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Audited Consolidated Financial Statements

April 30, 2007 and 2006

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Management's Discussion and Analysis

In respect of the Year ended April 30, 2007

Dated: July 18, 2007

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Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

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 Newcastle Silver Mines Ltd., (the "Company") compares results for the year ended April 30, 2007 to the same period in the previous year. These statements should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2007. All notes referenced herein may be found in the consolidated financial statements.

The Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles. This MD&A, dated as of July 18, 2007, was prepared to conform with National Instrument 51-102 F1 and it was approved by the Board of Directors prior to 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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

U.S. Dollar to Canadian Dollars			
Years ended April 30,			
	2007	2006	2005
Rate at end of period	1.11690	1.18250	1.25860
Average rate for period	1.13800	1.18717	1.27011
High for period	1.18730	1.27320	1.40030
Low for period	1.09260	1.11600	1.17140

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

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

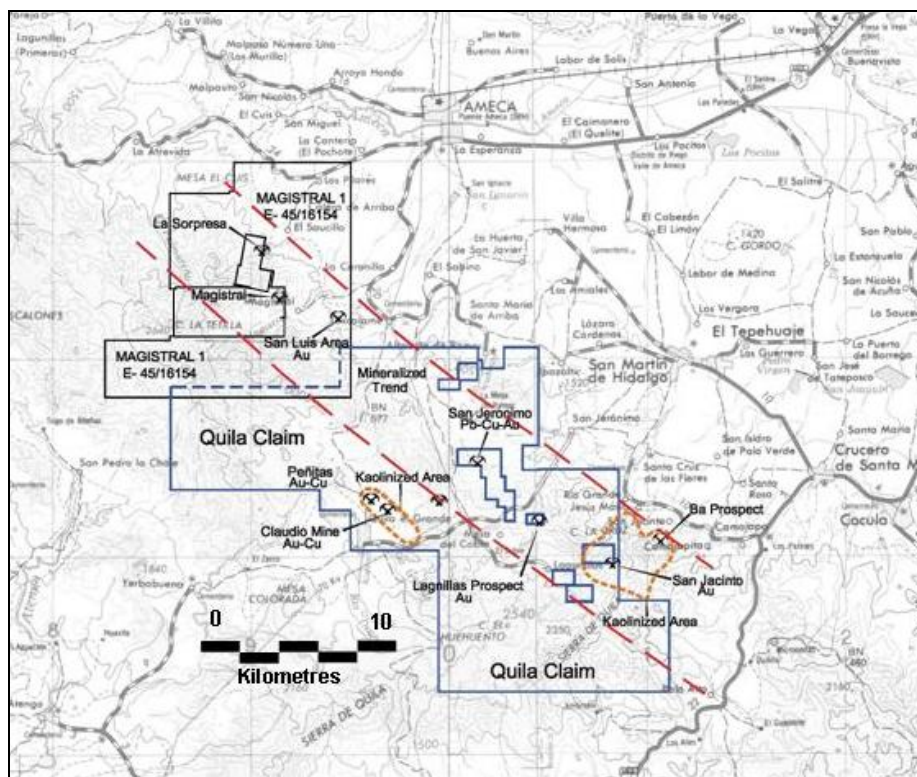
D. Description of Business

The Company acquires and explores mineral properties in the Americas. 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.

As at April 30, 2007, the Company had incurred exploration costs of \$1,391,552 on the Minas de Ameca properties with acquisition costs of \$254,104, giving total expenditures of \$1,645,656. As at April 30, 2006, the Company had incurred exploration costs of \$285,508 on the Minas de Ameca properties with acquisition costs of \$81,924, giving total expenditures of \$367,432.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

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 has been paid as at April 30, 2007 see Note 4 (a) of the consolidated financial statements dated April 30, 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. The area of the Main Breccia has been explored by shallow adits and cross-cuts in an area 180 meters x 70 meters wide. Up to 2,700 tonnes at a grade of 2% Cu is reported to have been mined in the late 1990's. Representative chip samples from these historic underground workings, collected in the fall of 2005, returned 32 meters of 2.1% Cu and 9g/t Ag. In the fall and winter of 2005/06 the company completed surface mapping and sampling and a 20 line-kilometers of 3D-IP geophysics over the property and identified coincident high-chargeability and low-resistivity anomalies. Three main target areas were identified for drill follow-up. Phase I drilling proceeded in the spring of 2006.

On July 31, 2006, the Company announced the results from nine of twelve drill holes from the first-phase drilling program. Drilling totaled 1,645 meters in twelve drill holes and identified thick, highly anomalous zones of copper oxides and coarse disseminated chalcopyrite in the areas of the Main Breccia and South Breccia. Reportable assays of mineralized zones from the Main Breccia grade up to **0.26% Cu over 61.5 metres**. Higher-grade intervals, which include **1.94% Cu over 2.4 metres** and **0.37% Cu over 10.6 metres**, may in part represent sub-vertical feeder structures to the manto-styled breccia zones. Breccia zones appear as resistivity lows in IP geophysical surveys and can be traced laterally from the area of the historic working. Mineralization in the area of the Main Breccia remains open to the north and to the southwest and sources for this upper level manto-styled mineralization have yet to be determined.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

La Sorpresa Property – Mexico, continued

On October 20 2006, the Company announced the consolidation of the Magistral/Sorpresa land package and the start of drilling at the La Sorpresa property. The Phase II program, utilized a dual RC and diamond drill rig to test the extension of several near-surface mineralized zones at La Sorpresa and at least one new target (San Luis) on the Magistral I concession.

In March 2007, the Company reported assay results from the Phase II, 1,770 metres drill program on the La Sorpresa and San Luis targets (see below for results). Part of the Phase II program included re-drilling and using RC methods of several core holes from the Phase I program which were subject to poor core recovery during the initial drill phase. Results from these holes returned comparable values to those returned from the Phase I drilling. Additional drilling on the northern projection of the main mineralized zone returned anomalous copper values including **18 metres grading 0.35% Cu and 10 metres grading 0.41% Cu**.

As at April 30, 2007, the Company had incurred exploration costs of \$1,092,185 on La Sorpresa with acquisition costs of \$136,192, giving total expenditures of \$1,228,377. As at April 30, 2006, the Company had incurred exploration costs of \$285,508 on La Sorpresa with acquisition costs of \$81,924, giving total expenditures of \$367,432.

Magistral I Property – Mexico

The Company may acquire 65% interest in the property by issuing a total of 500,000 shares vested as to 50,000 shares upon signing the option agreement (issued), 50,000 shares in each of the first four years of the option term and 250,000 shares in year five, as well as expending US\$3 million on exploration expenditures in staged increments, over five years. See Note 4 (a) ii in the consolidated financial statements dated April 30, 2007.

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 coupled with systematic mapping and sampling of the target areas. To date the San Luis area, located in the eastern part of the Magistral I claim block, has been drill tested as part of the Phase II drill program on the adjoining La Sorpresa concession.

Drilling results 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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral I Property – Mexico, continued

San Luis Target - Assay Results								
Drill Hole Number	Az deg	Dip deg	From m	To m	Interval m	Au g/t	Ag g/t	Cu %
06SL-01	360	-50	108.00	138.00	30.00	0.39	1.89	0.17%
Includes			126.00	134.00	8.00	1.05	4.60	0.49%

06SL-02	360	-45	194.45	208.80	14.35	0.62	8.78	0.31%
Includes			196.90	203.75	6.85	1.05	15.70	0.55%

Samples analyzed using FA-AA and ICP by ALS Chemex, Vancouver, BC

The Company said results are encouraging as surface mineralization and alteration at the San Luis target can be traced on surface for over **600 metres strike** with an alteration halo of up to **150 metres wide** which remains open both along strike and down dip of the drill holes.

Geochemical vectors from the drilling suggests stronger and thicker mineralization eastward where mineralized float and alteration can be traced on surface for an additional 300 metres before plunging under Tertiary cover.

On May 22, 2007, the Company announced the start of drilling on the Minas de Ameca project. Up to 12 drill holes totaling approximately 2,500 metres will test a series of Au-Cu-enriched quartz-hematite veins in the San Luis and Cerro de la Cruz prospect areas. The veins, which occur along the contact between altered felsic and monzonitic intrusive rocks 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 1400 metres along strike and to over 400 metres depth.

On July 9, 2007, the Company reported results from the first three drill holes of the Phase II, San Luis core drilling program which have extended both the on-strike and down-dip projection of the mineralized vein system. Four drill holes have been completed to date and a fifth drill hole is currently in progress and will be completed upon the return of the drill crew from break in mid-July.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral I Property – Mexico, continued

San Luis Phase II Target - Assay Results										
Drill Hole Number	Collar Data			From m	To m	Interval m	Est. True			
	Az deg	Dip deg	Depth m				Thck m	Au g/t	Ag g/t	Cu %
07SL-03	180	-71	237.00	195.85	199.20	3.35	1.62	5.07	49.81	4.32%
Includes				197.00	199.20	2.20	1.07	7.51	74.60	6.43%
07SL-04	180	-60	149.80	103.25	113.50	10.26	6.59	2.05	12.88	0.34%
Includes				107.80	110.30	2.50	1.61	4.58	30.80	0.65%
07SL-05	180	-60	246.00	155.25	196.35	41.10	26.42	0.62	8.70	0.47%
Includes				187.30	189.80	2.50	1.61	3.44	6.10	2.29%

Drilling has tested a four hundred meter strike length of vein to depths of between 100 metres to 188 metres below surface. Mineralization strengthens both to the east and down dip of two previously reported drill holes (see Southern Silver NR-07-07) with the strongest mineralized interval (7.51g/t Au, 74.6g/t Ag and 6.43% Cu over 1.07 metres) occurring within the deepest test of the vein. Strong argillic alteration associated with the thickest zone of mineralization reported to date (0.62 g/t Au, 8.70 g/t Ag and 0.47 % Cu over 26.42 metres in hole 07SL-05) may reflect a easterly vector towards a hotter part of the mineralizing system. Mineralization remains open in all directions.

The Company's winter 2007 surface exploration program is nearing completion and will be suspended in the short-term due to the onset of the rainy season. Over 60 line-kilometres of IP geophysics have been completed with additional geophysical targets identified on both the San Luis and Magistral Mine grids. Data from several of these targets, including recent surface sampling, is currently being compiled and reviewed.

Up to 2,000 additional metres of drilling is planned on the San Luis target as Southern moves rapidly to define the potential of the vein system, which can be traced on surface for 800 metres strike before plunging under post mineral cover.

A further 2,500 metres of drilling is planned on the Magistral Mine and several other targets identified during the 2007 surface exploration program.

As at April 30, 2007, the Company had incurred exploration costs of \$214,850 on Magistral with acquisition costs of \$64,922, giving total expenditures of \$279,772. As at April 30, 2006, there were no costs incurred for this property.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, 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 P\$150,000 (CDN\$15,600) 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⁾.

Additional surface exploration continues at the El Magistral concession with a focus on the west extension of the Magistral structure and on several vein targets located to the south of the Magistral Mine.

⁽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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

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\$3.0 million 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 years three through five for 500,000 shares. The US\$3.0 million in exploration expenditures is to be spent over five years with \$150,000 as a firm commitment in year one. Subsequent to Southern Silver earning its option in the property, Soltoro shall retain a carried 30% interest to delivery by Southern Silver of a bankable feasibility study and shall participate as a 30% working interest partner thereafter. Share issuances are subject to regulatory approval.

As at April 30, 2007, the Company had incurred exploration costs of \$84,517 on Quila with acquisition costs of \$52,990, giving total expenditures of \$137,507. As at April 30, 2006, there were no costs incurred for this property.

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.

In December 2004, upon reactivation, 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 over the next four years, totaling US\$2 million by December 12, 2008. The Company will also be required to 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.

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").

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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

E. Description of Mineral Properties, continued

ii) Pinabete Property – Mexico, continued

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

In August 2004, the Company received a technical report on the property and thereafter completed financing in preparation for a diamond-drilling program. A ten-hole drill program began in May 2005. Drilling results from this program indicated the potential for discovery of mineralization in two separate zones in the large property: the Pinabete zone and the El Papalote zone. Induced Polarization ("IP") and Ground Magnetic geophysics were undertaken to define the geometry and distribution of the host structures and to assist in identifying new buried targets on the property.

A follow-up diamond drill program began in late August 2005, results of which were disclosed in a news release made November 29, 2005. Three holes were drilled in the El Papalote zone to test wide spread, fracture controlled mineralization and another three holes were drilled in the Pinabete zone to test deeper geophysical targets.

Phase II drilling extended a 30 to 40 meter wide mineralized fracture zone, an additional 85 meters to the southeast from the holes previously drilled in the Phase I program. 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 two to three drill holes, totaling approximately 1000 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. Work is scheduled for mid to late summer 2007.

As at April 30, 2007, the Company had incurred exploration costs of \$788,488 on the Pinabete property with acquisition costs of \$153,951, giving total expenditures of \$942,439. As at April 30, 2006, the Company had incurred exploration costs of \$776,674 on the Pinabete property with acquisition costs of \$124,162, giving total expenditures of \$900,836.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

E. Description of Mineral Properties, continued

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 over the next three years, on or before the June 22 anniversary dates.

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

As at April 30, 2007, the Company had incurred exploration costs of \$1,731 on the Cristoforos property with acquisition costs of \$73,213, giving total expenditures of \$74,944. As at April 30, 2006, the Company had incurred exploration costs of \$1,731 on the Cristoforos property with acquisition costs of \$62,042, giving total expenditures of \$63,773.

iv) Tombstone Property – Arizona

Pursuant to an agreement dated May 26, 2005, the Company obtained 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 over the next five years. The vendors retain a 2% NSR, which the Company may purchase by paying US\$500,000 for each one-half percent acquired.

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. Recent staking has expanded the original 200 hectare claim block by approximately 1600 hectares to enclose a discrete magnetic high located 1.8 kilometers to the east of the original claims.

Geochemical sampling and vein alteration styles provide an exploration vector from the known zones of surface mineralization on the west towards the relatively unexplored gravel-covered area to the south and east. Recently acquired airborne magnetic geophysics reveals that this same gravel-covered area hosts a prominent magnetic high centered 1.8 kilometers to the east of the eastern-most surface vein sampling. The pattern of magnetic lows peripheral to the magnetic high is reminiscent of a classic geophysical expression of a buried porphyry system. Coupled with geochemical and alteration vectors, this magnetic high provides a large and promising district-scale target for future exploration.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

E. Description of Mineral Properties, continued

iv) Tombstone Property – Arizona, continued

In May 2006, 28 additional Federal claims were staked on the NE margin of the claim block. Reconnaissance mapping and sampling within this area identified additional mineralized structures containing anomalous amounts of base and precious metals parallel to the main trend previously identified on the property.

Six to eight drill holes totaling approximately 2000 metres will test for shallow structurally controlled Ag-Pb-Zn-rich replacement targets and deeper Au-Cu skarn/porphyry related targets at the Tombstone project. Only three previous drill holes have tested below 150 metres depth within this 1.5 kilometer x 5 kilometer corridor located immediately to the southwest of the historic silver-lobes of the Tombstone Mining District.

As at April 30, 2007, the Company had incurred exploration costs of \$115,359 on the Tombstone property with acquisition costs of \$117,695, giving total expenditures of \$233,054. As at April 30, 2006, the Company had incurred exploration costs of \$86,857 on the Tombstone property with acquisition costs of \$69,316, giving total expenditures of \$156,173.

v) Oro Property – New Mexico

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.

If the Company meets of all the terms and conditions in the agreement (See Note 4 (e) of the consolidated financial statements dated April 30, 2007) 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.

As at April 30, 2007, the Company had incurred exploration costs of \$53,015 on the Oro property with acquisition costs of \$45,966, giving total expenditures of \$98,981. As at April 30, 2006, the Company had not acquired this property.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

F. Mineral Properties Expenditures

All mineral property expenditures, detailed by property, can be found in Note 4 of the consolidated financial statements dated April 30, 2007. The deferred mineral property costs as at April 30, 2007, were as follows:

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Total
	\$	\$	\$	\$	\$	\$
Acquisition	254,104	153,951	73,213	117,695	45,966	644,929
Advances	23,191	-	-	-	-	23,191
Assays and analysis	80,864	52,496	-	2,390	2,953	138,703
Camp costs	13,959	6,220	-	524	1,994	22,697
Consulting and Project supervision	145,313	4,072	-	27,555	1,701	178,641
Drilling services	555,752	427,428	-	-	-	983,180
Equipment rental	52,252	43,373	-	396	-	96,021
Exploration support	78,233	26,115	233	3,493	71	108,145
Field supplies	11,595	-	369	-	568	12,532
Geological services	213,685	164,892	-	65,844	26,581	471,002
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	1,645,656	942,439	74,944	233,054	98,981	2,995,074

	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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

F. Mineral Properties Expenditures, continued

The deferred mineral property costs as at April 30, 2006, were as follows:

	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Total
	\$	\$	\$	\$	\$
Acquisition	81,924	124,162	62,042	69,316	337,444
Assays and analysis	6,582	52,496	-	2,390	61,468
Consulting and Project supervision	22,582	10,666	-	26,984	60,232
Drilling services	-	427,428	-	-	427,428
Equipment rental	21,019	43,374	-	-	64,393
Exploration support	70,772	10,975	233	-	81,980
Field supplies	28,030	42,426	713	5,054	76,223
Geological services	111,577	161,556	-	46,033	319,166
Project support					-
Travel and related costs	24,330	16,473	785	6,396	47,984
Vehicle expenses	616	11,280	-	-	11,896
Total	367,432	900,836	63,773	156,173	1,488,214

	Balance	Additions					Total
	April 30, 2005	Q1	Q2	Q3	Q4	Year	April 30, 2006
	\$	\$	\$	\$	\$	\$	\$
Minas de Ameca	-	-	27,109	122,275	218,048	367,432	367,432
Pinabete	122,570	375,976	348,225	95,675	(41,610)	778,266	900,836
Cristoforos	-	62,042	-	-	1,731	63,773	63,773
Tombstone	-	36,166	28,999	27,989	63,019	156,173	156,173
Santo Domingo	-	-	8,371	(8,371)	-	-	-
Total	122,570	474,184	412,704	237,568	241,188	1,365,644	1,488,214

Of the total mineral properties expenditures as at April 30, 2006 of \$1,488,214, 61% was spent on Pinabete, 25% on Minas de Ameca (24% on La Sorpresa, No amounts on Magistral and Quila), 10% on Tombstone, and 4% on Cristoforos.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

G. Results of Operations

Year end April 30, 2007

In the year ended April 30, 2007, ("2007") the Company had a net loss of \$2,400,796 compared to a net loss of \$1,469,197 for the year ended April 30, 2006 ("2006"). Stock-based compensation was \$1,198,617 in 2007 (2006: \$553,977), which was the fair value of options vesting during the period, as calculated using the Black-Scholes option pricing model.

Excluding stock-based compensation, the loss in 2007 was \$1,202,179 (2006: \$915,220). This increase of \$286,959 was primarily due to the following:

- i)** Administration fees increased to \$80,000 in 2007 compared to \$60,000 for 2006. This increase of \$20,000 is due to a raise, from January 1, 2007, of \$5,000 per month in the management fees paid by the Company.
- ii)** Consulting services increased to \$385,065 in 2007 compared to \$205,150 for 2006. This increase of \$179,915 is due to a combination of new consultants engaged by the Company and a bonus payment made to a consultant for corporate financing activities.
- iii)** Directors and officer services increased to \$108,250 in 2007 compared to \$2,500 for 2006. This increase of \$105,750 is represented by the combination of \$7,000 per month paid as remuneration for the position of President of the Company from July 1, 2006 and \$35,250 paid as remuneration for the position of Chief Financial Officer with the remainder being amounts paid to independent directors.
- iv)** Investor relations decreased to \$179,471 in 2007 compared to \$240,021 for 2006. This represents a decrease of \$60,550 and is due to the reduction in activity for 2007 compared to 2006 when expenses were incurred in association with promotions at financial centres in Canada, the U.S. and Europe.
- v)** Office and administration costs increased to \$98,106 in 2007 compared to \$67,547 for 2006. This increase of \$30,559 is due to increased activity with respect to the day to day administration.
- vi)** Regulatory fees and taxes decreased to \$20,993 in 2007 compared to \$29,106 for 2006. This decrease of \$8,113 is due to a decrease in taxes paid in Mexico.
- vii)** Shareholders communications and printing decreased to \$15,034 in 2007 compared to \$108,487 for 2006. In 2006, a payment of approximately \$86,000 was made to a US consultant for a specific mail out which did not occur in 2007. There was also a reduction in general shareholder communications in 2007 compared to 2006. Combined, this resulted in a decrease of \$93,453.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

G. Results of Operations, continued

Year end April 30, 2007, continued

- viii) Travel and promotion decreased to \$86,881 in 2007 compared to \$102,832 for 2006. This represents a decrease of \$15,951 and is due to the reduction in travel for 2007 compared to 2006 when expenses were incurred in association with travel to financial centres in Canada, the U.S. and Europe.
- ix) Interest income increased to \$110,878 in 2007 compared to \$27,639 for 2006. This increase of \$83,239 is due to placement of cash on various term deposits during 2007.
- x) The Company reported a net foreign exchange loss of \$188,940 in 2007, compared to a net foreign exchange loss of \$7,019 for 2006. Since all current assets and liabilities held in US dollars have to be translated to Canadian dollars, on consolidation, at the period end exchange rate (2007: 1.1169. 2006: 1.1175) this can create either an exchange gain or loss depending on the strengthening or weakening of the US dollar compared to the Canadian dollar during the period.

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.

Substantially more US dollars were held in cash in 2007 compared to 2006 and with the drop in the US dollar this contributed to this exchange loss.

- xi) General exploration costs increased to \$34,614 in 2007 compared to \$18,830 for 2006. This increase of \$15,784 is due to increased activity reviewing potential new properties.
- xii) In 2006 there was a one off write off of accrued liabilities of \$14,124. There was no comparable transaction in 2007.

Year end April 30, 2006

In the year ended April 30, 2006, ("2006") the Company had a net loss of \$1,469,197 compared to a net loss of \$717,183 for the year ended 2005 ("2005"). Stock-based compensation was \$553,977 in the year ended April 30, 2006, which was the fair value of 1,460,000 options granted, as calculated using the Black-Scholes option pricing model. In 2005 stock-based compensation was \$369,456 being the Black-Scholes calculated fair value of 1,085,000 options granted during the year ended April 30, 2005.

Excluding stock-based compensation, the loss in the 2006 year was \$915,220 (2005: \$347,727). This increase of \$567,493 over the prior year was primarily due to the following:

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

G. Results of Operations, continued

Year end April 30, 2006, continued

- i)** Administration fees increased to \$60,000 in 2006 compared to \$40,000 in 2005. This fee is contractual and a raise was negotiated due to the reactivation of the Company and the increased activity resulting in an increased fee of \$20,000.
- ii)** Consulting fees increased to \$205,150 in 2006 compared to \$43,550 in 2005. This increase of \$161,600, is due to increased activity with the reactivation of the Company and services provided in association with corporate financing activities.
- iii)** The Company reported a net foreign exchange loss of \$7,019 in 2006 compared to a net foreign exchange gain of \$7,749 in 2005. Since all current assets and liabilities held in US dollars have to be translated to Canadian dollars, on consolidation, at the year end exchange rate of 1.1175, this created an exchange loss due to the weakened US dollar compared to the Canadian dollar.

The majority of transactions for the Company are in US dollars and, to a lesser extent, Mexican Pesos, and therefore foreign exchange fluctuations can result in losses or gains.

- iv)** General exploration costs have increased to \$18,830 in 2006 compared to no costs in 2005. This is due to the reactivation of the Company, commencement of its exploration activities, and the consideration of potential new properties.
- v)** Investor relations activities increased to \$240,021 in 2006 compared to \$85,491 in 2005. This increase of \$154,530, is due to the Company initiating communications programs in late fiscal 2005.

During the year approximately \$160,000 was paid to German investor relations agencies with respect to events and listing on the Frankfurt Stock Exchange. The remaining approximate \$80,000 arose from the Company hosting events for mining analysts, newsletter writers and others prominent in the industry to inform them of recent corporate developments.

- vi)** Office and administration costs increased to \$67,547 in 2006 compared to \$43,280 in 2005. This increase of \$24,267 is due to the reactivation of the Company and the increased activity in respect to the day to day administration.
- vii)** Professional fees increased to \$98,557 in 2006 compared to \$60,027 in 2005. This increase of \$38,530 is due to higher legal and accounting costs in respect to the reactivation of the Company as well as a raise in the audit fee for the year end April 30, 2006.
- viii)** Shareholder communications costs increased to \$108,487 in 2006 compared to no costs in 2005. This increase reflects the Company's efforts to expand investor awareness of its mineral properties, including increased participation in industry conferences.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

G. Results of Operations, continued

Year end April 30, 2006, continued

- ix) Travel and promotion increased to \$102,832 in 2006 compared to \$29,103 in 2005. This represents an increase of \$73,729 and is due to the reactivation of the Company and commencement of its exploration activities.

These expenses were incurred in association with travel to financial centers in Canada, the U.S. and Europe.

- x) Accrued liabilities of \$14,124 were written off during the year ended April 30, 2006. This was with respect to old accounts payables accrued that are not payable.

In summary expenditures were higher for the year ended April 30, 2006 compared to April 30, 2005, due to the reactivation of the Company, resumption of trading on the Tier 2 Board of the TSX, and the establishment of a listing on the Frankfurt Stock Exchange.

H. Quarterly Results

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

	April 30 2007 \$	Jan 31 2007 \$	Oct 31 2006 \$	July 31 2006 \$	April 30 2006 \$	Jan 31 2006 \$	Oct 31 2005 \$	July 31 2005 \$	April 30 2005 \$
Operating expenses	\$ 465,062	\$ 243,184	\$ 225,818	\$ 155,439	\$ 190,772	\$ 277,420	\$ 274,757	\$ 188,185	\$ 160,847
Interest earned	(58,057)	(11,275)	(19,184)	(22,362)	(13,106)	(12,047)	(2,486)	-	-
Foreign exchange loss (gain)	235,411	(31,309)	11,740	(26,902)	866	6,503	1,825	(2,175)	(7,020)
General exploration	998	15,548	15,984	2,084	6,669	3,792	8,369	-	-
Write off of accrued liabilities	-	-	-	-	(14,124)	-	-	-	-
Loss before the undernoted	643,414	216,148	234,358	108,259	171,077	275,668	282,465	186,010	153,827
Stock-based compensation	783,834	-	22,526	392,257	55,341	370,115	128,521	-	234,091
Net Loss	\$1,427,248	\$ 216,148	\$ 256,884	\$ 500,516	\$ 226,418	\$ 645,783	\$ 410,986	\$ 186,010	\$ 387,918
Loss per share - basic and diluted	\$0.05	\$0.01	\$0.01	\$0.02	\$0.01	\$0.03	\$0.02	\$0.01	\$0.07

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

I. Selected Annual Information

The following financial data is derived from the Company's consolidated financial statements for each of the three most recently completed fiscal years ending April 30:

	2007	2006	2005
Total revenues	\$ 110,878	\$ 27,639	\$ -
Net loss for the year	\$ 2,400,796	\$ 1,469,197	\$ 717,183
Basic and fully diluted loss per share	\$ 0.08	\$ 0.07	\$ 0.12
Total assets	\$ 9,494,620	\$ 3,960,362	\$ 2,190,900
Total long-term financial liabilities	\$ -	\$ -	\$ -
Cash dividends declared per common share	\$ -	\$ -	\$ -

Refer to Note G in this MD&A for a detailed comparison of Year 2007 with 2006 and Year 2006 with 2005.

J. Related Party Transactions

The Company has no employees.

The Company is party to an agreement dated July 6, 2006 with its President, Lawrence Page Q.C., for Mr. Page to provide services in the capacity of President for \$7,000 per month giving an annual remuneration of \$84,000.

The Company is party to an agreement dated March 27, 2006 with its Chief Financial Officer, Scott Hean, for Mr. Hean to provide services in the capacity of CFO for \$2,500 for the first six months of service and \$3,250 per month thereafter.

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.

Private companies controlled by directors and an officer provided management, administration and corporate development services to the Company. 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 party expenditures, refer to Note 5 of the consolidated financial statements dated April 30, 2007.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 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 \$6,337,141 as at April 30, 2007 compared to \$2,334,313 as at April 30, 2006. Cash and cash equivalents totaled \$6,261,745 and \$2,326,667 respectively.

i) Equity financings

Year end 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% was also paid.

Year end 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.

Year end April 30, 2005

After going through a reactivation process in fiscal 2005 and the reinstatement of the Company's shares on the TSX Tier 2 Board, the Company completed private placements for gross proceeds of \$2.7 million, of which \$2 million was raised in April 2005 and the remainder in December 2004.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

K. Financial Conditions, Liquidity and Capital Resources, continued

ii) Funds raised by Stock options and share purchase warrants

Year end April 30, 2007

During the three months ended April 30, 2007, 245,000 share purchase warrants were exercised for proceeds of \$76,500. No stock options were exercised.

During the three months, ended January 31, 2007 610,000 share purchase warrants were exercised for proceeds of \$122,000. No stock options were exercised.

During the three months ended October 31, 2006 40,000 stock options were exercised for proceeds of \$12,000. No share purchase warrants were exercised.

During the three months ended July 31, 2006, 582,500 share purchase warrants were exercised for gross proceeds of \$220,500 and 105,000 stock options were exercised for proceeds of \$48,400 giving total proceeds of \$268,900.

Year end April 30, 2006

During the year ended April 30, 2006, 3,549,000 share purchase warrants were exercised for proceeds of \$926,900 and 295,000 stock options were exercised for proceeds of \$96,900 giving total proceeds of \$1,023,800.

iii) Exploration expenditures

Year end April 30, 2007

During the three months ended April 30, 2007, the Company spent \$472,801 on mineral expenditures, (excluding shares issued for acquisition costs and amounts accrued for exploration costs payable) of which 91% was directed towards the Minas de Ameca (42% La Sorpresa property, 26% Magistral, and 23% Quila) 8% to Oro and 1% to Tombstone.

During the three months ended January 31, 2007, the Company spent \$306,639 on mineral expenditures, (excluding shares issued for acquisition costs and amounts accrued for exploration costs payable) of which 66% was directed towards the La Sorpresa property, 13% Magistral, 9% to both Pinabete and Oro, and 3% to Quila.

During the three months ended October 31, 2006, the Company spent \$259,824 on mineral expenditures, (excluding shares issued for acquisition costs and amounts accrued for exploration costs payable), of which 68% was directed towards the La Sorpresa property, 15% to Magistral, 9% to Oro, 7% to Tombstone and 1% to Pinabete.

During the three months ended July 31, 2006, the Company spent \$291,888 on mineral property expenditures, (excluding shares issued for acquisition costs and amounts accrued for exploration costs payable), of which 64% was directed towards the La Sorpresa property, 16% to Tombstone, 15% to Magistral, 3% to Cristoforos and 2% to Pinabete.

For further information on these expenditures see Note E of this MD&A and Note 4 of the consolidated financial statements dated April 30, 2007.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

K. Financial Conditions, Liquidity and Capital Resources, continued

iv) Amounts receivable

IVA, a 15% value added tax applied in Mexico to expenditures at source, which is considered recoverable, is included in receivables on the balance sheet of the consolidated financial statements dated April 30, 2007.

v) Commitments

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

- (a) The Company is required to make payments for the Cristoforos property.
 - a. US \$75,000 on or before June 22, 2007.
 - b. US \$165,000 on or before June 22, 2008.
- (b) The Company is required to make payments for La Sorpresa property.
 - a. US \$100,000 on or before December 19, 2007.
 - b. US \$200,000 on or before December 19, 2008.
- (c) The Company is required to make payments for the Tombstone property.
 - a. US \$50,000 on or before June 1, 2007.
 - b. US \$100,000 on or before June 1, 2008.
- (d) The Company is required to incur, on or before December 31, 2007, minimum expenditures in aggregate of not less than US\$700,000 for the Pinabete property.
- (e) The Company is required to issue 50,000 common shares to Fury Explorations Ltd on or before July 21, 2007 and incur minimum expenditures in aggregate of not less than US\$100,000 for the Magistral property.
- (f) The Company is required to make a payment for the Oro property.
 - a. US \$10,000 on or before February 28, 2007.
 - b. US \$20,000 on or before August 28, 2007.
 - c. US \$50,000 on or before August 28, 2008.
- (g) The Company is required to incur, on or before January 19, 2009, minimum expenditures in aggregate of not less than US\$450,000 for the Quila property.

vi) Outstanding Stock options and share purchase warrants

As at July 18, 2007, 2,542,500 share purchase warrants ("warrants") and 665,000 stock options ("options") are "in the money" (the exercise price is less than the current share trading price). If these warrants and options were exercised, the Company would realize approximately \$1,056,750 in additional capital; \$762,750 from the exercise of the warrants and \$294,000 from the exercise of options.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

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 July 18, 2007 is as follows:

	Number of Shares	Total \$
Balance as at April 30, 2007	39,951,821	18,003,959
Issued subsequent to quarter-end		
Exercise of share purchase warrants	30,000	9,000
Share issue costs		(533)
Balance as at July 18, 2007	39,981,821	18,012,426

For further information on Options and Warrants, see Note 6 of the consolidated financial statements dated April 30, 2007.

ii) Share Purchase Warrants

Warrants outstanding at July 18, 2007 are as follows:

Exercise Price	Expiry Date	Balance April 30, 2007	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance July 18, 2007
\$0.30	October 31, 2007	2,480,000	-	-	30,000	2,450,000
\$0.30	October 31, 2007	92,500	-	-	-	92,500
\$1.00	April 7, 2008	600,000	-	-	-	600,000
\$0.60	February 28, 2009	6,542,700	-	-	-	6,542,700
\$0.60	February 28, 2009	122,000	-	-	-	122,000
		9,837,200	-	-	30,000	9,807,200
Weighted average exercise price		\$0.55	\$0.00	\$0.00	\$0.30	\$0.55

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

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

iii) Stock Options

As at April 30, 2007, there were 3,897,500 stock options outstanding with a weighted average exercise price of \$.64 per share. Stock options outstanding at July 18, 2007 are as follows:

Exercise Price	Expiry Date	Balance April 30, 2007	Granted	Cancelled or Expired	Exercised	Balance July 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	1,300,000	-	-	-	1,300,000
\$0.58	March 26, 2012	100,000	-	-	-	100,000
		3,897,500	-	-	-	3,897,500
Weighted average exercise price		\$0.64	\$0.00	\$0.00	\$0.00	\$0.64

M. Subsequent Events and Outlook

Significant events that occurred after period end are disclosed in Note 11 of the consolidated financial statements dated April 30, 2007 and elsewhere in this MD&A.

30,000 warrants were exercised after the period ended April 30, 2007 for gross proceeds of \$9,000. No options were exercised. For detailed information see Note K in this MD&A or Note 6 of the consolidated financial statements dated April 30, 2007.

N. Off Balance Sheet

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

O. 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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

O. Management's Responsibility for Financial Information, continued

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 independent auditors have the responsibility of auditing the financial statements as at year end April 30, and expressing an opinion on them.

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 Annual Filing

Based on their knowledge, the President and Chief Financial Officer of the Company have reviewed the annual filing and certified that the annual consolidated financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows. 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 subsidiary, are made known to them, particularly during the period in which the annual 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. It is unlikely that this weakness can be properly addressed until the Company grows to a significant size. During the year ended April 30, 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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

P. 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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

Q. 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.

R. 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.

S. 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.

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

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as; 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.

Southern Silver Exploration Corp. (Exploration Stage Company)

Management's Discussion and Analysis

In respect of the year ended April 30, 2007

S. Forward-Looking Statements, continued

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.

Management's Responsibility for Financial Reporting

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

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

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



Lawrence Page Q.C.
President and Chief Executive Officer



Scott Hean M.B.A, ICD.D
Chief Financial Officer

Vancouver, British Columbia
July 18, 2007

Auditors' Report
To the Shareholders of Southern Silver Exploration Corp.

We have audited the consolidated balance sheets of Southern Silver Exploration Corp. as at April 30, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
July 6, 2007

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Balance Sheets as at April 30, 2007 and 2006 (Canadian Dollars)

		April 30, 2007	April 30, 2006
Assets			
Current			
Cash and cash equivalents		\$ 6,261,745	\$ 2,326,667
Receivables		84,573	113,155
Prepays and deposits		89,132	32,326
		6,435,450	2,472,148
Mineral properties	Note 4	2,995,074	1,488,214
Bonds	Note 4 (a)	64,096	-
		\$ 9,494,620	\$ 3,960,362
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 89,300	\$ 133,858
Due to related parties	Note 5	9,009	3,977
		98,309	137,835
Shareholders' Equity			
Share capital	Note 6 (a)	18,003,959	11,676,096
Contributed surplus	Note 6 (a)	2,646,181	999,464
Deficit		(11,253,829)	(8,853,033)
		9,396,311	3,822,527
		\$ 9,494,620	\$ 3,960,362

Nature of operations (Note 1)

Contingent liabilities (Note 10)

Subsequent event (Note 11)

Approved on behalf of the Board

Lawrence Page, Q.C.

Robert Gayton, FCA

Southern Silver Exploration Corp.**(Exploration Stage Company)****Consolidated Statements of Operations and Deficit for the years ended April 30, 2007 and 2006
(Canadian Dollars)**

	April 30, 2007	April 30, 2006
Expenses		
Administration	\$ 80,000	\$ 60,000
Consulting		
Services	385,065	205,150
Stock-based compensation	251,339	82,184
Note 6 (g)		
Directors' and officers' fees		
Services	108,250	2,500
Stock-based compensation	532,236	259,900
Note 6 (g)		
Investor relations	179,471	240,021
Office and general	98,106	67,547
Professional fees	100,196	98,557
Regulatory fees and taxes	20,993	29,106
Shareholders' communications	15,034	108,487
Transfer agent	15,507	16,934
Travel and promotion	86,881	102,832
Wages and benefits		
Stock-based compensation	415,042	211,893
Note 6 (g)		
	2,288,120	1,485,111
Other Items		
Interest income	(110,878)	(27,639)
Foreign exchange loss	188,940	7,019
Note 2 (e)		
General exploration	34,614	18,830
Write off of accrued liabilities	-	(14,124)
	112,676	(15,914)
Net Loss for Year	2,400,796	1,469,197
Deficit, Beginning of Year	8,853,033	7,383,836
Deficit, End of Year	\$ 11,253,829	\$ 8,853,033
Loss per share - basic	\$ 0.08	\$ 0.07
Weighted average number of common shares outstanding	28,394,948	19,720,986

Southern Silver Exploration Corp.**(Exploration Stage Company)****Consolidated Statements of Cash Flows for the years ended April 30, 2007 and 2006 (Canadian Dollars)**

Cash provided by (used for):	April 30, 2007	April 30, 2006
Operating Activities		
Net loss for the year	\$ (2,400,796)	\$ (1,469,197)
Items not involving cash:		
Stock-based compensation	Note 6 (g) 1,198,617	553,977
Write off of accrued liabilities	-	(14,124)
Write off of mineral properties	-	(8,371)
	(1,202,179)	(937,715)
Changes in Non-Cash Working Capital		
Receivables	28,582	(102,117)
Prepays and deposits	(56,806)	(32,326)
Accounts payable and accrued liabilities	(94,471)	1,972
Due to related parties	5,032	(28,129)
	(117,663)	(160,600)
Cash Used in Operating Activities	(1,319,842)	(1,098,315)
Investing Activities		
Expenditures on mineral properties	(1,370,947)	(1,206,660)
Bonds	(64,096)	-
Cash Used in Investing Activities	(1,435,043)	(1,206,660)
Financing Activity		
Proceeds from issuance of shares, net of share issue costs	6,689,963	2,599,350
Increase in Cash During the Year	3,935,078	294,375
Cash and Cash Equivalents, Beginning of Year	2,326,667	2,032,292
Cash and Cash Equivalents, End of Year	\$ 6,261,745	\$ 2,326,667

Supplemental cash flow information (Note 9)

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years ended April 30, 2007 and 2006 (Canadian Dollars)

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 does 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. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company, and its wholly-owned subsidiaries Minera Plata del Sur S.A de C.V., incorporated in Mexico, and Southern Silver Exploration Corp (US), incorporated in the United States of America

All intercompany accounts and transactions were eliminated upon consolidation.

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

(b) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized until such time as these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related capitalized costs will be amortized on a unit-of-production basis over the estimated life of the ore reserves. If a mineral property is abandoned, the related capitalized costs are written down and expensed. From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. As such options are exercisable entirely at the discretion of the optionee and option payments are recorded as property costs or recoveries when paid or received.

2. Summary of Significant Accounting Policies, continued

(b) Mineral Properties, continued

The recoverability of amounts shown for mineral properties is dependent upon the Company's ability to:

- (i) Obtain the necessary financing to complete the acquisition, exploration and development of its mineral properties.
- (ii) Enter into mineral property acquisition, joint venture or option agreements with other entities.
- (iii) Discover economically recoverable reserves within its mineral properties.
- (iv) Obtain future profitable production from its mineral properties or sufficient proceeds from the disposition thereof.

On an ongoing basis, the Company evaluates each mineral property for potential impairment based on results obtained to date to determine the nature of exploration, other assessment and development work, if any, that is warranted in the future and the potential for recovery of the capitalized costs. If there is little prospect of future work on a property being carried out within a three-year period from completion of previous activities, the deferred costs related to that property are written down to the estimated amount recoverable unless there is persuasive evidence that an impairment allowance is not required. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

(c) Cash and Cash Equivalents

Cash and cash equivalents include highly-liquid investments that are readily convertible to cash and generally have maturities of three months or less from the date acquired.

(d) Bonds

Bonds are recorded at costs and held in Mexican Pesos.

(e) Foreign Currency

The consolidated financial statements are presented in Canadian dollars. Accounts of the Company's foreign operations have been translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at year-end rates.
- (ii) All other assets and liabilities, at historical rates.
- (iii) Revenue and expense items, at the average rates of exchange each quarter.

The effects of translation are credited or charged to the statement of operations as foreign exchange gain or loss.

2. Summary of Significant Accounting Policies, continued

(f) Share Capital

The proceeds from the exercise of stock options and share purchase warrants are recorded as share capital. Common shares issued for non-monetary consideration are recorded at an amount based on fair market value at the time of issuance reduced by estimated issue costs, if any.

(g) Stock-Based Compensation

The Company accounts for stock-based compensation expense using the fair value method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, the fair value of stock-based payments are recorded as an expense in the period the stock-based payments are vested or the awards or rights are granted, with a corresponding increase in contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to share capital.

(h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(i) Loss per Share

Loss per share computations are based on the weighted average number of common shares outstanding during the year. Diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive.

(j) Revenue Recognition

Interest income is recorded on an accrual basis at the stated rate of interest of the term deposit over the term to maturity.

2. Summary of Significant Accounting Policies, continued

(k) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environment obligations, asset retirement obligations, accrued liabilities, the impairment of mineral property interests, valuation allowance for future tax assets and determination of the assumptions used in the calculation of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(l) Asset retirement obligations

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

3. 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.

3. 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.

4. Mineral Properties

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

(i) Mexico

- (i) Minas de Ameca
 - a. La Sorpresa
 - b. Magistral
 - c. Quila
- (ii) Pinabete
- (iii) Cristoforos

(ii) USA

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

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years ended April 30, 2007 and 2006 (Canadian Dollars)

4. Mineral Properties, continued

Deferred mineral property costs by property for the year ended April 30, 2007 are as follows:

Year ended April 30, 2007	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 costs	13,959	814	-	524	1,994	17,291
Consulting and project supervision	122,731	4,072	-	571	1,701	129,075
Drilling services	555,752	-	-	-	-	555,752
Equipment rental	31,233	-	-	396	-	31,629
Exploration support	7,202	438	-	239	71	7,950
Field supplies and wages	110,981	1,012	-	1,547	10,905	124,445
Geological services	102,334	3,336	-	19,811	26,581	152,062
Repairs and maintenance	-	-	-	514	-	514
Travel and related costs	37,286	2,142	-	2,652	5,687	47,767
Vehicle	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 Property expenditures as at April 30, 2007	1,645,656	942,439	74,944	233,054	98,981	2,995,074

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years ended April 30, 2007 and 2006 (Canadian Dollars)

4. Mineral Properties, continued

Deferred mineral property costs, by property for the year ended April 30, 2006, are as follows:

Year ended April 30, 2006	Minas de Ameca \$	Pinabete \$	Cristoforos \$	Tombstone \$	Santo Domingo \$	Total \$
Acquisition costs						
Balance as at April 30, 2005	-	72,962	-	-	-	72,962
Additions during the year	81,924	51,200	62,042	69,316	7,111	271,593
Less write-down of mineral property	-	-	-	-	(7,111) ^(a)	(7,111)
Balance as at April 30, 2006	81,924	124,162	62,042	69,316	-	337,444
Exploration						
Balance as at April 30, 2005	-	49,608	-	-	-	49,608
Additions during the year						
Assays and analysis	6,582	50,269	-	2,390	-	59,241
Consulting and project supervision	22,582	10,666	-	26,984	-	60,232
Drilling services	-	427,428	-	-	-	427,428
Equipment rental	21,019	43,374	-	-	-	64,393
Exploration support	70,772	10,975	233	-	1,260	83,240
Field supplies and wages	28,030	38,695	713	5,054	-	72,492
Geological services	111,577	126,984	-	46,033	-	284,594
Travel and related costs	24,330	10,768	785	6,396	-	42,279
Vehicle	616	7,907	-	-	-	8,523
Total additions during the year	285,508	727,066	1,731	86,857	1,260	1,102,422
Less write-down of mineral property	-	-	-	-	(1,260) ^(a)	(1,260)
Balance as at April 30, 2006	285,508	776,674	1,731	86,857	-	1,150,770
Total Mineral Property expenditures as at April 30, 2006	367,432	900,836	63,773	156,173	-	1,488,214

(a) Included in general exploration. See Note 4 (f).

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to the Consolidated Financial Statements
Years ended April 30, 2007 and 2006 (Canadian Dollars)

4. 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.
- (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, see Note 6 (c)).
- (ii) Issue 50,000 common shares on or before July 21, 2007.
- (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:
 - 1. An aggregate of at least US \$100,000 by July 21, 2007.
 - 2. An aggregate of at least US \$450,000 by July 21, 2008.
 - 3. An aggregate of at least US \$950,000 by July 21, 2009.
 - 4. An aggregate of at least US \$1,800,000 by July 21, 2010.
 - 5. An aggregate of at least US \$3,000,000 by July 21, 2011.

4. 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 and contribute 65% of all costs associated with the development of Magistral.

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

Bonds of \$64,096 are being held in escrow by the Mexican Government with regard to the purchase of Magistral. These are as follows:

- (i) \$12,208 (Peso 120,000) for the actual purchase of the property.
- (ii) \$51,888 (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, see Note 6 (c)).
- (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.
- (vii) Incur a minimum US \$3,000,000 of expenditures on the property as follows:
 - 1. An aggregate of at least US \$150,000 by January 19, 2008.
 - 2. An aggregate of at least US \$350,000 by January 19, 2009.
 - 3. An aggregate of at least US \$500,000 by January 19, 2010.
 - 4. An aggregate of at least US \$900,000 by January 19, 2011.
 - 5. An aggregate of at least US \$1,100,000 by January 19, 2012.

Should the Company fail to meet its commitment to spend the first US \$150,000 by January 19, 2008, the Company must pay the shortfall to the optionor in cash.

4. Mineral Properties, continued

(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 million in exploration expenditures 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, December 2004 valued at \$0.20 per share).
- (ii) Issue a further 50,000 common shares on or before December 12, 2005 (Issued, see Note 6 (c)).
- (iii) Issue a further 50,000 common shares on or before December 12, 2006 (Issued, see Note 6 (c)).
- (iv) Issue a further 50,000 common shares on or before December 12, 2007.
- (v) Issue a further 50,000 common shares on or before December 12, 2008.
- (vi) Incur a minimum US \$2,000,000 of expenditures on Pinabete by December 12, 2008 as follows:
 1. Not less than US \$200,000 on or before December 12, 2005 (Incurred).
 2. An aggregate of US \$400,000 on or before December 12, 2006 (Incurred).
 3. An aggregate of US \$700,000 on or before December 12, 2007.
 4. An aggregate of US \$2,000,000 on or before December 12, 2008.

4. 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 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.

(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.

4. Mineral Properties, continued

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

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.
- (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.

(f) Santo Domingo Project – Durango, Mexico

Pursuant to an agreement dated September 13, 2005, the Company acquired a 100% interest in the Santo Domingo, El Coyote project in Durango, Mexico, comprised of four mineral concessions. Upon signing the letter agreement, the Company paid \$7,111 (US \$6,000) for the right to conduct an on-site due diligence investigation of the property.

In addition to acquisition costs of \$7,111 (US \$6,000), the Company incurred \$1,260 in exploration on the Santo Domingo project during the year ended April 30, 2006. The Company decided not to pursue exploration on this project and accordingly, \$8,371 was written off and included in general exploration.

(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.

4. Mineral Properties, continued

(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.

5. Related Party Balances and Transactions

The amount payable to related parties of \$9,009 (2006: \$3,977) was due to directors or senior officers of the Company or to companies controlled by them. These amounts have arisen from the provision of services by the respective related party to the Company or the recovery of costs incurred on behalf of the Company by related parties in the normal course of operations at prices/fees established and agreed to by the Company and related party.

The related parties are related to the Company as follows:

- (a) A private company controlled by directors or officers of the Company.
- (b) A director or officer of the Company.
- (c) An association of lawyers in which an officer of the Company is a member (resigned September 22, 2005).

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5. Related Party Balances and Transactions, continued

The following table summarizes the Company's related party transactions for the years ended April 30, 2007 and 2006.

		Year ended April 30,	
		2007	2006
Services			
Administration Fee	\$	80,000	\$ 60,000
Consulting		306,358	153,596
Director and officer fees'		108,250	2,500
Investor relations		31,765	40,869
Professional fees			
Accounting		22,654	30,794
Legal fees		10,290	10,788
Share issue costs	(1)	-	6,844
Cost recovery			
Investor relations		6,138	-
Office and other		104,523	94,640
Travel and promotions		70,372	76,184
Mineral properties			
Minas de Ameca	(2) \$	14,904	\$ 10,425
Pinabete	(2)	5,498	7,623
Tombstone	(2)	2,955	20,122
Oro	(2)	1,859	-

(1) This amount has been capitalized and is included in share capital.

(2) These amounts have been capitalized and are included in mineral properties.

The balances above do not include stock-based compensation of \$532,236 (2006: \$259,900) in respect to related parties.

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6. Share Capital

(a) Issued and Outstanding

The authorized share capital of the Company is unlimited. The issued share capital as at April 30, 2007 is as follows:

		No. of Shares	Amount	Contributed Surplus
Balance as at April 30, 2005		16,409,921	\$ 9,115,640	\$ 394,593
Issued				
Private placements	Note 6 (b)	4,600,000	1,600,000	-
Exercised share purchase warrants	Note 6 (e)	3,549,000	926,900	-
Exercised stock options	Note 6 (d)	295,000	96,900	-
Issued to acquire Pinabete Property	Note 6 (c)	50,000	37,000	-
Fair value of stock options exercised		-	69,024	(69,024)
Stock-based compensation	Note 6 (g)	-	-	553,977
Subtotal before share issue costs		8,494,000	2,729,824	484,953
Share issue costs		230,000	(169,368)	119,918
Balance as at April 30, 2006		25,133,921	11,676,096	999,464
Issued				
Private placements	Note 6 (b)	13,000,000	6,500,000	-
Issued to agents for private placement	Note 6 (b)	85,400	42,700	-
Exercised share purchase warrants	Note 6 (e)	1,437,500	419,000	-
Exercised stock options	Note 6 (d)	145,000	60,400	-
Issued to acquire mineral properties	Note 6 (c)	150,000	86,000	-
Fair value of stock options exercised		-	51,343	(51,343)
Stock-based compensation	Note 6 (g)	-	-	1,198,617
Subtotal before share issue costs		14,817,900	7,159,443	1,147,274
Share issue costs		Note 6 (b)	(831,580)	499,443
Balance as at April 30, 2007		39,951,821	\$ 18,003,959	\$ 2,646,181

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6. Share Capital, continued

(b) Private Placements

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.

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 using the Black-Scholes option pricing model.
- (v) 645,000 options to purchase units were issued to agents, each unit on the same terms as above. Using the Black-Scholes pricing model 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.

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. The Company incurred share issue costs of \$3,500.

In October 2005, the Company completed a private placement of 4,000,000 units at \$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. The Company incurred share issuance costs of \$165,868.

Share issue costs were as follows:

- (i) Finders' fees of \$33,107 being 7% of the value of the units subscribed.
- (ii) Other general cash share issue costs were \$12,843.

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6. Share Capital, continued

(b) Private Placements, continued

Year ended April 30, 2006, continued

- (iii) 230,000 units were issued to the agents, each unit on the same terms as above.
 - 1. The common shares issued were valued at \$0.25 per share giving a cost of \$57,500.
 - 2. The share purchase warrants were valued at \$0.27 per warrant giving a cost of \$62,418 using the Black-Scholes option pricing model.

The Company realized gross proceeds of \$1,600,000 with share issue costs of \$169,368 from these private placements.

(c) Shares Issued for Mineral Property

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 acquisition of the Magistral property, see Note 4 (a).
- (ii) 50,000 common shares valued at \$0.70 per share, \$35,000 in total, pursuant to the acquisition of the Quila property, see Note 4 (a).
- (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 4 (b).

During the year ended April 30, 2006, the Company issued 50,000 common shares value at \$0.74 per share, \$37,000 in total, pursuant to the terms of the Pinabete property agreement, see Note 4 (b).

(d) Stock Options

As at April 30, 2007 and 2006, the Company had a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The terms of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. 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.

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6. Share Capital, continued

(d) Stock Options, continued

As at April 30, 2007, 3,793,333 of the 3,897,500 options outstanding were exercisable with the remaining 104,167 vesting over the next year.

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

As at April 30, 2006, 1,992,500 of the 2,092,500 options outstanding were exercisable with the remaining 100,000 vesting over the next 18 months.

Exercise Price	Expiry Date	Balance April 30, 2005	Options Granted	Cancelled or Expired	Options Exercised	Balance April 30, 2006
\$0.70	September 13, 2005	77,143	-	77,143	-	-
\$0.65	December 10, 2009	1,085,000	-	157,500	-	927,500
\$0.30	October 13, 2010	-	565,000	-	255,000	310,000
\$0.51	November 8, 2010	-	520,000	-	40,000	480,000
\$0.83	January 16, 2011	-	250,000	-	-	250,000
\$0.82	March 27, 2011	-	125,000	-	-	125,000
		1,162,143	1,460,000	234,643	295,000	2,092,500
Weighted average exercise price		\$0.65	\$0.51	\$0.67	\$0.33	\$0.60

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6. Share Capital, continued

(e) Share Purchase Warrants

The Company's share purchase warrants for the years ended April 30, 2007 and 2006 are summarized as follows:

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

Exercise Price	Expiry Date	Balance April 30, 2005	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance April 30, 2006
\$0.15	December 14, 2005	695,000	-	-	695,000	-
\$0.15	December 14, 2005	1,000,000	-	-	1,000,000	-
\$0.20	December 14, 2006	1,000,000	-	-	355,000	645,000
\$0.60	April 11, 2007	2,092,500	-	-	440,000	1,652,500
\$0.60	April 11, 2007	264,000	-	-	66,500	197,500
\$0.30	October 31, 2007	-	4,000,000	-	860,000	3,140,000
\$0.30	October 31, 2007	-	230,000	-	132,500	97,500
\$1.00	April 7, 2008	-	600,000	-	-	600,000
		5,051,500	4,830,000	-	3,549,000	6,332,500
Weighted average exercise price		\$0.37	\$0.39	\$0.00	\$0.26	\$0.44

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6. Share Capital, continued

(f) Agent Options

As part of the private placement in February 2007, options were issued to the agents (Note 6 (b)). Each agent option when exercised will entitle the agent to 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, 2006	Units Granted	Cancelled or Expired	Unit Exercised	Balance April 30, 2007
\$0.50	February 24, 2009	-	645,000	-	-	645,000

(g) Fair Value Determination

The fair value of stock options granted using the Black-Scholes option pricing model was calculated using the following weighted average assumptions:

	2007		2006	
	Options	Warrants	Options	Warrants
Risk-free interest rate	4.01%	4.05%	3.63%	3.41%
Expected share price volatility	201.45%	119.08%	144.83%	145.02%
Expected option/warrant life in years	3.0	1.5	2.3	2.0
Expected dividend yield	0%	0%	0%	0%

The total calculated fair value of stock based compensation for the year ended April 30, 2007 was \$1,198,617 (2006: \$553,977) and included in the statement of operations as follows:

	2007		2006	
	Number of Options	Stock-based Compensation	Number of Options	Stock-based Compensation
Consulting	435,000	\$ 251,339	200,000	\$ 82,184
Directors' and officers' fees	870,000	532,236	730,000	259,900
Wages and benefits	645,000	415,042	530,000	211,893
Total	1,950,000	\$ 1,198,617	1,460,000	\$ 553,977

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7. Income Taxes

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

Available to	Amount
2008	\$ 105,000
2010	125,000
2014	138,000
2015	410,000
2026	831,000
2027	1,154,000
	\$ 2,763,000

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

	2007	2006
Income tax rate	34.10%	34.35%
Income tax benefit computed at Canadian statutory rates	\$ 818,671	\$ 504,718
Permanent differences	(410,032)	(190,781)
Temporary difference	(20,603)	-
Unrecognized tax losses	(388,036)	(313,937)
	\$ -	\$ -

Southern Silver Exploration Corp.
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7. Income Taxes, continued

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

	2007	2006
Future income tax assets		
Unused cumulative foreign exploration and developmen \$	(28,684) \$	426,981
Net tax losses carried forward	959,915	607,662
Cumulative eligible capital deductions	523	563
	931,754	1,035,206
Valuation allowance	(931,754)	(1,035,206)
Future income tax assets, net	\$ -	\$ -

8. Segmented Information

The Company has one operating segment, mineral exploration, and its non-current assets by geographic location outside of Canada is as follows:

	April 30, 2007		April 30, 2006	
Mexico	\$	2,727,135	\$	1,332,041
USA		332,035		156,173
	\$	3,059,170	\$	1,488,214

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9. Supplemental Cash Flow Information

	2007	2006
Cash Items		
Interest received	\$ 94,270	\$ 24,194
Share issue costs	\$ 33,687	\$ 16,343
Finders' fees	\$ 255,750	\$ 33,107
Non-Cash Items		
Accrued interest	\$ 16,608	\$ -
Investing Activity		
Mineral property costs included in Accounts payable	\$ 49,913	\$ 113,613
Financing Activities		
Fair value of agent warrants	\$ 69,934	\$ 62,418
Fair value of agents' options	\$ 429,509	\$ -
Shares issued for mineral property	\$ 86,000	\$ 37,000
Shares issued for finders' fees	\$ 42,700	\$ 57,500

10. Contingent Liabilities

Certain claims have been filed against the Company.

(a) 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.

(b) 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.

11. Subsequent Event

30,000 share purchase warrants were exercised for gross proceeds of \$9,000.