SOUTHERN SILVER
EXPLORATION CORP

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Interim Consolidated Financial Statements

For the six months ended October 31, 2007 and 2006

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Consolidated Financial Statements

Notice of No Auditor Review of Interim Statement

These interim consolidated financial statements of the Company for the six months ended October 31, 2007, were prepared by management and have not been reviewed of audited by the Company's auditors.

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

			October 31, 2007 (Unaudited)		April 30, 2007 (Audited)
Assets					
Current					
Cash and cash equivalents		$	4,650,693	$	6,261,745
Receivables			209,010		84,573
Prepaids and deposits			89,831		89,132
			4,949,534		**6,435,450**
Equipment and software, net			17,831		-
Mineral properties	Note 5		4,462,213		2,995,074
Bonds	Note 5 (a), (d)		63,660		64,096
		$	**9,493,238**	**$**	**9,494,620**
Liabilities					
Current					
Accounts payable and accrued liabilities		$	293,842	$	89,300
Related parties accounts payable	Note 7		48,039		9,009
			341,881		**98,309**
Shareholders' equity					
Share capital	Note 8 (a)		18,805,709		18,003,959
Contributed surplus	Note 8 (a)		2,700,267		2,646,181
Deficit			(12,354,619)		(11,253,829)
			9,151,357		**9,396,311**
		$	**9,493,238**	**$**	**9,494,620**

Nature of operations (Note 1)
Contingent liabilities (Note 11)
Subsequent events (Note 12)

Approved on behalf of the Board:	**“Lawrence Page”**	**“Nazlin Rahemtulla”**
	Lawrence Page, Q.C.	**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 October 31, 2007	Three months ended October 31, 2006	Six months ended October 31, 2007	Six months ended October 31, 2006
Expenses				
Administration	$ 30,000	$ 15,000	$ 60,000	$ 30,000
Amortization	2,727	-	2,982	-
Consulting	75,587	69,381	139,828	106,206
Directors' fees	10,174	-	20,514	-
Investor relations	53,050	39,118	95,551	91,635
Office and administration	22,695	28,141	44,956	45,830
Professional fees	24,746	37,881	53,124	53,862
Regulatory fees and taxes	2,904	1,445	5,282	3,825
Shareholders' communications	5,821	3,550	11,118	4,882
Transfer agent	1,607	1,208	2,738	3,300
Travel and promotion	21,183	30,094	73,909	41,717
Stock-based compensation, directors and officers	45,454	22,526	45,454	200,824
Stock-based compensation, consultants	-	-	-	46,358
Stock-based compensation, management company's employees	8,632	-	8,632	167,601
Loss before the undernoted	304,580	248,344	564,088	796,040
Other items				
Interest income	(54,651)	(19,184)	(123,811)	(41,546)
Foreign exchange loss (gain)	414,958	11,740	646,440	(15,162)
General exploration	9,085	15,984	14,073	18,068
	369,392	8,540	536,702	(38,640)
Net loss for the period	673,972	256,884	1,100,790	757,400
Deficit, beginning of the period	11,680,647	9,353,549	11,253,829	8,853,033
Deficit, end of the period	$ **12,354,619**	$ **9,610,433**	$ **12,354,619**	$ **9,610,433**
Loss per share - basic and diluted	$ **(0.02)**	$ **(0.01)**	$ **(0.03)**	$ **(0.03)**
Weighted average number of shares outstanding	**40,588,914**	**25,900,986**	**40,290,149**	**25,437,722**

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 October 31, 2007**	**Three months ended October 31, 2006**	**Six months ended October 31, 2007**	**Six months ended October 31, 2006**
Operating activities				
Net loss for the period	$ (673,972)	$ (256,884)	$ (1,100,790)	$ (757,400)
Items not involving cash:				
Amortization	2,727	-	2,982	-
Foreign exchange adjustment on bond	5,098	-	7,959	-
Stock-based compensation	54,086	22,526	54,086	414,783
Interest income accrued	6,882	1,934	9,262	1,934
Change in non-cash working capital				
Receivables	(79,799)	64,194	(133,699)	63,168
Prepaid and deposits	(11,569)	5,973	(699)	7,291
Accounts payable and accrued liabilities	(9,519)	(36,376)	24,969	(123,102)
Related parties accounts payable	18,308	37,169	39,030	21,451
	(687,758)	**(161,464)**	**(1,096,900)**	**(371,875)**
Investing activities				
Equipment and software	(18,066)	-	(20,813)	-
Expenditures on mineral properties	(492,891)	(259,824)	(1,257,566)	(560,995)
Bonds	(7,523)	-	(7,523)	-
	(518,480)	**(259,824)**	**(1,285,902)**	**(560,995)**
Financing activities				
Shares issued for cash	657,750	12,064	771,750	278,952
	657,750	**12,064**	**771,750**	**278,952**
Decrease in cash and cash equivalents	**(548,488)**	**(409,224)**	**(1,611,052)**	**(653,918)**
Cash, beginning of period	**5,199,181**	**2,081,973**	**6,261,745**	**2,326,667**
Cash, end of period	**$ 4,650,693**	**$ 1,672,749**	**$ 4,650,693**	**$ 1,672,749**
Supplemental cash flow information				
Cash and cash equivalents consists of:				
Cash	1,774,657	858,345	1,774,657	858,345
Short-term deposits	2,876,036	814,404	2,876,036	814,404
	4,650,693	**1,672,749**	**4,650,693**	**1,672,749**

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.

1. Nature of Operations

Southern Silver Exploration Corporation (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.

2. Basis of Presentation

The unaudited interim financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles. These unaudited interim 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 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 six months ended October 31, 2007 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

Equipment and software

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 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 due to related parties approximate their fair values because of the short-term maturity of these financial instruments. The fair value of bonds is approximated by their book values.

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 policies, 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) Minas de Ameca
- La Sorpresa
- Magistral property, which includes Magistral I and El Magistral
- Quila

(ii) Pinabete

(iii) Cristoforos

USA:

(i) Arizona – Tombstone property

(ii) New Mexico – Oro property

(iii) Arizona – Dragoon property

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

5. Mineral Properties, continued

Deferred mineral property costs by property as at October 31, 2007 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	78,986	4,210	80,396	67,750	118,918	33,683	383,943
Balance as at October 31, 2007	**333,090**	**158,161**	**153,609**	**185,445**	**164,884**	**33,683**	**1,028,872**
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	31,452	2,529	-	3,911	4,232	-	42,124
Camp and supplies	12,545	507	-	1,982	2,047	87	17,168
Drilling services	478,131	-	-	-	-	-	478,131
Equipment rental	57,989	6,266	-	-	-	-	64,255
Field supplies and wages	49,134	758	-	9,736	943	390	60,961
General exploration	24,830	-	-	365	301	31	25,527
Geological and geophysic services	244,739	8,419	3,155	76,368	24,750	4,259	361,690
Project supervision	24,881	1,029	-	945	132	-	26,987
Travel and related costs	10,324	-	-	449	-	-	10,773
Vehicle expenses	10,773	3,016	-	2,273	2,516	193	18,771
Total additions during the period	921,607	22,524	3,155	96,029	34,921	4,960	1,083,196
Balance as at October 31, 2007	**2,313,159**	**811,012**	**4,886**	**211,388**	**87,936**	**4,960**	**3,433,341**
Total mineral properties deferred costs as at October 31, 2007	**2,646,249**	**969,173**	**158,495**	**396,833**	**252,820**	**38,643**	**4,462,213**

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

5. Mineral Properties, continued

Deferred mineral property costs, by property for the year ended 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**

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;
(iii) Issue 250,000 common shares on or before July 21, 2011;
(iv) 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.

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 as per 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 $56,137 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 are as follows:

(i) $10,693 (Mexican peso 120,000) for the actual purchase of the property.
(ii) $45,444 (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;
(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;

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, see Note 12);
(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.

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. These claims 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.

If the Company meets the above terms and conditions and elects 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 for each increment.

<u>Reclamation Bond</u>

During the six months ended October 31, 2007, 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.

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

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 Country, 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;

If the Company meets the above terms and conditions and elects to exercise the option, the Company would acquire a 100% undivided interest in the Oro property subject to a 2% NSR payable to the optionors. The optionors have granted the Company an option to purchase the NSR at any time in 0.5% increments at US $500,000 for each 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.

If the Company meets the terms and conditions and elects to exercise the option, the Company would acquire a 100% interest in Dragoon claims subject to a 2% of net smelter returns ("NSR Royalty") payable to the optonors. The optonors 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 optonors (excluding the above described payments).

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

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. Equipment and Software

	Costs $	Accumulated Amortization $	October 31, 2007 Net Book Value $	April 30, 2007 Net Book Value $
Computer	1,304	213	1,091	-
Software	19,509	2,769	16,740	-
	20,813	**2,982**	**17,831**	**-**

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

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:

As at October 31, 2007, the Company had accounts payable and accrued liabilities of $38,240 (April 30, 2007: $5,490) to companies controlled by directors and/or senior officers of the Company for various services rendered and on a cost recovery basis.

As at October 31, 2007, $9,799 (April 30, 2007: $3,541) was payable for independent directors' fee.

As at October 31, 2007 the Company had $20,000 (April 30, 2007: $30,000) prepaid balance with a company controlled by a common director and senior officers.

The following table summarizes the Company's related party transactions for the six months ended October 31, 2007 and 2006.

	Six Months Ended October 31,	
	2007	**2006**
	$	**$**
Services		
Accounting	24,236	14,063
Administration	60,000	30,000
Consulting	112,129	86,430
Directors' fees	20,514	-
General exploration	4,988	-
Investor relations	29,211	16,760
Legal fees	2,609	4,967
	253,687	152,220
Cost recovery plus mark-up		
Consulting	10,490	5,167
Investor relations	5,052	1,162
Office and administration	26,729	31,090
Travel and promotions	31,806	37,429
Regulatory fees and taxes	70	120
Shareholders information	3,848	1,471
	77,995	76,439
Mineral Properties		
Tombstone	2,004	2,755
Oro	5,813	320
Dragoon	3,464	-
La Sorpresa	1,442	6,890
Magistral	13,609	1,415
Pinebete	141	-
Quila	4,686	-
	31,159	11,380

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

7. Related Party Balances and Transactions, continued

Recoverable expenses were charged back to the Company at cost plus a 10% mark-up. Services and costs recoveries related to mineral properties were capitalized to the respective property.

These transactions were in the normal course of operations and were measured at the exchange value as established and agreed to by the Company and the related parties.

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 October 31, 2007 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	
Exercised share purchase warrants	Note 8 (e)	1,437,500	419,000	-
Exercised stock options	Note 8 (d)	145,000	60,400	-
Issued to acquire mineral property interests	Note 8 (c)	150,000	86,000	-
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				
Exercised share purchase warrants	Note 8 (e)	2,572,500	771,750	-
Issued to acquire mineral property interests	Note 8 (c)	50,000	30,000	-
Stock-based compensation	Note 8 (g)	-	-	54,086
Subtotal before share issue costs		2,622,500	801,750	54,086
Share issue costs		-	-	-
Balance as at October 31, 2007		**42,574,321**	**18,805,709**	**2,700,267**

8. Share Capital and Contributed Surplus, continued

(b) Private Placements

No private placements were announced or completed by the Company during the six months ended October 31, 2007.

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-Sholes 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 Property

During the six months ended October 31, 2007 the Company issued 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. (See Note 5 (a)).

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 (see Note 5 (b)).

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

8. Share Capital and Contributed Surplus, continued

(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.

The purpose of the Plan is to provide directors, officers, key employees and certain other persons who provided services to the Company and its subsidiaries with an increased incentive to contribute to the future success and prosperity of the Company.

On October 19, 2007 the Company granted 25,000 stock options at an exercise price of $0.58 and contractual life of 5 years to a management company's employee. These options were vested immediately. The fair value of the options was determined to be $0.35 per option. (See Note 8 (f) for details).

During the six months ended October 31, 2007 the Company cancelled 25,000 stock options granted on March 1, 2007 to a management company's employee.

As at October 31, 2007, 3,864,166 of the 3,897,500 options outstanding were exercisable with the remaining 33,334 vesting over the next four months.

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

Exercise Price	Expiry Date	Balance April 30, 2007	Granted	Cancelled or Expired	Exercised	Balance October 31, 2007
$0.65	December 10, 2009	927,500	-	-	-	927,500
$0.30	October 13, 2010	215,000	-	-	-	215,000
$0.51	November 8, 2010	450,000	-	-	-	450,000
$0.83	January 16, 2011	230,000	-	-		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	-	25,000	-	1,275,000
$0.58	March 26, 2012	100,000	-	-	-	100,000
$0.58	October 19, 2012	-	25,000	-	-	25,000
		3,897,500	**25,000**	**25,000**	**-**	**3,897,500**
Weighted average exercise price		$0.64	$0.00	$0.00	$0.00	$0.64
Weighted average remaining contractual life in years						3.38

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

8. Share Capital and Contributed Surplus, continued

(d) Stock Options, continued

As at April 30, 2007, 3,793,333 of the 3,897,500 options outstanding were exercisable.

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 six months ended October 31, 2007, 2,572,500 warrants at $0.30 were exercised for the gross proceeds of $771,750. No warrants were granted, cancelled or expired during the reporting period. Summary of the Company's share purchase warrants as at October 31, 2007 and April 30, 2007 is provided below:

Exercise Price	Expiry Date	Balance April 30, 2007	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance October 31, 2007
$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						1.25

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

8. Share Capital and Contributed Surplus, continued

(e) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance April 30, 2007	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) Agent's Options

No agent's options were granted during the six months ended October 31, 2007

As part of the private placement in February 2007, options were granted to an agent (Note 8 (b)) to purchase Company's units. Each agent's option when exercised will entitle the agent to one unit consisting of one common share and one half of one share purchase warrant exercisable at $0.60 to 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

During the six months ended October 31, 2007 the Company recorded stock-based compensation of $8,632 on the stock options granted on October 19, 2007. This amount was estimated on the grant date using the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 4.21%; dividend yield of 0%; a stock price volatility of 130%; and an expected life of options of 5 years. The amount of the stock-based compensation was charged against contributed surplus.

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

The following weighted average assumptions were used when calculating the fair value of stock options and share purchase warrants granted as at October 31, 2007 and April 30, 2007:

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

8. Share Capital and Contributed Surplus, continued

(g) Fair Value Determination, continued

	October 31, 2007		April 30, 2007	
	Options	**Warrants**	**Options**	**Warrants**
Risk-free interest rate	4.21%	-	4.01%	4.05%
Expected share price volatility	129.58%	-	201.45%	119.08%
Expected option/warrant life in years	5.0	-	3.0	1.5
Expected dividend yield	0%	-	0%	0%

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.

9. Segmented Information

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

	October 31, 2007		April 30, 2007	
	$	**%**	**$**	**%**
Canada	17,831	1%	-	-
Mexico	3,830,054	84%	2,727,135	89%
USA	695,819	15%	332,035	11%
	4,543,704	100%	3,059,170	100%

For the Six Months Ended October 31, 2007 and 2006 (Canadian Dollars)

10. Supplemental Cash Flow Information

Supplemental cash flow information	**Six Months Ended October 31, 2007 $**	**2006 $**
Cash items:		
Interest received	114,549	39,612
Share issue costs	-	1,948
Non-cash items:		
Accrued interest	9,262	1,934
Operating and investing activities:		
Accounts payable for mineral properties, end balance	229,486	15,517
Financing activities:		
Shares issued for mineral property	30,000	33,500
Stock-based compensation expense	54,086	414,783

11. Contingent Liabilities

Certain claims have been filed against the Company.

(i) A claim for US $80,000 plus 50,000 shares of the Company relating to a property option agreement. The Company has dropped the subject property and management believes that the claim has no merit. The claim was instigated in October 1998 and since then 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.

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.

12. Subsequent Events

(i) Subsequent to October 31, 2007 the Company paid $100,840 (US $100,000) pursuant to an agreement to acquire a 100% interest in La Sorpresa property, Mexico. The payment represented the second anniversary payment (see Note 5 (a) for more details on this agreement).

(ii) Subsequent to October 31, 2007 the Company issued 50,000 of its common shares at a deemed price of $0.30 per share to Anglo American pursuant to an option agreement to acquire a 100% undivided interest in the Pinabete property, Mexico (see Note 5 (b) for more details on this agreement).

(iii) The Company paid $50,150 (US $50,000) pursuant to an agreement to acquire 100% interest in the American Mine claims, Oro property (see Note 5 (e)(vii) for more details on this agreement).

12. Subsequent Events, continued

(iv) Effective November 1, 2007, the Company entered into a management service agreement with Manex Resource Group Inc.("Manex"), a private company controlled by a common director and officers, for administrative, geological, accounting, investor relations and corporate services.

The Company agreed to pay basic and specified rent of $8,000 per month for general and administrative services, and office rent. Corporate, accounting, geological and investor relation services are provided when requested and are charged based on agreed hourly billing rates ranging between $60 and $85 per hour. According to the agreement, reimbursable expenses will be billed 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 a 365 day year minus that number of days from the beginning of the year to the date of written termination notice. In the event of a change of control, the Company will owe Manex 50% of the amount calculated by multiplying the basic and specified rent per day and the remaining number of days from the date of written notice of termination to June 30, 2012.

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Management's Discussion and Analysis

In respect of the six months ended October 31, 2007

Dated: December 18, 2007

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A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Southern Silver Exploration Corp., formerly known as Newcoast Silver Mines Ltd., (the "Company") compares results for the six months ended October 31, 2007 to the same period in the previous year. These statements should be read in conjunction with the Company's interim consolidated financial statements as at October 31, 2007 and the notes to them, as well as the 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. This MD&A, dated December18, 2007, 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 projected results or events to differ materially from actual results or events.

Additional information relating to the Company, including detailed drill results previously disclosed in news releases, is available 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.

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

U.S. Dollar to Canadian Dollars

	Six months ended October 31, 2007	Six months ended October 31, 2006	Year ended April 30, 2007
Rate at end of period	0.95470	1.12120	1.11690
Average rate for period	1.02177	1.12148	1.13800
High for period	1.08680	1.14110	1.18730
Low for period	0.95120	1.10280	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

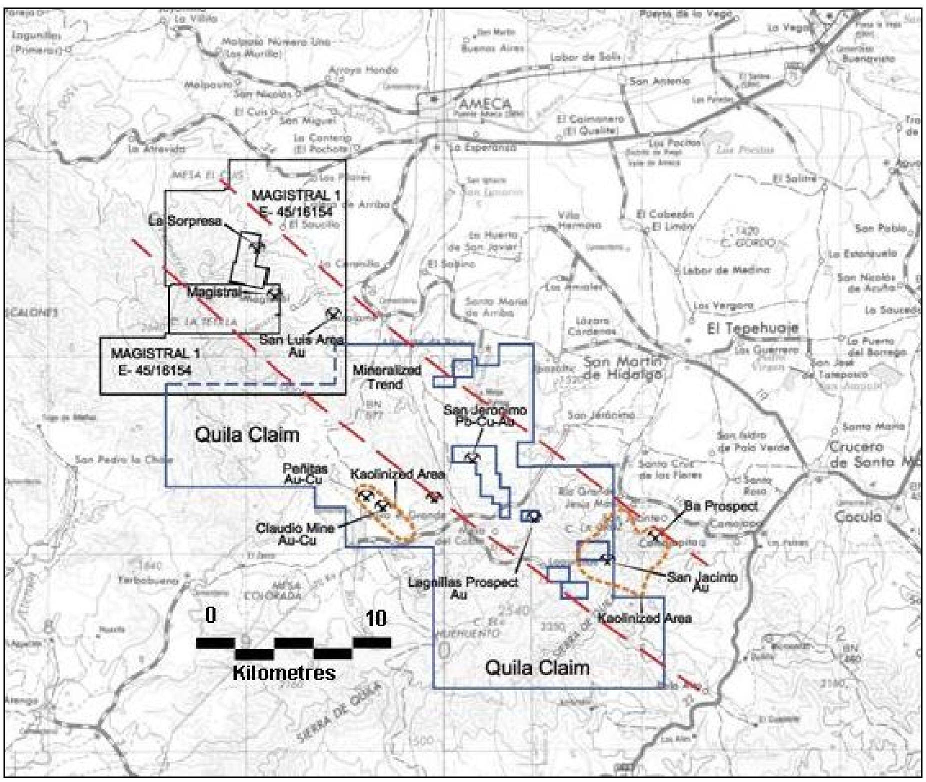
D. Description of Business

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

E. Description of Mineral Properties

i) Minas de Ameca Project

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 chalcopyrite, 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.

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

La Sorpresa Property – 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 with the M. Munoz Martin of the La Sorpresa mineral concessions to acquire a 100% interest in the project for a total cost of US$1 million.

Both parties signed a formal contract and in December 2005, the Company paid an initial US$67,000. Terms were consistent with the letter of intent previously signed. To complete the purchase the Company will be required to pay an additional US$933,000 in staged amounts over four years. US$33,000 of this amount had been paid as at October 31, 2007 (see Note 5 (a) of the consolidated financial statements dated October 31, 2007 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 3415 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 – 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 by fulfilling the following commitments:

- Issuing 50,000 shares upon signing the option agreement, 50,000 shares in each of the first four years of the option term and 250,000 shares in year five;
- Expending US$3 million on exploration expenditures in staged increments over five years. See Note 5 (a) in the consolidated financial statements dated October 31, 2007.

As at October 31, 2007, the Company issued 100,000 to Fury and incurred exploration expenditures in the amount of $1,023,067.

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.

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Mexico, continued

Magistral I, continued

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.

As of October 22, 2007 a total of 3,962 metres of drilling had been completed in 18 drill holes over two phases of drilling. Fifteen 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 IP geophysical anomaly at the **Tres Copales** prospect, located 2.5 kilometres to the south of the San Luis vein in the Quila. Each of these drill holes intersected locally strong argilic alteration, quartz veining and variable pyrite mineralization. Assays for each of these recently completed drill holes are pending.

Significant assays from the 2007 drilling include:

	Collar Data						Est. True			
Drill Hole Number	**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

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – 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. The mineral concession is subject to a 1% NSR payable to the Mexican government.

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 will form part of the Magistral I property subject to the terms of its options agreement.

An additional 2,500 metres of drilling is planned at the Magistral Mine area as part of the current drill program. The Magistral vein is exposed on surface for over 400m strike with the main vein averaging between 3 to 10 metres thick. High-grade gold and copper ores were mined from the vein system over a 10-year period in the early 1900's and were accessed via a network of shafts and adits totaling 750 metres. Mexican government reports concerning the historic Magistral Mine indicate select samples carried high grade copper values, in the 4% to 7.5% range, with gold grades up to 2.5 g/t. The reports reveal that 100,000 tons of ore-bearing material was produced for the on-site 250 tpd mill, with another 120,000 tons of potential resources left behind within the mine[1].

An additional 2,000 metres of drilling is planned for the remainder of the calendar year, which will primary target the **Magistral Mine** target.

Quila Property – Jalisco, Mexico

On January 19, 2007, the Company signed an agreement to acquire a 70% interest in the Quila Claims, Jalisco, Mexico by issuing 500,000 shares and expending US$3,000,000 on exploration. Under the terms of the option agreement, 50,000 shares were issued upon signing, 75,000 shares are due at the end of years one and two, and 100,000 shares in each years three through five. The US$3,000,000 in exploration expenditures is to be spent over five years with $150,000 as a firm commitment in year one. Subsequent to the Company earning its option in the property, Soltoro shall retain a carried 30% interest to delivery by the Company of a bankable feasibility study and shall participate as a 30% working interest partner thereafter. Share issuances are subject to regulatory approval.

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 for this hole are pending.

1 Resource and production estimates are from historical Consejo de Recursos Minerals reports. No attempt has been made to verify the historical estimates for the purposes of compliance with NI43-101 standards and cannot therefore be relied on for accuracy. Southern Silver does not treat this historical estimate as a current mineral resource or mineral reserve and should not be relied on as such.

E. Description of Mineral Properties, continued

ii) Pinabete Property – 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").

In December 2004 the Company issued 200,000 common shares, valued at $0.20 per share, to Anglo American. To exercise the option the Company must meet minimum staged exploration commitments totaling US$2 million by December 14, 2008 and issue 50,000 common shares each year on the anniversary date of regulatory approval, being December 12, until it exercises the option or it fails to meet minimum expenditure commitments.

Should the Company obtain a 100% interest in the property, a 1.5% NSR would be payable to Anglo American. Anglo American is entitled to reduce the Company's interest to 40% and then 35%, by paying to the Company an amount equal to 200% of its total expenditures incurred on Pinabete and by completing a pre-feasibility study, respectively. Operations thereafter will be conducted on a joint venture basis.

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 litholgy 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.

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.

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

Pursuant to a letter agreement, the Company made an advance minimum royalty payment ("AMR") of $62,000, (US$50,000), and to complete the purchase the Company is required to make additional AMR payments totaling US$250,000 in stages until June 22, 2008. As at October 31, 2007, the Company had paid US$85,000 of the total US$250,000.

The Company is not required to make minimum exploration expenditures on these mineral concessions.

E. Description of Mineral Properties, continued

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. To acquire a 100% interest in the property, the Company paid an initial US$20,000 and is required to pay US$670,000 in staged amounts until June 1, 2010 (US$70,000 paid as at October 31, 2007). The vendors retain a 2% NSR, which the Company may purchase by paying US$500,000 for each one-half percent acquired.

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).

Up to 2000 metres of Phase 1 core drilling is planned to test prospective stratigraphy, structures and the mineralized, east-northeast-trending fracture zones. 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 Country, New Mexico from Philip Sterling by making a total payment of US $680,000 over six year. As at October 31, 2007 the Company had paid US $30,000 of this amount.

If the Company meets all of the terms and conditions in the agreement and elects to exercise the option, the Company would acquire a 100% undivided interest in Oro subject to a 2% NSR payable to the optionors. The optionors have granted to the Company the 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 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. Under this agreement, the Company is required to pay US $50,000 on signing of the agreement and additional US$ 300,000 over the five years. (See Note 5 (e) of the consolidated financial statements dated October 31, 2007).

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.

E. Description of Mineral Properties, continued

v) Oro Property – New Mexico, USA, continued

The phase one drilling program, planned for the second quarter 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. 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.

If the Company meets the terms and conditions, and elects to exercise the option, the Company would acquire a 100% interest in Dragoon claims subject to a 2% of net smelter returns ("NSR Royalty") payable to the optonors. The optonors 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 optonors (excluding the above described payments). See Note 5 (f) of the consolidated financial statements dated October 31, 2007 for more information on this agreement.

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 5 of the consolidated financial statements dated October 31, 2007. The deferred mineral property costs as at October 31, 2007, were as follows:

	Balance	**Additions**			**Total**
	April 30, 2007	**Q1**	**Q2**	**Year**	**October 31, 2007**
	$	**$**	**$**	**$**	**$**
Minas de Ameca	1,645,656	663,283	337,310	1,000,593	2,646,249
Pinabete	942,439	4,289	22,445	26,734	969,173
Cristoforos	74,944	80,396	3,155	83,551	158,495
Tombstone	233,054	75,360	88,419	163,779	396,833
Oro	98,981	33,155	120,684	153,839	252,820
Dragoon	-	-	38,643	38,643	38,643
Total	**2,995,074**	**856,483**	**610,656**	**1,467,139**	**4,462,213**

Of the total mineral properties deferred costs as at October 31, 2007 of $4,462,213 59% was incurred on Minas de Ameca (28% on La Sorpresa, 25% on Magistral and 6% on Quila), 22% on Pinabete, 9% on Tombstone, 6% on Oro, 4% on Cristoforos, and 1% on Dragoon.

