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**Condensed Consolidated Interim Financial Statements  
Six Months Ended October 31, 2018 and 2017  
(Expressed in Canadian Dollars)  
(Unaudited)**

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## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed consolidated interim financial statements of the Company for the six months ended October 31, 2018 and comparatives for the six months ended October 31, 2017 were prepared by management and have not been reviewed or audited by the Company's auditors.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Loss

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

		Three Months Ended		Six Months Ended	
	Note	October 31,		October 31,	
		2018	2017	2018	2017
<b>Expenses</b>					
Administration	7	\$ 15,000	\$ 15,000	\$ 30,000	\$ 30,000
Consulting	7	55,935	59,083	129,158	108,028
Exploration and evaluation	5 & 7	2,407	180,621	29,817	258,159
Investor relations	7	110,774	136,735	225,301	321,346
Office and general	7	6,115	7,541	11,143	23,473
Professional fees	7	50,676	62,499	60,481	103,508
Regulatory fees and taxes		4,159	4,212	19,710	23,845
Share-based payments	8	114,714	803,648	126,313	804,078
Shareholders' communications		5,379	3,060	7,666	10,952
Transfer agent		6,833	3,065	8,633	6,915
Travel and promotion		-	266	4,442	20,928
		<b>371,992</b>	<b>1,275,730</b>	<b>652,664</b>	<b>1,711,232</b>
<b>Foreign exchange loss</b>		2,138	3,663	4,090	35,787
<b>Other income</b>		(201)	-	(4,787)	-
<b>Share of loss in equity accounted investment</b>	6	581,183	182,377	998,359	638,022
		<b>583,120</b>	<b>186,040</b>	<b>997,662</b>	<b>673,809</b>
<b>Net Loss and Comprehensive Loss for the Period</b>		<b>\$ 955,112</b>	<b>\$ 1,461,770</b>	<b>\$ 1,650,326</b>	<b>\$ 2,385,041</b>
Loss per share - basic and diluted		\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.03
Weighted average number of common shares outstanding		96,663,948	95,025,894	96,624,274	92,797,195

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

**Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars, Unaudited)

As at	Note	October 31, 2018	April 30, 2018
<b>Current Assets</b>			
Cash	9	\$ 788,194	\$ 2,060,490
Taxes and other receivables		71,576	189,683
Prepays		50,026	51,982
		<b>909,796</b>	<b>2,302,155</b>
<b>Non-Current Assets</b>			
Reclamation bond		39,257	38,338
Mineral properties	5	218,447	126,166
Investment in associate	6	4,702,455	5,028,583
		<b>4,960,159</b>	<b>5,193,087</b>
		<b>\$ 5,869,955</b>	<b>\$ 7,495,242</b>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 276,020	\$ 385,992
Due to related parties	7	48,980	74,329
		<b>325,000</b>	<b>460,321</b>
<b>Equity</b>			
Share capital	8	37,645,662	37,611,615
Share-based payments reserve		1,704,469	1,578,156
Warrants reserve		931,156	931,156
Other reserve		9,270	9,270
Deficit		(34,745,602)	(33,095,276)
		<b>5,544,955</b>	<b>7,034,921</b>
		<b>\$ 5,869,955</b>	<b>\$ 7,495,242</b>

Approved on behalf of the Board

"Lawrence Page"

Lawrence Page, Q.C.

"Eugene Spiering"

Eugene Spiering

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

	Share Capital		Share-based			Deficit	Total
	Number of Shares	Amount	Payments Reserve	Warrants Reserve	Other Reserve		
<b>Balance as at April 30, 2017</b>	87,174,448	\$ 34,258,500	\$ 836,198	\$ 931,156	\$ 9,270	\$ (29,762,438)	\$ 6,272,686
Issued							
Private placements	8,797,000	3,518,800	-	-	-	-	3,518,800
Exercise of options	400,000	32,000	-	-	-	-	32,000
Share issue costs	-	(250,799)	33,806	-	-	-	(216,993)
Share-based payments	-	-	804,078	-	-	-	804,078
Fair value of options exercised	-	24,546	(24,546)	-	-	-	-
Fair value of warrants expired	-	-	(19,523)	-	-	19,523	-
Net loss	-	-	-	-	-	(2,385,041)	(2,385,041)
<b>Balance as at October 31, 2017</b>	96,371,448	\$ 37,583,047	\$ 1,630,013	\$ 931,156	\$ 9,270	\$ (32,127,956)	\$ 8,025,530
<b>Balance as at April 30, 2018</b>	96,463,948	\$ 37,611,615	\$ 1,578,156	\$ 931,156	\$ 9,270	\$ (33,095,276)	\$ 7,034,921
Issued							
For services	100,000	20,000	-	-	-	-	20,000
Exercise of warrants	100,000	15,000	-	-	-	-	15,000
Share issue costs	-	(953)	-	-	-	-	(953)
Share-based payments	-	-	126,313	-	-	-	126,313
Net loss	-	-	-	-	-	(1,650,326)	(1,650,326)
<b>Balance as at October 31, 2018</b>	96,663,948	\$ 37,645,662	\$ 1,704,469	\$ 931,156	\$ 9,270	\$ (34,745,602)	\$ 5,544,955

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

	2018	2017
<b>Operating Activities</b>		
Net loss	\$ (1,650,326)	\$ (2,385,041)
<b>Items not involving cash:</b>		
Share of loss in equity investment	998,359	638,022
Share-based payments	126,313	804,078
Shares issued for services	20,000	-
Unrealized foreign exchange (gain) loss	(2,446)	42,239
	(508,100)	(900,702)
<b>Changes in non-cash working capital</b>		
Taxes and other receivables	118,107	(90,462)
Prepays	1,956	(11,700)
Accounts payable and accrued liabilities	(109,972)	93,417
Due to related parties	(25,349)	(3,104)
	(15,258)	(11,849)
<b>Cash Used in Operating Activities</b>	(523,358)	(912,551)
<b>Investing Activities</b>		
Mineral property acquisition	(92,281)	(41,208)
<b>Cash Used in Investing Activities</b>	(92,281)	(41,208)
<b>Financing Activities</b>		
Proceeds from share issuance, net	14,047	3,333,807
Advances to associate, net	(672,231)	(1,147,830)
Subscriptions received	-	-
<b>Cash (Used in) Provided by Financing Activities</b>	(658,184)	2,185,977
<b>Foreign Exchange Effect on Cash</b>	1,527	(49,743)
<b>(Decrease) Increase in Cash During the Period</b>	(1,272,296)	1,182,475
<b>Cash, Beginning of Period</b>	2,060,490	2,401,026
<b>Cash, End of Period</b>	\$ 788,194	\$ 3,583,501

Supplemental cash flow information (Note 9)

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

# Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

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## 1. Nature of Operations and Going Concern

Southern Silver Exploration Corp. (the "Company") is an exploration stage company incorporated under the laws of British Columbia, Canada. The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements. The Company's registered office is 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These condensed consolidated interim financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2018 the Company had working capital of \$584,796 (April 30, 2018 - \$1,841,834). The Company incurred a net loss of \$1,650,326 for the six months ended October 31, 2018 (2017 - \$2,385,041) and had an accumulated deficit of \$34,745,602 as at October 31, 2018 (April 30, 2018 - \$33,095,276).

The Company has relied mainly upon the issuance of share capital and mineral property earn-in agreements to finance its activities. The Company will be required to rely on such funding to finance future exploration and administrative activities. There can be no assurance that further financing will be available to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. Basis of Preparation and Consolidation

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* on a historical cost basis, except for cash flow information and financial instruments measured at fair value. The financial statements of the Company consolidates entities controlled and equity accounts entities partially-owned by the Company as follows:

Entity	Country of Incorporation	Principal Activity
Southern Silver Holdings Limited ("SSHL")	British Virgin Islands	Holding company - 40% owned by the Company
Minera Plata del Sur S.A de C.V. ("MPS")	Mexico	Mineral exploration - 100% owned by SSHL
Southern Silver Projects Limited ("SSPL")	British Virgin Islands	Holding company - 100% owned by the Company
Exploraciones Magistral S.A de C.V.	Mexico	Mineral exploration - 100% owned by SSPL
Southern Silver Exploration Corp. (US)	United States of America	Mineral exploration - 100% owned by the Company

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

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### 2. Basis of Preparation and Consolidation, continued

All inter-company transactions and balances have been eliminated upon consolidation. The Company's functional and presentation currency is the Canadian dollar.

These condensed consolidated interim financial statements do not include all of the information required for complete annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended April 30, 2018.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on December 20, 2018.

### 3. Summary of Significant Accounting Policies

The same accounting policies are used in the preparation of these condensed consolidated interim financial statements as for the most recent audited annual consolidated financial statements, except for the adoption of IFRS 9, *Financial Instruments* ("IFRS 9") effective May 1, 2018, and reflect all the adjustments necessary for fair presentation in accordance with International Financial Reporting Standards of the results for the interim periods presented.

### 4. