



Interim Consolidated Financial Statements
For the Nine months ended January 31, 2007 and 2006

Notice of No Auditor Review of Interim Statements

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

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Southern Silver Exploration Corp.
Consolidated Balance Sheets

		January 31, 2007	April 30, 2006
Assets			
Current			
Cash and cash equivalents		\$ 1,289,048	\$ 2,326,667
Receivables		14,706	113,155
Prepaid and deposits		30,641	32,326
		1,334,395	2,472,148
Mineral properties	Note 3	2,437,360	1,488,214
		\$ 3,771,755	\$ 3,960,362
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 39,375	\$ 133,858
Due to related parties	Note 4	18,563	3,977
		57,938	137,835
Shareholders' Equity			
Share capital	Note 5 (a)	12,177,494	11,676,096
Contributed surplus	Note 5 (a)	1,362,904	999,464
Deficit		(9,826,581)	(8,853,033)
		3,713,817	3,822,527
		\$ 3,771,755	\$ 3,960,362

Nature of operations (Note 1)

Subsequent events (Note 9)

Approved on behalf of the Board



Lawrence Page, Q.C.



Robert Gayton, FCA

Southern Silver Exploration Corp.

Consolidated Statements of Operations for the nine months ended January 31, 2007 and 2006

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2007	2006	2007	2006
Expenses				
Administration	\$ 20,000	\$ 15,000	\$ 50,000	\$ 45,000
Consulting	41,138	102,341	196,004	221,092
Director and officer fees	49,000	148,408	214,165	201,864
Foreign exchange loss (gain)	(31,309)	6,503	(46,471)	6,153
General exploration	15,548	3,792	33,616	12,161
Investor relations	47,859	19,758	139,494	174,606
Office and administration	17,193	48,523	72,023	77,574
Professional fees	22,067	21,521	75,929	72,640
Regulatory fees and taxes	3,162	6,020	6,987	27,712
Shareholders communications and printing	6,219	96,785	11,101	106,542
Transfer agent	9,313	2,935	12,613	14,505
Travel and promotion	12,013	30,720	53,730	85,072
Wages and benefits	15,220	155,524	207,178	212,391
Loss before the undernoted	227,423	657,830	1,026,369	1,257,312
Interest income	(11,275)	(12,047)	(52,821)	(14,533)
Net loss for the period	216,148	645,783	973,548	1,242,779
Deficit, beginning of the period	9,310,433	7,980,832	8,853,033	7,383,836
Deficit, end of the period	\$ 9,526,581	\$ 8,626,615	\$ 9,826,581	\$ 8,626,615
Loss per share - basic and diluted	\$ (0.01)	\$ (0.04)	\$ (0.04)	\$ (0.07)
Weighted average number of shares	25,992,918	22,066,922	25,725,626	17,947,895

Southern Silver Exploration Corp.

Consolidated Statements of Cash Flows for the nine months ended January 31, 2007 and 2006

Cash provided by (used for):	Three Months ended		Nine months ended	
	January 31,		January 31,	
	2007	2006	2007	2006
Operating Activities				
Net loss for the year	\$ (216,148)	\$ (645,783)	\$ (973,548)	\$ (1,242,779)
Items not involving cash:				
Stock based compensation	-	370,115	414,783	498,636
Interest income accrued	-	(1,924)	-	(1,924)
Write off of accrued liabilities	-	(4,890)	-	(4,890)
Operating Cash Flow	(216,148)	(282,482)	(558,765)	(750,957)
Change in Non-Cash Working Capital				
Receivables	33,347	(5,881)	98,449	(94,559)
Prepaid and deposits	(5,606)	-	1,685	-
Accounts payable and accrued liabilities	(1,893)	(294,012)	(109,478)	4,537
Due to related parties	(6,865)	(22,505)	14,586	14,764
	18,983	(322,398)	5,242	(75,258)
Cash used in Operating Activities	(197,165)	(604,880)	(553,523)	(826,215)
Investing Activity				
Expenditures on mineral properties	(306,639)	(189,667)	(883,151)	(1,068,280)
Financing Activities				
Share subscription, net of commissions	-	527,500	-	25,000
Shares issued for cash, net	120,103	484,949	399,055	1,473,198
Cash provided by financial Activities	120,103	1,012,449	399,055	1,498,198
Increase (decrease) in cash and cash equivalents	(383,701)	217,902	(1,037,619)	(396,297)
Cash, beginning of period	1,672,749	1,418,093	2,326,667	2,032,292
Cash, end of period	\$ 1,289,048	\$ 1,635,995	\$ 1,289,048	\$ 1,635,995

Supplemental cash flow information (Note 7).

Southern Silver Exploration Corp.

Notes to the Consolidated Financial Statements

For the nine months ended January 31, 2007 and 2006

1. Nature of Operations

Southern Silver Exploration Corp. (the "Company") is an exploration stage corporation with mineral properties located in Mexico, and in the United States of America, Arizona and New Mexico.

After a period of dormancy, the Company was reinstated on the NEX Board of the TSX (for inactive issuers) in May 2004 and on July 16, 2004 the Company completed a seven-for-one consolidation of its common shares and changed its name to Southern Silver Exploration Corp. from Newcoast Silver Mines Ltd. In fiscal 2005, the Company initiated a reactivation plan that included: a private placement financing; the settlement of debt with certain creditors for shares in the Company; and the negotiation of option agreements on mineral properties in Mexico.

