombstone Property – Arizona, USA, continued

Up to 2000 metres of Phase 1 core drilling is planned to test prospective stratigraphy, structures and the mineralized, east-northeast-trending fracture zones. One drill hole has been completed to date and a second hole has been started. A recently completed NSAMT geophysical survey on the property suggests that these structures are through-going and may be traced into gravel covered areas in the eastern and southern portion of the claim block.

v) Oro Property – New Mexico, USA

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

On October 26, 2007 the Company entered into an agreement to earn a 100% interest in the American Mine claims, New Mexico, USA consisting of eight patented lode mining claims inclusive of surface rights to contiguous property. The American Mine claims are adjacent to Oro property claims and are reported under Oro property claims. (see Note 5 (e) to the unaudited interim consolidated financial statements dated January 31, 2008 for further details on these agreements).

The Company has compiled available historical data, mapped the area and carried out a rock and biogeochemical sampling over a mineralized corridor largely untested by modern exploration. Geological mapping indicates the presence of a prospective northwest trending structural zone.

Grab samples of vein material and the biogeochemical survey consistently returned high values of gold, silver, copper, lead and zinc and anomalous values of manganese and antimony which are indicative of a widespread and zoned mineral system with the potential to develop both copper-gold porphyry and silver-rich, polymetallic skarn/carbonate replacement deposits.

The phase one drilling program, planned for 2008 and consisting of up to **1,500 metres** is designed to test both high-grade structures below levels of historic mining and prospective Cretaceous-age stratigraphy within the mineralized corridor identified through surface mapping.

vi) Dragoon Property – Arizona, USA

On August 28, 2007 the Company, through its subsidiary in the USA, signed a letter agreement to enter into an option to acquire a 100% interest in Dragoon claims, Cochise County, Arizona. (see Note 5 (f) to the unaudited interim consolidated financial statements dated January 31, 2008 for further details on this agreement).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 5 of the unaudited interim consolidated financial statements dated January 31, 2008. The deferred mineral property costs as at January 31, 2008 were as follows:

	Balance	Additions				Total
	April 30, 2007	Q1	Q2	Q3	Year	January 31, 2008
	\$	\$	\$	\$	\$	\$
Minas de Ameca	1,645,656	663,283	337,310	437,657	1,438,250	3,083,906
Pinabete	942,439	4,289	22,445	23,767	50,501	992,940
Cristoforos	74,944	80,396	3,155	-	83,551	158,495
Tombstone	233,054	75,360	88,419	257,520	421,299	654,353
Oro	98,981	33,155	120,684	15,897	169,736	268,717
Dragoon	-	-	38,643	23,288	61,931	61,931
Total	2,995,074	856,483	610,656	758,129	2,225,268	5,220,342

The Company has prepaid \$114,655 (US\$115,000) for drilling services on Tombstone and Minas de Ameca properties. This amount is included in Prepaid expenses and deposits on the balance sheets of the unaudited interim consolidated financial statements dated January 31, 2008.

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Dragoon	Total
	\$	\$	\$	\$	\$	\$	\$
Acquisition	491,027	181,648	153,609	186,355	174,055	33,683	1,220,377
Assays and analysis	116,951	55,025	-	6,301	7,185	-	185,462
Camp and supplies	32,709	6,727	-	8,391	4,041	87	51,955
Drilling services	1,211,693	427,428	-	127,290	-	-	1,766,411
Environmental	-	-	-	9,196	-	-	9,196
Equipment rental	113,595	49,639	-	11,101	-	-	174,335
Field supplies	24,439	26	369	9,976	1,041	-	35,851
General exploration	114,363	26,115	233	4,505	372	32	145,620
Geological and geophysical services	500,139	173,504	3,155	224,123	55,497	23,680	980,098
Project supervision	173,888	5,101	-	35,810	3,296	1,870	219,965
Project support	176,633	20,663	344	2,018	10,842	1,790	212,290
Repair and maintenance	-	23,594	-	8,096	-	-	31,690
Stock-based compensation	5,084	-	-	-	596	596	6,276
Travel and related costs	75,199	18,615	785	9,497	5,687	-	109,783
Vehicle expenses	48,186	4,855	-	11,694	6,105	193	71,033
Total as at January 31, 2008	3,083,906	992,940	158,495	654,353	268,717	61,931	5,220,342

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F. Mineral Properties Expenditures, continued

The deferred mineral property costs as at April 30, 2007, were as follows:

	Balance	Additions					Total
	April 30, 2006	Q1	Q2	Q3	Q4	Year	April 30, 2007
	\$	\$	\$	\$	\$	\$	\$
Minas de Ameca	367,432	263,677	229,933	275,971	508,643	1,278,224	1,645,656
Pinabete	900,836	5,957	3,467	31,317	862	41,603	942,439
Crestoforos	63,773	11,171	-	-	-	11,171	74,944
Tombstone	156,173	53,866	17,803	1,400	3,812	76,881	233,054
Oro	-	-	24,138	30,446	44,397	98,981	98,981
Total	1,488,214	334,671	275,341	339,134	557,714	1,506,860	2,995,074

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Total
	\$	\$	\$	\$	\$	\$
Acquisition	254,104	153,951	73,213	117,695	45,966	644,929
Advances	23,191	-	-	-	-	23,191
Assays and analysis	80,864	52,496	-	2,390	2,953	138,703
Camp and supplies	13,959	6,220	-	524	1,994	22,697
Drilling services	555,752	427,428	-	-	-	983,180
Equipment rental	52,252	43,373	-	396	-	96,021
Field supplies	11,595	-	369	-	568	12,532
General exploration	78,233	26,115	233	3,493	71	108,145
Geological and geophysical services	213,685	164,892	-	65,844	26,581	471,002
Project supervision	145,313	4,072	-	27,555	1,701	178,641
Project support	127,416	19,844	344	1,547	10,337	159,488
Repair and maintenance	-	23,594	-	2,314	-	25,908
Travel and related costs	61,616	18,615	785	9,048	5,687	95,751
Vehicle expenses	27,676	1,839	-	2,248	3,123	34,886
Total as at April 30, 2007	1,645,656	942,439	74,944	233,054	98,981	2,995,074

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G. Results of Operations

The Company reported a net loss of \$1,205,312 for the nine months ended January 31, 2008 compared to a net loss of \$973,548 for the nine months ended January 31, 2007. This change of \$231,764 in the net loss was primarily due to the fact that the Company reported a net foreign exchange loss of \$499,262 for the nine months ended January 31, 2008, compared to a net foreign exchange gain of \$46,471 for the same period in 2007. Substantially more US dollars were held in cash as at January 31, 2008 (US \$2,564,923) compared to January 31, 2007 (US \$643,816) and the continuing drop in the US dollar contributed to this exchange loss.

The majority of transactions for the Company are in US dollars and, to a lesser extent, Mexican pesos, and therefore foreign exchange fluctuations can arise. All monetary assets and liabilities held in foreign currencies are translated to Canadian dollars on consolidation at the period end exchange rate (January 31, 2008: 0.997, January 31, 2007: 1.1825) and this created an exchange loss due to the significant strengthening of the Canadian dollar during the period.

For the nine-month period ended January 31, 2008 the following expenses showed significant increase, compared to the same period in the previous year:

- i) Administration fees increased to \$84,000 for the nine months ended January 31, 2008 compared to \$50,000 for the same period in 2007. This increase is due to an increase in the administration fees paid by the Company, in accordance to an agreement with a related party (see Note J of this MD&A).
- ii) Directors' fees increased to \$31,063 for the nine months ended January 31, 2008 compared to \$Nil for the same period in 2007. The Company initiated remuneration of its independent directors on March 26, 2007 (see Note J of this MD&A).
- iii) Travel and promotion expenses increased to \$95,953 in the nine months ended January 31, 2008 compared to \$53,730 in same period of the previous year. This increase was due to more active participation in conferences and trade shows, as well as to a special promotional event organized in July 2007 directed to the existing and potential investors.
- iv) Professional fees increased to \$105,300 for the nine-month period ended January 31, 2008 from \$75,929 for the same period in the previous year. This increase relates to an increase in the accounting fees due to increased rates and increased volume of accounting transactions. Legal fees also increased due to the increased need for legal services related to the two new option agreements that the Company entered into during the nine-month period ended January 31, 2008.

Stock-based compensation expense recorded during the nine-month period ended January 31, 2008 was \$58,692, and represented a combination of:

- stock-based compensation expense recognized on the 25,000 stock options granted and vested during the period, and
- stock-based compensation expense recognized on 37,500 stock options granted on March 27, 2006 and 33,333 stock options granted on March 26, 2007, vested during the nine months ended January 31, 2008.

Stock-based compensation recognized during nine -month period ended January 31, 2007 amounted to \$414,783 and related to the 581,250 stock options vested during the period.

During the reporting period, interest income increased to \$163,688 compared to \$52,821 in the same period of the previous year. This increase of \$110,867 (210%) was due to greater amount of cash available to the Company during the nine months ended January 31, 2008, which was placed on various term deposits.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

H. Quarterly Results

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

	Three months ended								
	Jan 31,	Oct 31,	Jul 31,	Apr 30,	Jan 31,	Oct 31,	Jul 31,	Apr 30,	Jan 31,
	2008	2007	2007	2007	2007	2006	2006	2006	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating expenses	273,600	250,494	259,508	465,062	243,184	225,818	155,439	190,772	277,420
Interest earned	(39,877)	(54,651)	(69,160)	(58,057)	(11,275)	(19,184)	(22,362)	(13,106)	(12,047)
Foreign exchange loss (gain)	(147,178)	414,958	231,482	235,411	(31,309)	11,740	(26,902)	866	6,503
General exploration	13,371	9,085	4,988	998	15,548	15,984	2,084	6,669	3,792
Write off of accrued liabilities	-	-	-	-	-	-	-	(14,124)	-
Loss before the following item	99,916	619,886	426,818	643,414	216,148	234,358	108,259	171,077	275,668
Stock-based compensation	4,606	54,086	-	783,834	-	22,526	392,257	55,341	370,115
Net Loss	104,522	673,972	426,818	1,427,248	216,148	256,884	500,516	226,418	645,783
Loss per share - basic and diluted	\$0.00	\$0.02	\$0.01	\$0.05	\$0.01	\$0.01	\$0.02	\$0.01	\$0.03

I. Selected Financial Information

The following financial data was derived from the Company's consolidated financial statements as at the following dates:

Selected Financial Information	January 31, 2008 (Unaudited)	April 30, 2007 (Audited)	January 31, 2007 (Unaudited)
Cash and cash equivalents	\$3,695,667	\$6,261,745	\$1,289,048
Working capital	\$3,793,005	\$6,337,141	\$1,276,457
Total assets	\$9,356,729	\$9,494,620	\$3,771,755
Shareholders' equity	\$9,095,217	\$9,396,311	\$3,713,817
Accumulated deficit	\$12,459,141	\$11,253,829	\$9,826,581
Number of shares - issued and outstanding	42,699,321	39,951,821	26,571,421

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

J. Related Parties Transactions

The Company has no employees.

The Company is party to an agreement dated July 6, 2006 and renewed on July 1, 2007, with its President, Lawrence Page Q.C., for Mr. Page to provide services in the capacity of President for \$9,000 per month.

Pursuant to an agreement dated March 27, 2006 with its Chief Financial Officer, Scott Hean, the Company had been paying Mr. Hean \$3,250 per month. This agreement was terminated as at February 01, 2008 (see Note M of this MD&A).

A private company controlled by a director and an officer provides corporate development services to the Company.

Amounts paid to the parties described above are included in consulting expenses on the consolidated statements of operations and deficit for the discussed periods.

The Company, commencing March 26 2007, compensates its independent directors with an annual fee of \$9,000. The Company uses the definition of "independent" as that term is defined in MI 52-110, where to be independent the director must not have a direct or indirect material relationship with the Company. Amounts paid to independent directors are included in directors' fees on the consolidated statements of operations and deficit for the discussing periods.

Effective November 1, 2007 the Company entered into a management service agreement with Manex Resource Group Inc. ("Manex"), a private company controlled by a director and officers of the Company, for administrative, geological, accounting, investor relations and corporate services. The Company agreed to pay basic and specified rent of \$8,000 per month. Corporate, accounting, geological and investors relation services are provided when requested and are charged based on agreed hourly billing rates ranging between \$60 and \$85 per hour. In accordance with the agreement, reimbursable expenses are invoiced with a 15% mark-up.

The agreement expires on June 30, 2012. In the event the Company wishes to terminate the agreement prior to the expiry date, the Company may do so by paying Manex an amount equal to the basic and specified rent calculated for the remainder of the calendar year from the date of the notice of termination. In the event of a change of control, the Company will owe Manex 50% of the basic and specified rent due for the remainder of the term of the agreement. This agreement superseded the agreement between the Company and Manex dated January 01, 2007.

The above described services are provided in the normal course of operations for consideration established and accepted by the Company and related parties, which management believes is reasonable under the circumstances.

For information regarding related parties transactions and balances, refer to Note 7 to the unaudited interim consolidated financial statements dated January 31, 2008.

K. Financial Conditions, Liquidity and Capital Resources

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

The Company had a working capital balance of \$3,793,005 as at January 31, 2008 compared to \$1,276,457 as at January 31, 2007. Cash and cash equivalents totaled \$3,695,667 and \$1,289,048 respectively.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

K. Financial Conditions, Liquidity and Capital Resources, continued

i) Equity financings

The Company has not announced or completed any private placements for the nine months period ended January 31, 2008.

Year ended April 30, 2007

In February 2007, the Company completed a private placement of 13,000,000 units at \$0.50 per unit for gross proceeds of \$6,500,000. Each unit consists of one common share and one half share purchase warrant exercisable at \$0.60 per share until February 24, 2009.

In connection with this financing, 85,400 units were issued representing 7% finders fee, as well as 122,000 broker warrants (10% finders' fee) exercisable at \$0.60 per share for a two-year period, and 645,000 option certificates were issued for finders' fee. Each option is exercisable at \$0.50 per units and each unit consists of one common share and one half share purchase warrant exercisable at \$0.60 per share. Both the option and the underlying warrant expire on February 24, 2009. Finders' fees of \$255,750 representing 7% were also paid.

Year ended April 30, 2006

In April 2006, the Company completed a private placement of 600,000 units at \$1.00 per unit for gross proceeds of \$600,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$1.00 to April 7, 2008.

In October 2005, the Company completed a private placement of 4,000,000 units at a price of \$0.25 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.30 per share to October 31, 2007.

ii) Funds raised by stock options and share purchase warrants exercise

During the nine months ended January 31, 2008, 2,572,500 share purchase warrants at \$0.30 were exercised for gross proceeds of \$771,750. No stock options were exercised during the period.

Year ended April 30, 2007

During the fiscal year ended April 30, 2007 1,437,500 share purchase warrants and 145,000 stock options were exercised for gross proceeds of \$419,000 and \$60,400 respectively.

iii) Mineral properties expenditures

During the nine months ended January 31, 2008, the Company expended \$2,043,728 on mineral properties (net of shares issued for acquisition costs, stock-based compensation and ending balance of accounts payable for mineral properties). Approximately 66% of this amount was directed towards Minas de Ameca (6% La Sorpresa, 51% Magistral, and 9% Quila), 17% to Tombstone, 8% to Oro, 4% to Cristoforos, 3% to Dragoon, and 2% to Pinabete.

Year ended April 30, 2007

During the fiscal year ended April 30, 2007, the Company spent \$1,331,152 on mineral expenditures, (net of shares issued for acquisition costs and amounts included in exploration costs payable) of which 57% was directed towards the La Sorpresa property, 18% Magistral, 9% Quila, 7% Oro, 5% Tombstone, 3% Pinabete and 1% Cristoforos.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

K. Financial Conditions, Liquidity and Capital Resources, continued

iv) Amounts receivable

As at January 31, 2008, the Company had \$20,627 GST receivable from the Canada Revenue Agency.

IVA, a 15% value added tax applied in Mexico to expenditures at source, is considered recoverable, and is included in receivables on the balance sheets of the unaudited interim consolidated financial statements dated January 31, 2008. As at that date IVA receivable amounted to \$94,204 (US\$94,487).

VAT, a 19% value added tax applied in Germany to all services rendered in the country, is included in receivables on the balance sheets of the unaudited interim consolidated financial statements dated January 31, 2008. As at that date accrued VAT receivable was \$15,036 (EUR 10,201), paid on investors relation services rendered in Germany for the period from January 01, 2006 to January 31, 2008.

Accrued interest receivable on term deposits as at January 31, 2008 was \$1,412. The Company also recorded \$5,129 receivable from advanced to various contractors working on the Company's mineral properties under option in Mexico.

v) Commitments

Mineral properties interests

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

- (a) The Company is required to make payments for La Sorpresa property:
 - US \$200,000 on or before December 19, 2008;
 - US \$600,000 on or before December 19, 2009.
- (b) The Company has the following commitments on Magistral properties:
 - Incur an aggregate of at least US\$ 450,000 by July 21, 2008 (Incurred);
 - Incur an aggregate of at least US\$ 950,000 by July 21, 2009 (Incurred);
 - Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2008 for Magistral I property;
 - Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2009 for Magistral I property.
- (c) The Company has the following commitments on Quila property:
 - Incur an aggregate of at least US\$ 350,000 by January 19, 2009;
 - Incur an aggregate of at least US\$ 500,000 by January 19, 2010;
 - Issue 75,000 common shares to Soltoro Ltd. on or before January 19, 2009;
 - Issue 100,000 common shares to Soltoro Ltd. on or before January 19, 2010.
- (d) The Company has the following commitments on Pinabete property:
 - Incur an aggregate of at least US\$ 2,000,000 by December 14, 2008 (US\$732,234 incurred as at January 31, 2008);
 - Issue 50,000 common shares to Anglo American Mexico S.A. de C.V. on or before December 14, 2008.
- (e) The Company is required to make a payment for the Cristoforos property:
 - US \$165,000 on or before June 22, 2008.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

K. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

Mineral properties interests, continued

- (f) The Company is required to make payments for the Tombstone property.
- US \$100,000 on or before June 1, 2008;
 - US \$200,000 on or before June 1, 2009.
- (g) The Company is required to make the following payments for the Oro property:
- US \$50,000 on or before August 28, 2008;
 - US \$50,000 on or before October 26, 2008;
 - US \$100,000 on or before August 28, 2009;
 - US \$50,000 on or before October 26, 2009.
- (h) The Company is required to make the following payments for the Dragoon property:
- US \$20,000 on or before August 28, 2008;
 - US \$50,000 on or before August 28, 2009.

Other commitments

- (a) Pursuant to an agreement dated November 01, 2007 (see Note J of this MD&A) the Company has committed to pay \$96,000 per year (\$8,000 per month) to a company controlled by a common director for administrative services and office space and equipment.

L. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

The authorized share capital of the Company is unlimited. The issued share capital as at March 12, 2008 is as follows:

	Number of Shares	Total \$
Balance as at January 31, 2008	42,699,321	18,843,209
Transaction for the period	-	-
Balance as at March 12, 2008	42,699,321	18,843,209

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

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

Warrants outstanding at March 12, 2008 are as follows:

Exercise Price	Expiry Date	Balance March 12, 2008
\$1.00	April 7, 2008	600,000
\$0.60	February 24, 2009	6,542,700
\$0.60	February 24, 2009	122,000
		7,264,700
Weighted average exercise price		\$0.63
Weighted average remaining contractual life in years		0.88

iii) Stock Options

Stock options outstanding at March 12, 2008 are as follows:

Exercise Price	Expiry Date	Balance March 12, 2008
\$0.65	December 10, 2009	827,500
\$0.30	October 13, 2010	205,000
\$0.51	November 8, 2010	435,000
\$0.83	January 16, 2011	205,000
\$0.82	March 27, 2011	125,000
\$0.88	June 1, 2011	460,000
\$0.58	March 1, 2012	1,235,000
\$0.58	March 26, 2012	100,000
\$0.58	October 19, 2012	25,000
\$0.58	December 4, 2012	25,000
		3,642,500
Weighted average exercise price		\$0.63
Weighted average remaining contractual life in years		3.05

iv) Agents' Options

As a part of a private placement, which closed in February 2007, options were granted to agents. Each agent's option, exercisable at \$0.50 per unit, entitles the agent to one unit of the Company, which consists of one common share and one half of one share purchase warrant exercisable at \$0.60. Both the option and the underlying warrant expire on February 24, 2009. Agents' options outstanding as at March 12, 2008 were as follows:

Exercise Price	Expiry Date	Balance October 31, 2007	Units Cancelled	Units Granted or Expired	Unit Exercised	Balance December 18, 2007
\$0.50	February 24, 2009	645,000	-	-	-	645,000

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

M. Subsequent Events and Outlook

The Company reported the following event subsequent to January 31, 2008:

Changes in management

Effective February 01, 2008 the Company appointed Jeannine P.M. Webb, CGA in the position of CFO. Ms. Webb has extensive experience at senior executive positions with junior public mineral exploration companies.

The former CFO of the Company resigned as at the same date and was appointed Vice President, Administration of the Company with a monthly remuneration of \$2,000.

N. Financial Instruments

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and related parties' accounts payable approximate their fair values because of the short-term maturity of these financial instruments.

O. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

P. Use of Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions believed to be reasonable under the circumstances. Critical accounting policies are disclosed in the annual audited financial statements.