F. Mineral Properties Expenditures, continued

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Dragoon	Total
	$	$	$	$	$	$	$
Acquistion	333,090	158,161	153,609	185,445	164,884	33,683	1,028,872
Assays and analysis	112,316	55,025	-	6,301	7,185		180,827
Camp and supplies	26,504	6,727	-	2,506	4,041	87	39,865
Drilling services	1,033,883	427,428	-	-	-	-	1,461,311
Equipment rental	110,241	49,639	-	396	-	-	160,276
Field supplies	24,189	26	369	9,265	1,041	-	34,890
General exploration	103,063	26,115	233	3,858	372	32	133,673
Geological and geophysical services	458,424	173,311	3,155	142,212	51,331	4,258	832,691
Project supervision	170,194	5,101	-	28,500	1,833	-	205,628
Project support	163,956	20,576	344	2,018	10,807	390	198,091
Repair and maintenance	-	23,594	-	2,314	-	-	25,908
Travel and related costs	71,940	18,615	785	9,497	5,687	-	106,524
Vehicle expenses	38,449	4,855	-	4,521	5,639	193	53,657
Total as at October 31, 2007	**2,646,249**	**969,173**	**158,495**	**396,833**	**252,820**	**38,643**	**4,462,213**

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**

Of the total mineral properties expenditures as at April 30, 2007 of $2,995,074, 55% was spent on Minas de Ameca (41% on La Sorpresa, 9% on Magistral and 5% on Quila), 31% on Pinabete, 8% on Tombstone, 3% on Oro and 3% on Cristoforos.

F. Mineral Properties Expenditures, continued

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Total
	$	$	$	$	$	$
Acquistion	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**

G. Results of Operations

The Company reported a net loss of $1,100,790 for the six months ended October 31, 2007 compared to a net loss of $757,400 for the six months ended October 31, 2006.

This change of $343,390 in the net loss was primarily due to the fact that the Company reported a net foreign exchange loss of $646,440 for the six months ended October 31, 2007, compared to a net foreign exchange gain of $15,162 for the same period in 2006. During the six months ended October 31, 2007, the Company recognized a foreign exchange loss of $29,829 on translation of its subsidiaries. Foreign exchange loss recognized on converting current monetary assets and liabilities into Canadian dollars as at the period end foreign exchange rate was $616,611. Substantially more US dollars were held in cash as at October 31, 2007 (US $3,427,984) compared to October 31, 2006 (US $686,788) 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 (October 31, 2007: 0.9547, October 31, 2006: 1.1212) and this created an exchange loss due to the significant strengthening of the Canadian dollar during the period.

G. Results of Operations, continued

For the six months period ended October 31, 2007 the following expenses showed significant increase, compared to the same period in the pervious year:

(i) Administration fees increased to $60,000 for the six months ended October 31, 2007 compared to $30,000 for the same period in 2006. This increase is due to an increase in the administration fees paid by the Company, as per agreement with a related party, dated January 1, 2007 (for more information see Note J of this MD&A).

ii) Directors' fees increased to $20,514 for the six months ended October 31, 2007 compared to Nil for the same period in 2006. The Company started remunerating its independent directors effective March 26, 2007 (for more information see Note J of this MD&A).

iii) Travel and promotion expenses increased to $73,909 in the six months ended October 31, 2007 compared to $41,717 in same period of the previous year due to a special promotional event organized in July 2007 directed to the existing and potential investors.

iv) Consulting fees increased to $139,828 for the six months ended October 31, 2007 compared to $106,206 for the same period in 2006. This increase of 32% is represented mainly by the $7,000 per month paid as remuneration for the position of President of the Company, effective as of July 1, 2006, but payments started in November 2006 (for more information see Note J of this MD&A).

Stock-based compensation expense recorded during the six-month period ended October 31, 2007 was $54,086, 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 six months ended October 31, 2007.

Stock-based compensation recognized in the six-month period ended October 31, 2006 amounted to $414,783 and was related to the 581,250 stock options vested during the period.

During the reporting period, interest income increased to $123,811 compared to $41,546 in the same period of the previous year. This increase of $82,265 (198%) was due to greater amount of cash available to the Company during six months ended October 31, 2007, which was placed on various term deposits.

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								
	October 31 2007 $	**July 31 2007 $**	**April 30 2007 $**	**January 31 2007 $**	**October 31 2006 $**	**July 31 2006 $**	**April 30 2006 $**	**January 31 2006 $**	**October 31 2005 $**
Operating expenses	250,494	259,508	465,062	243,184	225,818	155,439	190,772	277,420	274,757
Interest earned	(54,651)	(69,160)	(58,057)	(11,275)	(19,184)	(22,362)	(13,106)	(12,047)	(2,486)
Foreign exchange loss (gain)	414,958	231,482	235,411	(31,309)	11,740	(26,902)	866	6,503	1,825
General exploration	9,085	4,988	998	15,548	15,984	2,084	6,669	3,792	8,369
Write off of accrued liabilities	-	-	-	-	-	-	(14,124)	-	-
Loss before the undernoted	619,886	426,818	643,414	216,148	234,358	108,259	171,077	275,668	282,465
Stock-based compensation	54,086	-	783,834	-	22,526	392,257	55,341	370,115	128,521
Net Loss	**673,972**	**426,818**	**1,427,248**	**216,148**	**256,884**	**500,516**	**226,418**	**645,783**	**410,986**
Loss per share - basic and dilute	$0.02	$0.01	$0.05	$0.01	$0.01	$0.02	$0.01	$0.03	$0.02

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	October 31, 2007	April 30, 2007	October 31, 2006
Cash and cash equivalents	$4,650,693	$6,261,745	$1,672,749
Working capital	$4,607,653	$6,337,141	$1,694,136
Total assets	$9,493,238	$9,494,620	$3,844,063
Shareholders' equity	$9,151,357	$9,396,311	$3,792,362
Accumulated deficit	$12,354,619	$11,253,829	$9,610,433
Number of shares - issued and outstanding	42,574,321	39,951,821	25,911,421

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 currently pays Mr. Hean $3,250 per month.

Private companies controlled by directors and an officer provided 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" from 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.

On January 1, 2007, the Company entered into a one-year management service agreement, renewable yearly, with a company controlled by a common director and officers, for administrative, accounting, geological, investor relations, and corporate services. The Company agreed to pay $10,000 per month for general and administrative services, and office rent. These payments are included in administration expense on the Company's consolidated statements of operations and deficit for the discussed periods. In addition, the Company is billed on a monthly basis for accounting, geological, investor relations and corporate services provided based on agreed hourly billing rates ranging between $45 and $75 per hour. Reimbursable expenses are billed with a 10% mark-up.

These services were provided in the normal course of operations for consideration established and accepted by the Company and related parties, which management believes was reasonable under the circumstances.

For information regarding related parties transactions and balances, refer to Note 7 to the consolidated financial statements dated October 31, 2007.

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 $4,607,653 as at October 31, 2007 compared to $1,694,136 as at October 31, 2006. Cash and cash equivalents totaled $4,650,693 and $1,672,749 respectively.

i) Equity financings

The Company has not announced or completed any private placements for the six months period ended October 31, 2007.

K. Financial Conditions, Liquidity and Capital Resources, continued

i) Equity financings, continued

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 share purchase warrant exercisable at $0.60 to February 24, 2009.

85,400 units were issued representing 7% finders fee as well as 122,000 broker warrants (10% finders' fee) exercisable at $0.60 for a two-year period. 645,000 option certificates were also issued for finders' fee. Each option consists of one unit at $0.50 per unit and each unit consists of one common share and one half share purchase warrant exercisable at $0.60 for a two-year period. 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 to October 31, 2007.

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

During the six months ended October 31, 2007, 2,572,500 share purchase warrants at $0.30 were exercised for the gross proceeds of $771,750. No stock options were exercised during the discussed 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 the gross proceeds of $419,000 and $60,400 respectively.

iii) Mineral properties expenditures

During the six months ended October 31, 2007, the Company spent $1,257,566 on mineral properties expenditures (excluding shares issued for acquisition costs and ending balance of accounts payable for mineral properties). Approximately 71% of this amount was directed towards the Minas de Ameca (1% La Sorpresa, 61% Magistral, and 9% Quila), 8% to Tombstone, 8% to Oro, 7% to Cristoforos, 4% 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, (excluding 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.

For detailed information on expenses incurred on the mineral properties that the Company has interests in, see Note E of this MD&A and Note 5 of the consolidated financial statements dated July 31, 2007.

K. Financial Conditions, Liquidity and Capital Resources, continued

iv) Amounts receivable

As at October 31, 2007, the Company had $9,748 GST receivable from Canada Revenue Agency.

IVA, a 15% value added tax applied in Mexico to expenditures at source, which is considered recoverable, is included in receivables on the balance sheets of the consolidated financial statements dated October 31, 2007. As at that date IVA receivable amounted to $122,520 (US$128,334).

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 consolidated financial statements dated October 31, 2007. As at that date accrued VAT receivable was $14,035 (EUR 10,201), paid on investor relations services rendered in Germany for the period form January 01, 2006 to October 31, 2007.

Included in accounts receivable as at October 31, 2007 was $45,000 receivable for 150,000 warrants exercised. The amount was received shortly after the period end.

Accrued interest receivable on term deposits as at October 31, 2007 was $7,345. The Company also recorded in accounts receivable $9,813 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 $100,000 on or before December 19, 2007 (paid);
- 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;
- Incur an aggregate of at least US$ 950,000 by July 21, 2009;
- 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$ 150,000 by January 19, 2008 (incurred);
- Incur an aggregate of at least US$ 350,000 by January 19, 2009;
- Issue 75,000 common shares to Soltoro Ltd. on or before January 19, 2008 for Quila property;
- Issue 75,000 common shares to Soltoro Ltd. on or before January 19, 2009 for Quila property.

K. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

Mineral properties interests, continued

(d) The Company has the following commitments on Pinabete property:
- Incur an aggregate of at least US$ 700,000 by December 14, 2007 (incurred);
- Incur an aggregate of at least US$ 2,000,000 by December 14, 2008;
- Issue 50,000 common shares to Anglo American Mexico S.A. de C.V. on or before December 14, 2007 for Pinabete property (issued);
- Issue 50,000 common shares to Anglo American Mexico S.A. de C.V. on or before December 14, 2008 for Pinabete property.

(e) The Company is required to make payments for the Cristoforos property.
- US $165,000 on or before June 22, 2008.

(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.

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 December 18, 2007 is as follows:

	Number of Shares	Total $
Balance as at October 31, 2007	42,574,321	18,805,709
Shares issued for mineral properties (Note K(v)(d))	50,000	15,000
Balance as at December 18, 2007	**42,624,321**	**18,820,709**

L. Outstanding Shares, Options and Share Purchase Warrants, continued

ii) Share Purchase Warrants

Warrants outstanding at December 18, 2007 are as follows**:**

Exercise Price	Expiry Date	Balance October 31, 2007	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance December 18, 2007
$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
		7,264,700	**-**	**-**	**-**	**7,264,700**
Weighted average exercise price		$0.63	$0.00	$0.00	$0.00	$0.63
Weighted average remaining contractual life in years						1.12

For further information on warrants, see Note 8 (e) of the consolidated financial statements dated October 31, 2007.

iii) Stock Options

As at October 31, 2007, there were 3,897,500 stock options outstanding with a weighted average exercise price of $.64 per share. Stock options outstanding at December 19, 2007 are as follows:

Exercise Price	Expiry Date	Balance October 31, 2007	Granted	Cancelled or Expired	Exercised	Balance December 18, 2007
$0.65	December 10, 2009	927,500	-	-	-	927,500
$0.30	October 13, 2010	215,000	-	-	-	215,000
$0.51	November 8, 2010	450,000	-	-	-	450,000
$0.83	January 16, 2011	230,000	-	-		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	1,275,000	-	-	-	1,275,000
$0.58	March 26, 2012	100,000	-	-	-	100,000
$0.58	October 19, 2012	25,000	-	-	-	25,000
		3,897,500	**-**	**-**	**-**	**3,897,500**
Weighted average exercise pric		$0.63	$0.00	$0.00	$0.00	$0.64
Weighted average remaining contractual life in years						3.38

For further information on options, see Note 8 (d) of the consolidated financial statements dated October 31, 2007.

L. Outstanding Shares, Options and Share Purchase Warrants, continued

iv) Agent's Options

As part of the private placement in February 2007, options were granted to an agent. Each agent's option when exercised will entitle 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 to February 24, 2009. Agent's options outstanding as at December 18, 2007 were as follows:

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

M. Subsequent Events and Outlook

The Company reported the following events subsequent to October 31, 2007:

(i) The Company paid $100,840 (US $100,000) pursuant to an agreement to acquire a 100% interest in La Sorpresa property, Mexico. The payment represented the second anniversary payment (see Note 5 (a) to the consolidated financial statements as at October 31, 2007 for more details on this agreement).

(ii) The Company issued 50,000 of its common shares at a deemed price of $0.30 per share to Anglo American pursuant to an option agreement to acquire a 100% undivided interest in the Pinabete property, Mexico (see Note 5 (b) to the Company's consolidated financial statements as at October 31, 2007 for more details on this agreement).

(iii) The Company paid $50,150 (US $50,000) pursuant to an agreement to acquire 100% interest in the American Mine claims, Oro property (see Note 5 (e)(vii) to the Company's consolidated financial statements as at October 31, 2007 for more details on this agreement).

(iv) Effective November 1, 2007 the Company entered into a management service agreement with Manex Resource Group Inc.("Manex"), a private company controlled by a common director and officers, for administrative, geological, accounting, investor relations and corporate services. The Company agreed to pay basic and specified rent of $8,000 per month for general and administrative services, and office rent. Corporate, accounting, geological and investor relation services are provided when requested and are charged based on agreed hourly billing rates ranging between $60 and $85 per hour. According to the agreement, reimbursable expenses are billed 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 a 365 day year minus that number of days from the beginning of the year to the date of written termination notice. In the event of a change of control, the Company will owe Manex 50% of the amount calculated by multiplying the basic and specified rent per day and the remaining number of days from the date of written notice of termination to June 30, 2012.

This agreement supersedes the agreement disclosed in Note J of this MD&A.

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 Transactions

The Company did not enter into any off balance sheet transactions or commitments as defined by National Instrument 51-102.

P. Management's Responsibility for Financial Information

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 that are believed to be reasonable under the circumstances. Critical accounting policies were disclosed in the annual audited financial statements.

Consistent with accepted policies of the Canadian junior mining industry, the Company capitalizes exploration expenditures. This decision, and the timing of the possible recognition of impairment in the mineral property value, can materially affect the reported earnings of the Company.

Management has prepared the information and representations in this annual report. The financial statements have been prepared to conform to generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this MD&A is consistent with the data presented in the financial statements.

The Company maintains adequate systems of internal accounting and administrative controls. These systems were designed to provide reasonable assurance that relevant and reliable financial information is produced.

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

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

Certification of Interim Filing

Based on their knowledge, the President and Chief Financial Officer of the Company have reviewed the interim filings and certified that the consolidated financial statements as at October 31, 2007 together with the other financial information included in the interim filings fairly present in all material aspects the financial condition, results of operations and cash flows of the Company for the reporting period. The President and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company, and they believe:

i) the disclosure controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, are made known to them, particularly during the period in which the interim filings are being prepared; and

ii) the internal control over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian generally accepted accounting principles.

Due to the small size of the Company, there is a lack of segregation of duties, which is an internal control weakness. Management mitigates this risk through direct involvement of senior management in day-to-day operations.

During the three months ended October 31, 2007, there were no changes in the Company's internal control over financial reporting that occurred that has materially affected, or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Q. Risks and Uncertainties

The principal business of the Company is the 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.

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 our 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, the quality of land available for exploration as well as various other factors.

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. Due to these uncertainties, no assurance can be given that the 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 such as common shares. 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 are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financings were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be 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 gold and silver 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.

R. 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 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.

S. Whistleblower Policy

Effective August, 2005, the Audit Committee adopted resolutions that authorized 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 the 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.

T. Forward-Looking Statements

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. 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; 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.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and 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 undertake to update 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.

Form 52-109F2 ***Certification of Interim Filings***

I, ***Lawrence Page, President & CEO of Southern Silver Exploration Corp.***, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of ***Southern Silver Exploration Corp.*** (the issuer) for the interim period ending ***October 31, 2007;***

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:

   (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and

   (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and

5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Dated: December 18, 2007

"Lawrence Page"_________
LAWRENCE PAGE, Q.C.
President & CEO

Form 52-109F2 ***Certification of Interim Filings***

I, ***Scott B. Hean, CFO of Southern Silver Exploration Corp.***, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of ***Southern Silver Exploration Corp.*** (the issuer) for the interim period ending ***October 31, 2007;***

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:

    (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and

    (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and

5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Dated: December 18, 2007

"Scott B. Hean"__
SCOTT B. HEAN
Chief Financial Officer