The TSX Venture Exchange ("TSX") gave final approval to the Company's financial and property agreements and the listing was elevated to the Tier 2 Board and, effective December 10, 2004, trading resumed under the symbol SSV.

2. 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 subsidiary Minera Plata Del Sur S.A de C.V., incorporated in Mexico.

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.

3. Mineral Properties

The Company has interests in base and precious metal properties in Mexico, referred to as the Minas de Ameca, Pinabete and Cristoforos properties as well as an interest in a base and precious metal property in Arizona referred to as the Tombstone property and an interest in a base and precious metal property in New Mexico referred to as the Oro property. Terms of the agreements are described below. Deferred mineral property costs, by property, were as follows:

Southern Silver Exploration Corp.
Notes to the Consolidated Financial Statements
For the nine months ended January 31, 2007 and 2006

3. Mineral Properties, continued

Nine months ended January 31, 2007	Minas de Ameca	Pinabete	Cristoforos	Tombstone	Oro	Total
	\$	\$	\$	\$	\$	\$
Acquisition	203,398	153,116	73,213	116,386	20,942	567,055
Assays and analysis	50,489	52,496	-	2,390	961	106,336
Camp and supplies	9,158	6,220	-	524	1,242	17,144
Consulting and project supervision	87,491	4,072	-	27,555	1,262	120,380
Drilling	333,116	427,428	-	-	-	760,544
Equipment rental	45,182	43,373	-	396	-	88,951
Exploration and other	76,461	26,115	233	3,425	-	106,234
Field supplies	11,595	-	369	-	340	12,304
Geological and geophysics services	191,029	164,892	-	64,453	13,410	433,784
Project support	63,444	19,817	344	503	10,337	94,445
Repair and maintenance	-	23,594	-	2,314	-	25,908
Travel	51,060	18,615	785	9,048	4,476	83,984
Vehicle costs	14,590	1,839	-	2,248	1,614	20,291
Total	1,137,013	941,577	74,944	229,242	54,584	2,437,360

Property	Balance	Additions			Additions in	Balance
	April 30, 2006	Q1	Q2	Q3	Nine Months Jan 30, 2007	January 30, 2007
	\$	\$	\$	\$	\$	\$
Minas de Ameca	367,432	263,677	229,933	275,971	769,581	1,137,013
Pinabete	900,836	5,957	3,467	31,317	40,741	941,577
Cristoforos	63,773	11,171	-	-	11,171	74,944
Tombstone	156,173	53,866	17,803	1,400	73,069	229,242
Oro	-	-	24,138	30,446	54,584	54,584
Total	1,488,214	334,671	275,341	339,134	949,146	2,437,360

Southern Silver Exploration Corp.
Notes to the Consolidated Financial Statements
For the nine months ended January 31, 2007 and 2006

3. Mineral Properties, continued

Year ended April 30, 2006	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	-	427,428	-	-	427,428
Equipment rental	21,019	43,374	-	-	64,393
Field supplies and wages	28,030	42,426	713	5,054	76,223
Exploration and other	70,772	10,975	233	-	81,980
Geological and surveying services	111,577	161,556	-	46,033	319,166
Travel	24,330	16,473	785	6,396	47,984
Vehicle costs	616	11,280	-	-	11,896
Total	367,432	900,836	63,773	156,173	1,488,214

(a) Minas de Ameca – Mexico

La Sorpresa Property

On October 18, 2005, the Company signed a letter of intent with M Munoz Martin to acquire a 100% interest in the project, comprising four mining concessions covering 360 hectares located approximately 80 kilometers from Guadalajara City.

Pursuant to the subsequent agreement dated December 16, 2005 with M Munoz Martin, and registered with the Mexican authorities, the Company paid an initial \$78,243 (US\$67,000). To complete the purchase the Company will be 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.

3. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

Magistral I Property

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd, (“Fury”) the Company acquired a 65% interest in the Magistral I Mexican mining exploration concession (“Magistral”). Regulatory approval was received from the TSX Venture Exchange on July 21, 2006.

Pursuant to this agreement with Fury the Company’s commitments are as follows:

- (i) Issue an initial 50,000 common shares on or before July 26, 2006. (Issued)
- (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 shares on or before July 21, 2011.
- (iv) Incur a minimum US\$3,000,000 of expenditures on the concession on or before the 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.

Upon earning its interest in Magistral, in accordance with the above commitments, the Company shall enter into a Joint Venture agreement (the “JV Agreement”) with Fury for the development of Magistral. The Company shall have a 65% interest in the joint venture with the pro-rata funding of all costs and expenses associated with the development of the 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% NSR royalty

Southern Silver Exploration Corp.

Notes to the Consolidated Financial Statements

For the nine months ended January 31, 2007 and 2006

3. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

Quila Property

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

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

- (i) Issue 50,000 common shares on or before February 1, 2007. (Issued)
- (ii) Issue 75,000 common shares on or before January 19, 2008.
- (iii) Issue 75,000 common shares on or before January 19, 2009.
- (iv) Issue 100,000 common shares on or before January 19, 2010.
- (v) Issue 100,000 common shares on or before January 19, 2011.
- (vi) Issue 100,000 common shares on or before January 19, 2012.
- (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 (Not optional).
 - 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 US \$150,000 by January 19, 2008 the Company must pay the shortfall to the optionor in cash.

(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 4,649 hectare 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% net smelter returns royalty ("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.

3. Mineral Properties, continued

(b) Pinabete Property - Mexico, continued

To exercise the option the Company is required to:

- (i) Issue an initial 200,000 common shares to Anglo American (issued, December 2004 at \$0.20 per share, refer to Note 5 (a)) (issued).
- (ii) Issue a further 50,000 common shares on or before December 12, 2005 (issued).
- (iii) Issue a further 50,000 common shares on or before December 12, 2006 (issued).
- (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 US\$400,000 on or before December 12, 2006. (Incurred)
 3. An aggregate US\$700,000 on or before December 12, 2007.
 4. An aggregate US\$2,000,000 on or before December 12, 2008.

(c) Cristoforos Property - Mexico

Pursuant to an agreement dated June 22, 2005 with D H Cristoforo Avila the Company acquired 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.
- (iii) US\$165,000 on or before June 22, 2008.

There are no minimum exploration expenditure commitments on this property.

3. Mineral Properties, continued

(d) Tombstone Prospect – Arizona

Pursuant to an agreement dated May 26, 2005, with P.J. Sterling and M.H. Hernandez, the Company acquired an exclusive option to acquire an undivided 100% interest in certain claims located in the state of Arizona exploration prospect 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.
- (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 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.

(e) Oro Property – New Mexico

Pursuant to an agreement dated August 28, 2006, with P.J. Sterling and M.H. Hernandez, the Company acquired a 100% interest in the Oro Claims, Grant Country, New Mexico.

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

- (i) US \$10,000 on or before February 28, 2007.
- (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 to the Company the 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, with La Cuesta International Inc. the Company acquired a 100% interest in the Santo Domingo, El Coyote project in Durango, Mexico, comprising of four mineral concessions covering 5,496 hectares. 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.

3. Mineral Properties, continued

(f) Santo Domingo Project – Durango, Mexico, continued

In addition to acquisition costs of \$7,111, (US\$6,000) the Company incurred \$1,260 in exploration on the Santo Domingo project for the year ended January 31, 2007. The Company decided not to pursue exploration on this project and thus, \$8,371 was expensed to 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. Related Party Balances and Transactions

The amount payable to related parties of \$18,563 (April 30, 2006: \$3,977) was due to directors or senior officers of the Company or to companies controlled by them, for various services rendered.

These amounts have arisen from the provision of services by the related party to the Company or the recovery of cost incurred on behalf of the Company by related parties and do not include amounts for stock based compensation which can be seen under Note 5 (f). They were made in the normal course of operations at prices/fees established and agreed to by the Company and related parties.

Persons are considered related parties due to any of the following relationships to the Company:

- (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).

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

Southern Silver Exploration Corp.
Notes to the Consolidated Financial Statements
For the nine months ended January 31, 2007 and 2006

4. Related Party Balances and Transactions, continued

	Nine months ended January 31,	
	2007	2006
Services		
Administration Fee	\$ 50,000	\$ 45,000
Consulting	\$ 110,686	\$ 110,938
Director and officer fees	\$ 49,000	-
Investor relations	\$ 24,198	\$ 54,876
Professional fees		
Accounting	\$ 17,199	\$ 21,102
Legal fees	\$ 4,346	\$ 12,534
Share issue costs	(1) \$ -	\$ 6,844
Cost recovery		
Investor relations	\$ 3,074	-
Office and Administration	\$ 49,055	\$ 48,257
Regulatory	\$ 120	\$ 3,674
Shareholders communications	\$ 1,440	-
Travel and promotions	\$ 44,108	\$ 58,744
Wages and benefits	\$ 21,748	-
Mineral properties		
Tombstone	(2) \$ 2,925	\$ 2,352
Pinabete	(2) \$ 5,460	\$ 7,625
La Sorpresa	(2) \$ 7,613	\$ 7,903
Other properties	(2) \$ 6,146	-

(1) This amount has been capitalized and is included in share capital on the balance sheet

(2) These amounts have been capitalized and are included in mineral properties on the balance sheet

Southern Silver Exploration Corp.
Notes to the Consolidated Financial Statements
For the nine months ended January 31, 2007 and 2006

5. Share Capital

(a) Issued and Outstanding

The authorized share capital of the Company is unlimited. The issued share capital as at January 31, 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 5 (b)	4,600,000	1,600,000	-
Exercised share purchase warrants	Note 5 (e)	3,549,000	926,900	-
Exercised Options	Note 5 (d)	295,000	96,900	-
Issued to acquire Pinabete Property	Note 5 (c)	50,000	37,000	-
Fair value of stock options exercised		-	69,024	(69,024)
Stock based compensation	Note 5 (f)	-	-	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				
Exercised share purchase warrants	Note 5 (e)	1,192,500	342,500	-
Exercised options	Note 5 (d)	145,000	60,400	-
Issued to acquire mineral Properties	Note 5 (c)	100,000	51,000	-
Fair value of stock options exercised		-	51,343	(51,343)
Stock based compensation	Note 5 (f)	-	-	414,783
Subtotal before share issue costs		1,437,500	505,243	363,440
Share issue costs		-	(3,845)	-
Balance as at January 31, 2007		26,571,421	\$ 12,177,494	\$ 1,362,904

5. Share Capital, continued

(b) Private Placements

Nine months ended January 31, 2007

On January 29, 2007 the Company announced a non-brokered private placement for 13 million units as at price of \$0.50 per unit for gross proceeds of \$6.5 million. Each unit consists of one common share and one half share purchase warrant. Each full share purchase warrant is exercisable at \$0.60 for a two year period.

Subsequent to the period end, on February 26, 2007 this private placement closed with regulatory approval of the TSX and the Company issued 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 for a two year period. 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 consisted of one common share and one half share purchase warrant exercisable at \$0.60 for a two year period

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 for a two year period. The Company incurred share issuance costs of \$3,500 resulting in net proceeds of \$596,500.

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 shares and one share purchase warrant exercisable at \$0.30 for a two year period. The Company incurred share issuance costs of \$165,868 resulting in net proceeds of \$834,132

Issuance costs were as follows:

- (i) Finders' fees of \$33,107 being 7% of the value of the units subscribed by clients.
- (ii) Other general cash issuance costs were \$12,843.
- (iii) 230,000 units were issued to the agents involved, consisting of 230,000 common shares and 230,000 share purchase warrants exercisable at \$0.30 for a two year period.
- (iv) The common shares issued to the agents were valued at \$0.25 per share (total \$57,500) and the warrants were valued at \$0.27 per warrant (total \$62,418) using the Black-Scholes option pricing model (Note 5 (e)).

5. Share Capital, continued.

(b) Private Placements, continued

Year ended April 30, 2006, continued

In the year ended April 30, 2006 the Company realized gross proceeds of \$1,600,000 with share issue costs of \$169,368 resulting in net proceeds of \$1,430,632 from these private placements.

(c) Shares Issued for Mineral Property

During the nine months ended January 31, 2007, the Company issued 100,000 common shares for value at \$51,000.

- (i) 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 3 (b).
- (ii) 50,000 common shares valued at \$0.35 per share, \$17,500 in total, pursuant to the acquisition of Magistral I property see Note 3 (a).

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 3 (b).

Subsequent to the period ended January 31, 2007, on February 1, 2007, the Company issued 50,000 common shares valued at \$0.70 per share, \$35,000 in total, pursuant to the terms of the Quila property agreement see Note 3 (a)

(d) Stock Options

As at January 31, 2007 and 2006, the Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum of 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

The purpose of the Plan is to provide directors, officers and key employees of, 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.

Southern Silver Exploration Corp.
Notes to the Consolidated Financial Statements
For the nine months ended January 31, 2007 and 2006

5. Share Capital, continued.

(d) Stock Options, continued

Of the 2,497,500 options outstanding as at January 31, 2007, 2,428,750 were exercisable with the remaining 68,750 vesting over the next eight months. Transactions for the nine months ended January 31, 2007 and the year ended April 30, 2006 were as follows:

Exercise Price	Expiry Date	Balance April 30, 2006	Options Granted	Cancelled or Expired	Options Exercised	Balance Jan 31, 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
		2,092,500	550,000	-	145,000	2,497,500
Weighted average exercise price		\$0.60	\$0.88	\$0.00	\$0.42	\$0.67

Exercise Price	Expiry Date	Balance April 30, 2005	Options Granted	Cancelled or Expired	Options Exercised	Balance April 30, 2006
\$0.07	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		\$0.61	\$0.51	\$0.00	\$0.33	\$0.60

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

Southern Silver Exploration Corp.

Notes to the Consolidated Financial Statements

For the nine months ended January 31, 2007 and 2006

5. Share Capital, continued

(e) Share Purchase Warrants

The Company's share purchase warrants for the nine months ended January 31, 2007 and the year ended April 30, 2006 are summarized as follows:

Exercise Price	Expiry Date	Balance April 30, 2006	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance Jan 31, 2007
\$0.20	December 14, 2006	645,000	-	35,000	610,000	-
\$0.60	April 11, 2007	1,652,500	-	-	102,500	1,550,000
\$0.60	April 11, 2007	197,500	-	-	50,000	147,500
\$0.30	October 31, 2007	3,140,000	-	-	430,000	2,710,000
\$0.30	October 31, 2007	97,500	-	-	-	97,500
\$1.00	April 7, 2008	600,000	-	-	-	600,000
		6,332,500	-	35,000	1,192,500	5,105,000
Weighted average exercise price		\$0.44	\$0.00	\$0.20	\$0.29	\$0.48

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

Southern Silver Exploration Corp.
Notes to the Consolidated Financial Statements
For the nine months ended January 31, 2007 and 2006

5. Share Capital, continued

(f) Fair Value Determination

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

Nine months ended	January 31,		
	2007	2006	
	Options	Options	Warrants
Expected share price volatility	182.19%	144.83%	145.02%
Expected option life in years	2	2.33	2
Risk-free interest rate	4.19%	3.63%	3.41%
Expected dividend yield	0.00%	0.00%	0.00%

The total calculated fair value of options expensed during the nine months ended January 31, 2007 was \$414,783 (2006: \$498,636) are included in the statement of operations as follows:

	Three months ended January 31,				Nine months ended January 31,			
	2007		2006		2007		2006	
	Number of options	Stock based Compensation	Number of options	Stock based Compensation	Number of options	Stock based Compensation	Number of options	Stock based Compensation
Consulting	-	\$ -	145,000	\$ 66,183	90,000	\$ 64,188	225,000	\$ 84,381
Directors and officers fee	-	-	325,000	148,408	231,250	165,165	560,000	201,864
Wages and Benefits	-	-	300,000	155,524	260,000	185,430	550,000	212,391
Total	-	\$ -	770,000	\$ 370,115	581,250	\$ 414,783	1,335,000	\$ 498,636

In fiscal 2006 the fair value for the 230,000 warrants issued to agents as finders' fees using the Black-Scholes model was calculated to be \$0.27 per warrant giving a calculated total fair value of \$62,418 and is included in share issue costs and contributed surplus.

Southern Silver Exploration Corp.
Notes to the Consolidated Financial Statements
For the nine months ended January 31, 2007 and 2006

6. Segmented Disclosure

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

	January 31, 2007		April 30, 2006	
Mexico	\$	2,153,534	\$	1,332,041
USA		283,826		156,173
	\$	2,437,360	\$	1,488,214

7. Supplemental Cash Flow Information

Supplemental cash flow information	Three months ended		Nine months ended	
	January 31,		January 31,	
	2007	2006	2007	2006
Cash Items				
Interest received	\$ 11,275	\$ 10,123	\$ 52,821	\$ 12,609
Share issued Costs				
Cash items				
Share issue costs	\$ 1,897	\$ 1,201	\$ 3,845	\$ 45,951
Shares issued for finders' fee	-	-	-	\$ 57,500
Non-cash items				
Fair value of agent warrants included in share issue costs	-	\$ (34,434)	-	\$ 50,622
Non-cash financing activities				
Shares issued for mineral properties	\$ 17,500	\$ 37,000	\$ 51,000	\$ 37,000
Accounts payable for mineral properties	\$ 14,995	\$ 19,176	\$ 14,995	\$ 19,176

Southern Silver Exploration Corp.

Notes to the Consolidated Financial Statements

For the nine months ended January 31, 2007 and 2006

8. Contingent Liabilities

Certain claims have been filed against the Company. Details are as follows:

- (a) A claim for US \$80,000 plus 50,000 shares of the Company exists 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.

9. Subsequent Events

The following events occurred subsequent to the period ended January 31, 2007.

- (a) 245,000 warrants were exercised for proceeds of \$76,500
- (b) On February 1, 2007, the Company issued 50,000 common shares valued at \$0.70 per share, \$35,000 in total, pursuant to the terms of the Quila property agreement see Note 3 (a)
- (c) On February 26, 2007 the \$6.5 million non-brokered private placement (see Note 5(b)) closed with the all common shares issued pursuant to the unit offering, including share purchase warrants and shares issued as finder's fees. All shares carry a legend restricting the shares from trading for a period of four months to June 23, 2007
- (d) On March 1, 2007 1,496,000 share options were granted to directors, officers, employees and consultants, exercisable at \$0.58 per share for a period of five years.



Management's Discussion and Analysis

In respect of the nine months ended January 31, 2007

Dated: March 23, 2007

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Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

A. Introduction

The following Management Discussion and Analysis ("MD&A") of the operating results and financial condition of Southern Silver Exploration Corp., formerly known as Newcoast Silver Mines Ltd., (the "Company") compares results for the nine months ended January 31, 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, 2006. 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 March 23, 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.

The Company engaged Adrian Robles Salazar and Dr. Linus Keating, two highly regarded geologists with specialized experience in Mexico and Arizona, respectively, to provide consulting services. 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 Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

C. Exchange information and conversion tables.

For ease of reference, the following information is provided:

	U.S. Dollar to Canadian Dollars			
	Three months ended		Years ended	
	January 31, 2007	July 31, 2006	April 30, 2006	2005
Rate at end of period	1.18250	1.13170	1.18250	1.25860
Average rate for period	1.15458	1.11709	1.18717	1.27011
High for period	1.18480	1.14560	1.27320	1.40030
Low for period	1.11970	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 Inc
Management's Discussion and Analysis
In respect to the nine months ended January 31, 2007

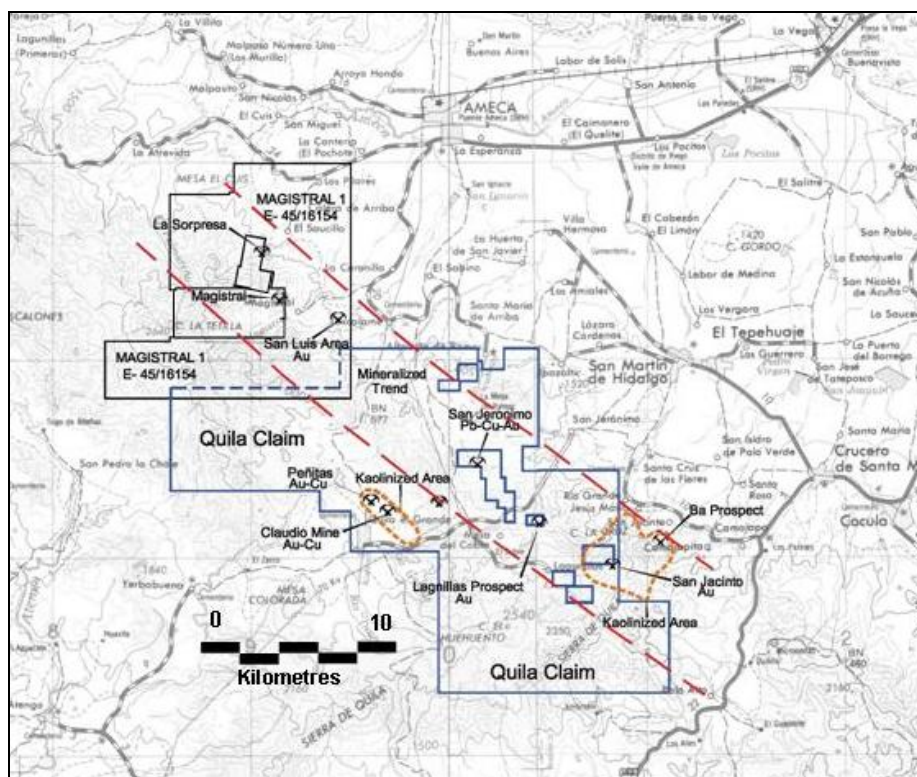
D. Description of Business

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

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.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

E. Description of Mineral Properties

ii) 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 January 31, 2007 see Note 3 (a) of the consolidated financial statements dated January 31, 2007 for further details.

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

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.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

E. Description of Mineral Properties, continued

ii) La Sorpresa Property – Mexico, continued

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, 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 January 31, 2007, the Company had incurred exploration costs of \$855,568 on La Sorpresa with acquisition costs of \$135,514, giving total expenditures of \$991,082. 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.

iii) 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 3 (e) ii in consolidated financial statements dated January 31, 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.

Table X: San Luis Target - Assay Results

Drill Hole No.	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
inc			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
inc			196.90	203.75	6.85	1.05	15.70	0.55

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

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

E. Description of Mineral Properties, continued

iii) Magistral I Property – Mexico

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.

The San Luis zone is one of several east-west striking, en-echelon vein systems which sit within or along the margins of a >1.5 km diameter aeromagnetic low and may be sourced from a buried porphyry system which feeds the higher-level veins.

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. The mineralization is in part hosted by siliceous intrusives and altered monzonite, which underlies the center of the geophysical anomaly.

Ground reconnaissance and sampling continue to advance multiple prospects within the El Magistral concession through to the final target selection process. Up to twelve drill holes totaling approximately 2500 metres will test a Au-Cu-enriched quartz-hematite veins in the San Luis and Cerro de la Cruz prospect areas.

Additional drilling is anticipated on the El Magistral concession. Other geophysical and geochemical targets on the Minas de Ameca concessions are currently being reviewed as part of the winter 2007 surface program.

As at January 31, 2007, the Company had incurred exploration costs of \$77,416 on Magistral with acquisition costs of \$56,882, giving total expenditures of \$134,298. As at April 30, 2006, there were no costs incurred for this property.

iv) 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 the 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.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

E. Description of Mineral Properties, continued

iv) El Magistral – Mexico, continued

Up to 2500 metres of drilling is anticipated at the Magistral Mine prospect during the 2007 field season. The Magistral vein is exposed on surface for over 400 metres strike-length 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 with production from an on-site mill. Operations were halted by the Mexican Revolution and the property has seen only limited testing by modern exploration techniques. Final drill placement is pending the completion of detailed mapping and sampling of the vein system and the western extension of the mineralized structure. Up to 10 to 12 drill holes are anticipated during the initial testing of this mineralized zone.

Additional surface exploration continues at the El Magistral concession with a focus on the west extension of the Magistral structure and on the La Soledad Cu-Au breccia.

v) 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 January 31, 2007, the Company had incurred exploration costs of \$631 on Quila with acquisition costs of \$11,002, giving total expenditures of \$11,633. As at April 30, 2006, there were no costs incurred for this property.

vi) 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.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

E. Description of Mineral Properties, continued

vi) Pinabete Property – Mexico

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.

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.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

E. Description of Mineral Properties, continued

vi) Pinabete Property – Mexico, continued

As at January 31, 2007, the Company had incurred exploration costs of \$788,461 on the Pinabete property with acquisition costs of \$153,116, giving total expenditures of \$941,577. 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.

vii) 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 January 31, 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.

viii) 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% net smelter royalty ("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.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

E. Description of Mineral Properties, continued

viii) Tombstone Property – Arizona, continued

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.

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-lodes of the Tombstone Mining District.

As at January 31, 2007, the Company had incurred exploration costs of \$112,856 on the Tombstone property with acquisition costs of \$116,386, giving total expenditures of \$229,242. 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.

ix) Oro Property – New Mexico

On August 28, 2006, the Company entered 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 all the terms and conditions in the agreement (See Note 3 of the consolidated financial statements dated January 31, 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 January 31, 2007, the Company had incurred exploration costs of \$33,642 on the Oro property with acquisition costs of \$20,942, giving total expenditures of \$54,584. As at April 30, 2006, the Company had not acquired this property.