Q. Disclosure Controls and Procedures

Current securities policies in Canada require that management of the Company certifies that it has assessed the effectiveness of the Company's disclosure controls and procedures as at every interim and annual period. Management has concluded that the disclosure controls as at January 31, 2008 were effective in ensuring that all material information required to be filed had been provided to it in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors, 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.

Effective August, 2005, the Audit Committee adopted resolutions authorizing the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The implementation of the whistleblower policy is in accordance with new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

R. 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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

R. Risks and Uncertainties, continued

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that 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.

Since the Company does not generate any revenues, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the sale of securities.

The Company will need to continue its reliance on the sale of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favourable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

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

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

The Company conducts exploration activities in Mexico and the USA, and is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. 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 hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held by the Company.

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 interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects.

In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. 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 affect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the nine months ended January 31, 2008

S. 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.

T. Proposed Transactions

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

U. 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.

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; and 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.



1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670
www.southernsilverexploration.com

Interim Consolidated Financial Statements

For the nine months ended January 31, 2008 and 2007

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Notice of No Auditor Review of Interim Statement

These interim consolidated financial statements of the Company for the nine months ended January 31, 2008, were prepared by management and have not been reviewed or audited by the Company's auditors.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Balance Sheets (Canadian Dollars)

	January 31, 2008 (Unaudited)	April 30, 2007 (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 3,695,667	\$ 6,261,745
Receivables	136,408	84,573
Prepaid expenses and deposits	222,442	89,132
	4,054,517	6,435,450
Property and equipment, net	16,077	-
Mineral properties	Note 5 5,220,342	2,995,074
Bonds	Note 5 (a), (d) 65,793	64,096
	\$ 9,356,729	\$ 9,494,620
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 215,345	\$ 89,300
Related parties accounts payable	Note 7 46,167	9,009
	261,512	98,309
Shareholders' equity		
Share capital	Note 8 (a) 18,843,209	18,003,959
Contributed surplus	Note 8 (a) 2,711,149	2,646,181
Deficit	(12,459,141)	(11,253,829)
	9,095,217	9,396,311
	\$ 9,356,729	\$ 9,494,620

Nature of operations (Note 1)
Contingent liabilities (Note 11)

Approved on behalf of the Board:

“Lawrence Page”
Lawrence Page, Q.C.

“Nazlin Rahemtulla”
Nazlin Rahemtulla

The interim consolidated financial statements and accompanying notes contained herein
have not been reviewed by the Company’s auditor.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Operations and Deficit (Canadian Dollars)

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2008	2007	2008	2007
Expenses				
Administration	\$ 24,000	\$ 20,000	\$ 84,000	\$ 50,000
Amortization	4,654	-	7,636	-
Consulting	74,841	109,988	214,669	216,194
Directors' fees	10,549	-	31,063	-
Investor relations	44,208	43,229	139,759	134,864
Office and administration	24,140	17,193	69,096	63,023
Professional fees	52,176	22,067	105,300	75,929
Regulatory fees and taxes	2,019	3,162	7,301	6,987
Shareholders' communications	6,609	6,219	17,727	11,101
Transfer agent	8,360	9,313	11,098	12,613
Travel and promotion	22,044	12,013	95,953	53,730
Stock-based compensation, directors and officers	4,606	-	50,060	200,824
Stock-based compensation, consultants	-	-	-	46,358
Stock-based compensation, management company employees	-	-	8,632	167,601
Loss before other items	278,206	243,184	842,294	1,039,224
Other items				
Interest income	(39,877)	(11,275)	(163,688)	(52,821)
Foreign exchange loss (gain)	(147,178)	(31,309)	499,262	(46,471)
General exploration	13,371	15,548	27,444	33,616
	(173,684)	(27,036)	363,018	(65,676)
Net loss for the period	104,522	216,148	1,205,312	973,548
Deficit, beginning of the period	12,354,619	9,610,433	11,253,829	8,853,033
Deficit, end of the period	\$ 12,459,141	\$ 9,826,581	\$ 12,459,141	\$ 9,826,581
Loss per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding	42,577,582	25,992,918	41,052,627	25,725,626

The interim consolidated financial statements and accompanying notes contained herein have not been reviewed by the Company's auditor.

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows (Canadian Dollars)

Cash provided by (used for):	Three months ended		Nine months ended	
	2008	January 31, 2007	2008	January 31, 2007
Operating activities				
Net loss for the period	\$ (104,522)	\$ (216,148)	\$ (1,205,312)	\$ (973,548)
Items not involving cash:				
Amortization	4,654	-	7,636	-
Foreign exchange adjustment on bond	(2,133)	-	5,826	-
Stock-based compensation	4,606	-	58,692	414,783
Change in non-cash working capital				
Receivables	72,602	33,347	(51,835)	98,449
Prepaid expenses and deposits	(132,611)	(5,606)	(133,310)	1,685
Accounts payable and accrued liabilities	(32)	(1,893)	24,937	(109,478)
Related parties accounts payable	(8,528)	(6,865)	30,502	14,586
	(165,964)	(197,165)	(1,262,864)	(553,523)
Investing activities				
Property and equipment	(2,900)	-	(23,713)	-
Expenditures on mineral properties	(786,162)	(306,639)	(2,043,728)	(883,151)
Bonds	-	-	(7,523)	-
	(789,062)	(306,639)	(2,074,964)	(883,151)
Financing activities				
Shares issued for cash	-	120,103	771,750	399,055
	-	120,103	771,750	399,055
Decrease in cash and cash equivalents	(955,026)	(383,701)	(2,566,078)	(1,037,619)
Cash, beginning of period	4,650,693	1,672,749	6,261,745	2,326,667
Cash, end of period	\$ 3,695,667	\$ 1,289,048	\$ 3,695,667	\$ 1,289,048
Supplemental cash flow information				
Cash and cash equivalents consists of:				
Cash	1,104,725	416,206	1,104,725	416,206
Short-term deposits	2,590,942	872,842	2,590,942	872,842
	3,695,667	1,289,048	3,695,667	1,289,048

See also Note 10 Supplemental cash flow information

The interim consolidated financial statements and accompanying notes contained herein have not been reviewed by the Company's auditor.

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1. Nature of Operations

Southern Silver Exploration Corp. (the “Company”) is an exploration stage enterprise incorporated under the laws of British Columbia. The Company and its subsidiaries are engaged in the acquisition, exploration and development of mineral properties and do not have any mineral properties in production. The Company has not determined whether these mineral properties contain ore reserves that are economically recoverable. The ability of the Company to meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral properties is dependent on the Company’s ability to obtain the necessary financing. There is no assurance that the Company will be successful in raising the required financing.

2. Basis of Presentation

The unaudited interim consolidated financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Minera Plata Del Sur SA De SV (Mexico), Southern Silver Exploration (US) Corp. (USA), and Newcoast American Inc. (USA).

These unaudited interim consolidated financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company’s annual audited consolidated financial statements for the fiscal year ended April 30, 2007. All material adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods, have been reflected. The results for the nine months ended January 31, 2008 are stated utilizing the same accounting policies and methods of application as the most recent annual financial statements (except as described in Note 3 below), but are not necessarily indicative of the results to be expected for the full year.

3. Significant Accounting Policies

Property and Equipment

Equipment and software is 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 year of acquisition when one half of the rate is used.

4. Financial Instruments

(a) Fair Value

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and related parties accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

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4. Financial Instruments, continued

(b) Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(c) Credit Risk

The Company is exposed to credit risk with respect to managing its cash position. This risk, from deposit granting institutions and/or commercial paper issuers, is mitigated by risk management practices, which requires the deposits or short-term investments 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.

(d) Currency Risk

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

5. Mineral Properties

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

Mexico:

- (i) Jalisco - Minas de Ameca properties:
 - La Sorpresa property
 - Magistral property, which includes Magistral I and El Magistral
 - Quila property
- (ii) Chihuahua - Pinabete property
- (iii) Chihuahua - Cristoforos property

USA:

- (i) Arizona – Tombstone property
- (ii) New Mexico – Oro property
- (iii) Arizona – Dragoon property

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5. Mineral Properties, continued

Deferred mineral property costs by property as at January 31, 2008 are as follows:

Mineral Properties	Minas de Ameca \$	Pinabete \$	Cristoforos \$	Tombstone \$	Oro \$	Dragoon \$	Total \$
Acquisition							
Balance as at April 30, 2007	254,104	153,951	73,213	117,695	45,966	-	644,929
Additions during the period	236,923	27,697	80,396	68,660	128,089	33,683	575,448
Balance as at January 31, 2008	491,027	181,648	153,609	186,355	174,055	33,683	1,220,377
Exploration							
Balance as at April 30, 2007	1,391,552	788,488	1,731	115,359	53,015	-	2,350,145
Additions during the period:							
Advances	(23,191)	-	-	-	-	-	(23,191)
Assays and analysis	36,087	2,529	-	3,911	4,232	-	46,759
Camp and supplies	18,750	507	-	7,867	2,047	87	29,258
Drilling services	655,941	-	-	127,290	-	-	783,231
Equipment rental	61,343	6,266	-	10,705	-	-	78,314
Environmental	-	-	-	9,196	-	-	9,196
Field supplies and wages	62,061	845	-	10,447	978	1,790	76,121
General exploration	36,130	-	-	1,012	301	31	37,474
Geological and geophysical services	286,454	8,612	3,155	158,279	28,916	23,681	509,097
Project supervision	28,575	1,029	-	8,255	1,595	1,870	41,324
Repair and maintenance	-	-	-	5,782	-	-	5,782
Stock-based compensation	5,084	-	-	-	596	596	6,276
Travel and related costs	13,583	-	-	449	-	-	14,032
Vehicle expenses	20,510	3,016	-	9,446	2,982	193	36,147
Total additions during the period	1,201,327	22,804	3,155	352,639	41,647	28,248	1,649,820
Balance as at January 31, 2008	2,592,879	811,292	4,886	467,998	94,662	28,248	3,999,965
Total mineral properties deferred costs as at January 31, 2008	3,083,906	992,940	158,495	654,353	268,717	61,931	5,220,342

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5. Mineral Properties, continued

Deferred mineral property costs, by property as at April 30, 2007, are as follows:

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Total
	\$	\$	\$	\$	\$	\$
Acquisition costs						
Balance as at April 30, 2006	81,924	124,162	62,042	69,316	-	337,444
Additions during the year	172,180	29,789	11,171	48,379	45,966	307,485
Balance as at April 30, 2007	254,104	153,951	73,213	117,695	45,966	644,929
Exploration						
Balance as at April 30, 2006	285,508	776,674	1,731	86,857	-	1,150,770
Additions during the year						
Advances	23,191	-	-	-	-	23,191
Assays and analysis	74,315	-	-	-	2,953	77,268
Camp and supplies	13,959	814	-	524	1,994	17,291
Drilling services	555,752	-	-	-	-	555,752
Equipment rental	31,233	-	-	396	-	31,629
Field supplies and wages	110,981	1,012	-	1,547	10,905	124,445
General exploration	7,202	438	-	239	71	7,950
Geological and geophysical services	102,334	3,336	-	19,811	26,581	152,062
Project supervision	122,731	4,072	-	571	1,701	129,075
Repairs and maintenance	-	-	-	514	-	514
Travel and related costs	37,286	2,142	-	2,652	5,687	47,767
Vehicle expense	27,060	-	-	2,248	3,123	32,431
Total additions during the year	1,106,044	11,814	-	28,502	53,015	1,199,375
Balance as at April 30, 2007	1,391,552	788,488	1,731	115,359	53,015	2,350,145
Total mineral properties deferred costs as at April 30, 2007	1,645,656	942,439	74,944	233,054	98,981	2,995,074

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5. Mineral Properties, continued

Terms of the agreements for these properties are described below.

(a) Minas de Ameca – Mexico

La Sorpresa Property

On October 18, 2005, the Company signed a letter of intent to enter into an option to acquire a 100% interest in the project, comprising four mining concessions located approximately 80 kilometers from Guadalajara City.

Pursuant to the subsequent agreement dated December 16, 2005, the Company paid an initial \$78,243 (US \$67,000). To complete the purchase, the Company is required to make the following additional payments:

- (i) US \$33,000 on or before December 19, 2006 (Paid);
- (ii) US \$100,000 on or before December 19, 2007 (Paid);
- (iii) US \$200,000 on or before December 19, 2008;
- (iv) US \$600,000 on or before December 19, 2009.

Magistral Property

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

Pursuant to the agreement with Fury, 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 on or before July 21, 2007 (Issued);
- (iii) Issue 50,000 common shares on or before July 21, 2008;
- (iv) Issue 50,000 common shares on or before July 21, 2009;
- (v) Issue 50,000 common shares on or before July 21, 2010;
- (vi) Issue 250,000 common shares on or before July 21, 2011;
- (vii) Incur a minimum US \$3,000,000 of expenditures on the concession on or before July 21, 2011 as follows:
 - An aggregate of at least US \$100,000 by July 21, 2007 (Incurred);
 - An aggregate of at least US \$450,000 by July 21, 2008 (Incurred);
 - An aggregate of at least US \$950,000 by July 21, 2009 (Incurred);
 - An aggregate of at least US \$1,800,000 by July 21, 2010;
 - An aggregate of at least US \$3,000,000 by July 21, 2011.

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5. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

Magistral Property, continued

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

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

On October 20, 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 has agreed to purchase the 1,366 hectare mineral concession by the payment of \$15,600 (Mexican peso 150,000) over a twenty-four month period 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.

Bonds

Bonds of \$57,937 are being held in escrow by the Mexican government with regard to the purchase of the El Magistral claim. Bonds are recorded at cost, held in Mexican pesos, and are converted into Canadian dollars using the current rate as at the period end. Bonds currently being held in escrow and their values as at January 31, 2008 are as follows:

- (i) \$11,036 (Mexican peso 120,000) for the purchase of the property.
- (ii) \$46,901 (Mexican peso 510,000) in regard to the 1% NSR royalty.

Quila Property

Pursuant to an agreement dated January 19, 2007, with Soltoro Ltd., the Company entered into 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 on or before January 19, 2008 (Issued);
- (iii) Issue 75,000 common shares on or before January 19, 2009;
- (iv) Issue 100,000 common shares on or before January 19, 2010;
- (v) Issue 100,000 common shares on or before January 19, 2011;
- (vi) Issue 100,000 common shares on or before January 19, 2012;

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5. Mineral Properties, continued

Quila Property, continued

- (vii) Incur a minimum US \$3,000,000 of expenditures on the property as follows:
- An aggregate of at least US \$150,000 by January 19, 2008 (Incurred);
 - An aggregate of at least US \$350,000 by January 19, 2009;
 - An aggregate of at least US \$500,000 by January 19, 2010;
 - An aggregate of at least US \$900,000 by January 19, 2011;
 - An aggregate of at least US \$1,100,000 by January 19, 2012.

(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 located in southern Chihuahua, Mexico (“Pinabete”). To exercise the option, the Company is required to incur a minimum of US \$2,000,000 in expenditures on the property over four years and to issue a total of 400,000 common shares in staged amounts.

If the Company meets the terms and conditions and elects to exercise the option, the Company would acquire a 100% undivided interest in Pinabete subject to a 1.5% 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.

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 on or before December 14, 2005 (Issued);
- (iii) Issue a further 50,000 common shares on or before December 14, 2006 (Issued);
- (iv) Issue a further 50,000 common shares on or before December 14, 2007 (Issued);
- (v) Issue a further 50,000 common shares on or before December 14, 2008;
- (vi) Incur a minimum US \$2,000,000 of expenditures on Pinabete by December 14, 2008 as follows:
 - Not less than US \$200,000 on or before December 14, 2005 (Incurred);
 - An aggregate of US \$400,000 on or before December 14, 2006 (Incurred);
 - An aggregate of US \$700,000 on or before December 14, 2007 (Incurred);
 - An aggregate of US \$2,000,000 on or before December 14, 2008.

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5. Mineral Properties, continued

(c) Cristoforos Property - Mexico

Pursuant to an agreement dated June 22, 2005, the Company entered into an option to acquire a 100% interest in the Cristoforos property located in Chihuahua, Mexico. The claims comprising the Cristoforos property are contiguous to the Pinabete property.

Pursuant to the agreement, the Company made an advance minimum royalty payment ("AMR") of \$62,042 (US \$50,000) on June 22, 2005 and to complete the purchase the Company will be required to make additional AMR payments totaling US \$250,000 over the next three years as follows:

- (i) US \$10,000 on or before June 22, 2006 (Paid);
- (ii) US \$75,000 on or before June 22, 2007 (Paid);
- (iii) US \$165,000 on or before June 22, 2008.

There are no minimum exploration expenditure commitments on this property.

(d) Tombstone Prospect – Arizona, USA

Pursuant to an agreement dated May 26, 2005, the Company has an exclusive option to acquire an undivided 100% interest in certain claims located in the state of Arizona referred to as the Tombstone property. To acquire a 100% interest in the property, the Company paid US \$20,000 upon signing the agreement and is required to make US \$670,000 in staged payments over the next five years as follows:

- (i) US \$20,000 on or before June 1, 2006 (Paid);
- (ii) US \$50,000 on or before June 1, 2007 (Paid);
- (iii) US \$100,000 on or before June 1, 2008.
- (iv) US \$200,000 on or before June 1, 2009.
- (v) US \$300,000 on or before June 1, 2010.

Upon meeting the above terms and conditions and electing to exercise the option, the Company will acquire a 100% undivided interest in the Tombstone property is subject to a 2% NSR payable to the optionors. The optionors have granted to the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 per increment.

Reclamation Bond

During the nine months ended January 31, 2008, the Company incurred an expense of \$7,523 (US\$7,880) for a reclamation bond to the US Department of the Interior – Bureau of Land Management, in regards to its exploration program on the Tombstone prospect. The reclamation deposit is recorded at cost and held in United States dollars and is converted into Canadian dollars using the current rate as at the period end. Bond value as at January 31, 2008 was \$7,856.

The amount is non interest bearing and is refundable upon completion of the exploration and reclamation program on the property.

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5. Mineral Properties, continued

(e) Oro Property – New Mexico, USA

Pursuant to an agreement dated August 28, 2006, the Company entered into an option to acquire a 100% interest in the Oro Claims, Grant County, New Mexico.

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

- (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;
- (iv) US \$100,000 on or before August 28, 2009;
- (v) US \$200,000 on or before August 28, 2010;
- (vi) US \$300,000 on or before August 28, 2011;

Upon meeting the above terms and conditions and electing to exercise the option, the Company will 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 such increment.

On October 26, 2007 the Company entered into an agreement to acquire 100% interest in the American Mine claims, New Mexico, USA consisting of eight patented lode mining claims inclusive of surface rights to contiguous property. The American Mine claims are adjacent to Oro property claims and will be reported under Oro property claims. Under this agreement the Company is required to pay a total of US\$ 350,000 in the following stages:

- (vii) US \$50,000 on signing of the agreement (Paid);
- (viii) US \$50,000 on or before October 26, 2008;
- (ix) US \$50,000 on or before October 26, 2009;
- (x) US \$50,000 on or before October 26, 2010;
- (xi) US \$75,000 on or before October 26, 2011;
- (xii) US \$75,000 on or before October 26, 2012.

(f) Dragoon Property – Arizona, USA

On August 28, 2007 the Company, through its subsidiary in the USA, signed a letter agreement to enter into an option to acquire a 100% interest in Dragoon claims, Cochise County, Arizona.

Pursuant to the agreement, the Company made a payment of \$21,018(US \$20,000) on September 11, 2007 and will be required to make additional payments totaling US \$670,000 over the next five years as follows:

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

Upon meeting the terms and conditions and electing to exercise the option, the Company will acquire a 100% interest in Dragoon claims subject to a 2% of net smelter returns (“NSR Royalty”) payable to the optionors. The optionors have the right to sell to the Company the NSR Royalty at any time and from time to time in 0.5% increments for each payment of US\$ 500,000 made by the Company to the optionors (excluding the above described payments).

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5. Mineral Properties, continued

(g) 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 conveyancing history of many mineral properties. The Company has investigated title to its mineral property interests and, to the best of its knowledge, title to its properties is in good standing.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(h) 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 property may be diminished or negated.

6. Property and Equipment

	Costs	Accumulated Amortization	January 31, 2008 Net Book Value	April 30, 2007 Net Book Value
	\$	\$	\$	\$
Equipment	2,900	323	2,577	
Computer	1,304	336	968	-
Software	19,509	6,977	12,532	-
	20,813	7,636	16,077	-

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7. Related Parties Balances and Transactions

In addition to those transactions disclosed elsewhere in these financial statements, the Company had the following transactions with related parties during the reporting period:

- (a) Under the service agreement, as amended, between the Company and Manex Resource Group Inc., the Company was charged as follows:
- from May 2006 to December 2006: \$5,000 basic fee per month, fees in respect of accounting, corporate, geological, investor relations and property acquisition and maintenance services, and a 10% mark-up on out-of-pocket expenses.
 - from January 2007 to October 2007: \$10,000 basic fee per month, fees in respect of accounting, corporate, geological, investor relations and property acquisition and maintenance services, and a 10% mark-up on out-of-pocket expenses.
 - from November 2007 to January 31, 2008: \$8,000 basic fee per month, fees in respect accounting, corporate, geological, investor relations and property acquisition and maintenance services, and a 15% mark-up on out-of-pocket expenses.

During the nine months ended January 31, 2008, the Company incurred:

- \$84,000 in respect of the basic monthly fees (nine months ended January 31, 2007: \$50,000);
- \$48,166 in respect of accounting services (nine months ended January 31, 2007: \$17,199);
- \$37,488 in respect of consulting services (nine months ended January 31, 2007: \$55,910);
- \$44,016 in respect of investor relation services (nine months ended January 31, 2007: \$24,198);
- \$48,884 in respect of geological consulting services in relation to mineral properties (nine months ended January 31, 2007: \$16,440); and
- \$11,434 in respect of the mark-up on out-of-pocket expenses (nine months ended January 31, 2007: \$4,435).

Amounts payable under the agreement at January 31, 2008 were \$31,662 (April 30, 2007: \$Nil).

- (b) Fees in the amount of \$29,257 (nine months ended January 31, 2007: \$14,009) were charged by a law firm controlled by the President of the Company and included in professional fees and mineral property expenditures. As at January 31, 2008, there was \$5,661 (April 30, 2007 - \$2,379) payable to this company.
- (c) Consulting fees relating to corporate development of \$40,500 (nine months ended January 31, 2007: \$43,000) were charged by a private company controlled by an individual who is a director and an officer of the Company.
- (d) Under a service agreement the Company paid \$77,000 to its President (nine months ended January 31, 2007: \$49,000).
- (e) Under a services agreement with a company controlled by an officer of the Company, the Company is charged \$3,250 per month for services of a chief financial officer. During the nine months ended January 31, 2008 total fees incurred by the Company were \$29,250 (nine months ended January 31, 2007: \$25,575).
- (f) During the nine months ended January 31, 2008 the Company paid \$31,063 for independent directors' fees (nine months ended January 31, 2007: \$Nil). As at January 31, 2008, there was \$8,844 (April 30, 2007 - \$3,000) payable for directors' fees.

These transactions are in the normal course of operations and are consistent with industry standards. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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8. Share Capital and Contributed Surplus

(a) Issued and Outstanding and Contributed Surplus

The authorized share capital of the Company is unlimited. The issued share capital as at January 31, 2008 is as follows:

		No. of Shares	Amount \$	Contributed Surplus \$
Balance as at April 30, 2006		25,133,921	11,676,096	999,464
Issued				
Private placements	Note 8 (b)	13,000,000	6,500,000	-
Issued to agents for private placement	Note 8 (b)	85,400	42,700	-
Issued to acquire mineral property interests	Note 8 (c)	150,000	86,000	-
Exercised stock options	Note 8 (d)	145,000	60,400	-
Exercised share purchase warrants	Note 8 (e)	1,437,500	419,000	-
Fair value of stock options exercised		-	51,343	(51,343)
Stock-based compensation	Note 8 (g)	-	-	1,198,617
Subtotal before share issue costs		14,817,900	7,159,443	1,147,274
Share issue costs			(831,580)	499,443
Balance as at April 30, 2007		39,951,821	18,003,959	2,646,181
Issued				
Issued to acquire mineral property interests	Note 8 (c)	175,000	67,500	-
Exercised share purchase warrants	Note 8 (e)	2,572,500	771,750	-
Stock-based compensation	Note 8 (g)	-	-	64,967
Subtotal before share issue costs		2,747,500	839,250	64,967
Share issue costs		-	-	-
Balance as at January 31, 2008		42,699,321	18,843,209	2,711,148

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8. Share Capital and Contributed Surplus, continued

(b) Private Placements

No private placements were announced or completed by the Company during the nine months ended January 31, 2008.

Year ended April 30, 2007

In February 2007, the Company completed a private placement of 13,000,000 units at \$0.50 per unit for gross proceeds of \$6,500,000. Each unit consisted of one common share and one half of one share purchase warrant exercisable at \$0.60 to February 24, 2009. The Company incurred total share issuance costs of \$827,893, of which \$542,143 was the fair value assigned to options and warrants granted to agents for finders' fees, calculated using the Black-Scholes option pricing model.

Share issue costs were as follows:

- (i) Finders' fees of \$255,750 being 7% of the value of the units subscribed by clients;
- (ii) Other general cash share issue costs were \$30,000;
- (iii) 85,400 units were issued to the agents, each unit on the same terms as above:
 - 1. The common shares issued were valued at \$0.50 per share for a cost of \$42,700;
 - 2. The share purchase warrants were valued at \$0.42 per warrant for a cost of \$18,131 using the Black-Scholes option pricing model.
- (iv) 122,000 share purchase warrants were issued to the agents, each warrant exercisable at \$0.60 to February 24, 2009. The share purchase warrants were valued at \$0.42 per warrant for a cost of \$51,803;
- (v) 645,000 options to purchase units were issued to an agent, each unit on the same terms as above. These options were valued at \$0.45 per unit for a cost of \$292,571 and the attached warrants were valued at \$0.42 per warrant for a cost of \$136,938, giving a total cost of \$429,509.

(c) Shares Issued for Mineral Properties

During the nine months ended January 31, 2008 the Company issued 175,000 common shares valued at \$67,500:

- (i) 50,000 common shares at a deemed value of \$0.60 per share, \$30,000 in total, pursuant to an option to acquire a 65% interest in the Magistral I, Mexican mining exploration concession. (Note 5 (a));
- (ii) 50,000 common shares at a deemed value of \$0.30 per share, \$15,000 in total, pursuant to an option agreement to acquire a 100% undivided interest in the Pinabete property, Mexico (Note 5 (b));
- (iii) 75,000 common shares at a deemed value of \$0.30 per share, \$22,500 in total, pursuant to an option agreement to acquire a 70% undivided interest in the Quila property, Mexico (Note 5 (a)).

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8. Share Capital and Contributed Surplus, continued

Year ended April 30, 2007

During the year ended April 30, 2007, the Company issued 150,000 common shares valued at \$86,000.

- (i) 50,000 common shares valued at \$0.35 per share, \$17,500 in total, pursuant to the option to acquire 65% of interest in the Magistral property claims;
- (ii) 50,000 common shares valued at \$0.70 per share, \$35,000 in total, pursuant to the option to acquire 70% of interest of the Quila property claims;
- (iii) 50,000 common shares valued at \$0.67 per share, \$33,500 in total, pursuant to the terms of the Pinabete property agreement.

(d) Stock Options

The Company has established a stock option plan (the "Plan") under which it may grant stock options totaling in aggregate up to 10% of the Company's issued and outstanding common shares at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

As at January 31, 2007, 3,609,166 of the 3,642,500 options outstanding were exercisable with the remaining 33,334 vesting over the next three months. As at April 30, 2007, 3,793,333 of the 3,897,500 options outstanding were exercisable.

Tables below summarize the Company's outstanding options as at January 31, 2008 and April 30, 2007:

Exercise Price	Expiry Date	Balance April 30, 2007	Granted	Cancelled or Expired	Exercised	Balance January 31, 2008
\$0.65	December 10, 2009	927,500	-	100,000	-	827,500
\$0.30	October 13, 2010	215,000	-	10,000	-	205,000
\$0.51	November 8, 2010	450,000	-	15,000	-	435,000
\$0.83	January 16, 2011	230,000	-	25,000	-	205,000
\$0.82	March 27, 2011	125,000	-	-	-	125,000
\$0.88	June 1, 2011	550,000	-	90,000	-	460,000
\$0.58	March 1, 2012	1,300,000	-	65,000	-	1,235,000
\$0.58	March 26, 2012	100,000	-	-	-	100,000
\$0.58	October 19, 2012	-	25,000	-	-	25,000
\$0.58	December 4, 2012	-	25,000	-	-	25,000
		3,897,500	50,000	305,000	-	3,642,500
Weighted average exercise price		\$0.64	\$0.58	\$0.70	\$0.00	\$0.63
Weighted average remaining contractual life in years						3.17

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7. Share Capital and Contributed Surplus, continued

(d) Stock Options, continued

Exercise Price	Expiry Date	Balance April 30, 2006	Options Granted	Cancelled or Expired	Options Exercised	Balance April 30, 2007
\$0.65	December 10, 2009	927,500	-	-	-	927,500
\$0.30	October 13, 2010	310,000	-	-	95,000	215,000
\$0.51	November 8, 2010	480,000	-	-	30,000	450,000
\$0.83	January 16, 2011	250,000	-	-	20,000	230,000
\$0.82	March 27, 2011	125,000	-	-	-	125,000
\$0.88	June 1, 2011	-	550,000	-	-	550,000
\$0.58	March 1, 2012	-	1,300,000	-	-	1,300,000
\$0.58	March 26, 2012	-	100,000	-	-	100,000
		2,092,500	1,950,000	-	145,000	3,897,500
Weighted average exercise price		\$0.60	\$0.66	\$0.00	\$0.42	\$0.64
Weighted average remaining contractual life						3.88

(e) Share Purchase Warrants

During the nine months ended January 31, 2008, 2,572,500 warrants at \$0.30 were exercised for gross proceeds of \$771,750. No warrants were granted, cancelled or expired during the reporting period. A summary of share purchase warrants as at January 31, 2008 and April 30, 2007 is provided below:

Exercise Price	Expiry Date	Balance April 30, 2007	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance January 31, 2008
\$0.30	October 31, 2007	2,480,000	-	-	2,480,000	-
\$0.30	October 31, 2007	92,500	-	-	92,500	-
\$1.00	April 7, 2008	600,000	-	-	-	600,000
\$0.60	February 24, 2009	6,542,700	-	-	-	6,542,700
\$0.60	February 24, 2009	122,000	-	-	-	122,000
		9,837,200	-	-	2,572,500	7,264,700
Weighted average exercise price		\$0.55	\$0.00	\$0.00	\$0.30	\$0.63
Weighted average remaining contractual life in years						1.00

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8. Share Capital and Contributed Surplus, continued

(e) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance April 30, 2006	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance April 30, 2007
\$0.20	December 14, 2006	645,000	-	35,000	610,000	-
\$0.60	April 11, 2007	1,652,500	-	1,540,000	112,500	-
\$0.60	April 11, 2007	197,500	-	147,500	50,000	-
\$0.30	October 31, 2007	3,140,000	-	-	660,000	2,480,000
\$0.30	October 31, 2007	97,500	-	-	5,000	92,500
\$1.00	April 7, 2008	600,000	-	-	-	600,000
\$0.60	February 24, 2009	-	6,542,700	-	-	6,542,700
\$0.60	February 24, 2009	-	122,000	-	-	122,000
		6,332,500	6,664,700	1,722,500	1,437,500	9,837,200
Weighted average exercise price		0.44	\$0.60	\$0.59	\$0.29	\$0.55
Weighted average remaining contractual life in years						1.43

(f) Agents' Options

No agent's options were granted, exercised, cancelled or expired during the nine months ended January 31, 2008.

As part of a private placement which closed in February 2007, options were granted to agents (Note 8 (b)) to purchase Company's units, with each option exercisable at \$0.50 per unit and each unit consisting of one common share and one half of one share purchase warrant exercisable at \$0.60 per share. Both the option and the underlying warrant expire on February 24, 2009.

Exercise Price	Expiry Date	Balance April 30, 2007	Units Granted	Cancelled or Expired	Unit Exercised	Balance October 31, 2007
\$0.50	February 24, 2009	645,000	-	-	-	645,000

(g) Fair Value Determination

The fair value of stock options and share purchase warrants granted to agents were estimated using the Black-Scholes option pricing model. The following ranges of assumptions were used in the model:

	Nine Months Ended January 31, 2008	Year Ended April 30, 2007
Average Price Range	\$0.58	\$0.50 - \$0.88
Risk-Free Interest Rate	3.50% - 4.21%	4.01% - 4.05%
Expected Share Price Volatility	127.86% - 129.58%	119.08% - 201.45%
Expected Option/Warrant Life In Years	5.0	1.5 - 3.0
Expected Dividend Yield	0%	0%

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8. Share Capital and Contributed Surplus, continued

(g) Fair Value Determination, continued

Because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion, the existing models may not necessarily provide a single reliable measure of the fair value of its stock options.

(h) Stock-Based Compensation

During the nine months ended January 31, 2008 the Company recorded stock-based compensation of \$64,968 on the stock options granted on October 19, 2007 and December 4, 2007 and on stock options granted on March 27, 2006 and March 26, 2007 that vested during the period.

The total calculated fair value of stock based compensation for the year ended April 30, 2007 was \$1,198,617.

The following table presents the amount of stock-based compensation recognized by the company during the nine months period ended January 31, 2008:

Nine Months Ended January 31, 2008				
	Stock Options Granted	Weighted Average Contractual Life	Weighted Average Exercise Price	Stock-Based Compensation Expense
	#	years	\$	\$
Stock-Based Compensation Included In The Consolidated Statements of Operations and Deficit				
Directors and Officers	104,166	5	0.67	50,060
Management Company				
Employees	25,000	5	0.58	8,632
	129,166	5	0.65	58,692
Stock-Based Compensation Capitalized To Mineral Properties:				
Management Company				
Employees	25,000	5	0.58	6,276
	25,000	5	0.58	6,276
Total	154,166	5	0.58	64,968

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9. Segmented Information

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

	January 31, 2008		April 30, 2007	
	\$	%	\$	%
Canada	13,500	1%	-	-
Mexico	4,293,278	80%	2,727,135	89%
USA	995,434	19%	332,035	11%
	5,302,212	100%	3,059,170	100%

10. Supplemental Cash Flow Information

Supplemental Cash Flow Information	Nine Months Ended	
	January 31,	
	2008	2007
	\$	\$
Cash items:		
Interest received	162,275	52,821
Share issue costs	-	3,845
Non-cash operating and investing activities:		
Accounts payable for mineral properties, end balance	157,677	14,995
Stock-based compensation expense	58,692	414,783
Stock-based compensation capitalized to mineral properties	6,276	-
Non-cash financing activities:		
Shares issued for mineral properties	175,000	51,000

11. Contingent Liabilities

Certain claims have been filed against the Company.

- (i) In respect of a property option payment a claim for US \$80,000 plus 50,000 shares of the Company was filed in October 1998. The Company has relinquished its rights to the property and management believes that the claim has no merit. Since the time of filing of the claim no further claims or legal proceedings have taken place.
- (ii) 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. Contingent Liabilities, 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 at that time.