Southern Silver Exploration Inc
Management's Discussion and Analysis
In respect to the nine months ended January 31, 2007

F. Mineral Properties Expenditures

All mineral property expenditures, detailed by property, can be found in Note 3 of the consolidated financial statements dated January 31, 2007. The deferred mineral property costs as at January 31, 2007, were as follows:

Nine months ended January 31, 2007	Minas de Ameca	Tombstone	Pinabete	Cristoforos	Oro	Total
	\$	\$	\$	\$	\$	\$
Acquisition	203,398	116,386	153,116	73,213	20,942	567,055
Assays and analysis	50,489	2,390	52,496	-	961	106,336
Camp and supplies	9,158	524	6,220	-	1,242	17,144
Consulting and project supervision	87,491	27,555	4,072	-	1,262	120,380
Drilling	333,116	-	427,428	-	-	760,544
Equipment rental	45,182	396	43,373	-	-	88,951
Exploration and other	76,461	3,425	26,115	233	-	106,234
Field supplies	11,595	-	-	369	340	12,304
Geological and geophysics services	191,029	64,453	164,892	-	13,410	433,784
Project support	63,444	503	19,817	344	10,337	94,445
Repair and maintenance	-	2,314	23,594	-	-	25,908
Travel	51,060	9,048	18,615	785	4,476	83,984
Vehicle costs	14,590	2,248	1,839	-	1,614	20,291
Total	1,137,013	229,242	941,577	74,944	54,584	2,437,360

Of the total mineral expenditures of \$2,437,360, 47% was spent on La Sorpresa, 38% on Pinabete, 10% Tombstone, 3% on Cristoforos and 2% on Oro.

G. Results of Operations

In the nine months ended January 31, 2007, ("Q3 2007") the Company had a net loss of \$973,548 compared to a net loss of \$1,242,779 for the comparative period last year. Share based compensation was \$414,783 in Q3 (Q3 2006: \$498,636), 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 Q3 2007 was \$558,765 (Q3 2006: \$744,143). This decrease of \$185,378 was primarily due to the following:

- i) Administration increased to \$50,000 in Q3 2007 compared to \$45,000 for Q3 2006. This increase of \$5,000 is due to an raise, from January 1, 2007, of \$5,000 per month in the management fees paid by the Company.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

G. Results of Operations, continued

- ii) With the removal of stock based compensation of \$64,188 (Q3 2006: \$84,381) consulting fees decreased to \$131,816 in Q3 2007 compared to \$136,711 for Q3 2006. This small decrease of \$4,895 is due to a slight change in consulting services provided.
- iii) With the removal of stock based compensation of \$165,165 (Q3 2006: \$201,864) directors and officer fees increase to \$49,000 in Q3 2007 compared to no fees for Q3 2006. These fees represent \$7,000 per month paid as remunerated for the position of President of the Company from July 1, 2006.
- iv) The Company reported a net foreign currency gain of \$46,471 in Q3 2007, compared to a net foreign exchange loss of \$6,153 for Q3 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 (Q3 2007: 1.1825. Q3 2006: 1.1481) 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.
- v) General exploration increased to \$33,616 in Q3 2007 compared to \$12,161 for Q3 2006. This increase of \$21,455 is due to increased activity reviewing potential new properties.
- vi) Investor relations decreased to \$139,494 in Q3 2007 compared to \$174,606 for Q3 2006. This represents a decrease of \$35,112 and is due to the reduction in activity for Q3 2007 compared to Q3 2006 when expenses were incurred in association with promotions at financial centres in Canada, the U.S. and Europe.
- vii) Regulatory fees and taxes decreased to \$6,987 in Q3 2007 compared to \$27,712 for Q3 2006. This decrease of \$20,725 is due to a decrease in taxes paid in Mexico.
- viii) Shareholders communications and printing decreased to \$11,101 in Q3 2007 compared to \$106,542 for Q3 2006. In Q3 2006, a payment of approximately \$86,000 was made to a US consultant for a specific mail out which did not occur in Q3 2007. There was also a reduction in general shareholder communications in Q3 2007 compared to Q3 2006. Combined, this resulted in a decrease of \$95,441.
- ix) Travel and promotion decreased to \$53,730 in Q3 2007 compared to \$85,072 for Q3 2006. This represents a decrease of \$31,342 and is due to the reduction in travel for Q3 2007 compared to Q3 2006 when expenses were incurred in association with travel to financial centres in Canada, the U.S. and Europe.
- x) With the removal of stock based compensation of \$185,430 (Q3 2006: \$212,391) wages and benefits increased to \$21,748 in Q3 2007 compared to no cost for Q3 2006. This increase is due to the payment of bonuses and benefits to employees.
- xi) Interest income increased to \$52,821 in Q3 2007 compared to \$14,533 for Q3 2006. This increase of \$38,288 is due to placement of cash on various term deposits during Q3 2007.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

H. Quarterly Results

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

	Jan 31 2,007 \$	Oct 31 2006 \$	July 31 2006 \$	April 30, 2006 \$	Jan 31 2006 \$	Oct 31 2005 \$	July 31 2005 \$	April 30 2005 \$	Jan 31 2005 \$
Operating expenses	227,423	253,542	130,621	184,182	287,715	284,952	186,010	153,827	81,430
Interest earned	(11,275)	(19,184)	(22,362)	(13,106)	(12,047)	(2,486)	-	-	-
Loss before the undernoted	216,148	234,358	108,259	171,076	275,668	282,466	186,010	153,827	81,430
Stock-based compensation	-	22,526	392,257	55,341	370,115	128,521	-	234,091	135,365
Net Loss	216,148	256,884	500,516	226,417	645,783	410,987	186,010	387,918	216,795
Loss per share - basic and diluted	0.01	0.01	0.02	0.01	0.04	0.02	0.01	0.03	0.03

I. 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 an annual remuneration of \$84,000.

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 4 of the consolidated financial statements dated January 31, 2007.

J. 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 \$1,276,457 as at January 31, 2007 compared to \$2,334,313 as at April 30, 2006 and \$1,546,099 at January 31, 2006. Cash and cash equivalents totaled \$1,289,048, \$2,326,667 and \$1,635,995, respectively.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

J. Financial Conditions, Liquidity and Capital Resources, continued

i) Equity financings

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 for a two year period. 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 for finders fee. Each option consists of one unit at \$0.50 per unit and each unit consisted of one common share and one half share purchase warrant exercisable at \$0.60 for a two year period

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 for a two year period.

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 for a two year period.

After going through a reactivation process in fiscal 2005 and the re-instatement 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.

ii) Funds raised by Stock options and share purchase warrants

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.

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

During three months ended January 31, 2007, the Company spent \$306,639 on mineral expenditure, (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% on both Pinabete and Oro, and 3% on Quila.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

J. Financial Conditions, Liquidity and Capital Resources, continued

iii) Exploration expenditures, continued

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

During 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% Tombstone, 15% Magistral, 3% Cristoforos and 2% Pinabete.

For further information on these expenditures see Note E of this MD&A and Note 3 of the consolidated financial statements dated January 31, 2007.

iv) Amounts receivable

IVA, a 15% value added tax applied in Mexico to expenditures at source, which is considered recoverable, is included in receivable on the balance sheet of the consolidated financial statements dated January 31, 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 prospect.
 - 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 expenditure 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 26, 2007 and incur minimum expenditure in aggregate of not less than US\$100,000 for the Magistral property.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

J. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

(f) The Company is required to make a payment for 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 31, 2009 minimum expenditure in aggregate of not less than US\$450,000 for the Quila property.

vi) Outstanding Stock options and share purchase warrants

As at March 23, 2007, 2,572,500 share purchase warrants and 215,000 stock 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 \$836,250 in additional capital; \$771,750 from the exercise of the warrants and \$64,500 from the exercise of options.

K. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

The authorized share capital of the Company is unlimited. The issued share capital as at March 23, 2007 is as follows:

	Number of Shares	Total \$
Balance as at January 31, 2007	26,571,421	12,177,494
Issued subsequent to quarter-end		
Private placement	13,000,000	6,500,000
Finders fees	85,400	42,700
Exercise of share purchase warrant	245,000	76,500
Acquire mineral properties	50,000	35,000
Balance as at March 23, 2007	39,951,821	18,831,694

For further information on Options and Warrants, see Note 5 of the consolidated financial statements dated January 31, 2007.

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

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

ii) Share Purchase Warrants

Warrants outstanding at March 23, 2007 are as follows:

Exercise Price	Expiry Date	Balance Jan 31, 2007	Warrants Granted	Cancelled or Expired	Warrants Exercised	Balance March 23, 2007
\$0.60	April 11, 2011	1,550,000	-	-	10,000	1,540,000
\$0.60	April 11, 2011	147,500	-	-	-	147,500
\$0.30	October 31, 2007	2,710,000	-	-	230,000	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 28, 2009	-	6,500,000	-	-	6,500,000
\$0.60	February 28, 2009	-	42,700	-	-	42,700
\$0.60	February 28, 2009	-	122,000	-	-	122,000
		5,105,000	6,664,700	-	245,000	11,524,700
Weighted average exercise price		\$0.48	\$0.60	\$0.00	\$0.31	\$0.55

iii) Stock Options

As at January 31, 2007, there were 2,497,500 stock options outstanding with a weighted average exercise price of \$.67 per share. Stock options outstanding at March 23, 2007 are as follows:

Exercise Price	Expiry Date	Balance Jan 31, 2007	Granted	Cancelled or Expired	Exercised	Balance March 23, 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, 2011	-	1,496,000	-	-	1,496,000
		2,497,500	1,496,000	-	-	3,993,500
Weighted average exercise price		\$0.67	\$0.58	\$0.00	\$0.00	\$0.64

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

L. Subsequent Events and Outlook

Significant events that occurred after period end are disclosed in Note 9 of the consolidated financial statements dated January 31, 2007 and elsewhere in this MD&A.

245,000 warrants were exercised after the period ended January 31, 2007. For detailed information see Note K in this MD&A or Note 9 of the consolidated financial statements dated January 31, 2007.

M. Off Balance Sheet

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

N. Management's Responsibility for Financial Information

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

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

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

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

O. 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 other, should be considered.

O. Risks and Uncertainties, continued

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

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 favorable 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, financing 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.

P. 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.

P. Licenses and Permits, continued

Southern Silver Exploration Inc

Management's Discussion and Analysis

In respect to the nine months ended January 31, 2007

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.

Q. 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.

R. 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". Such forward-looking statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.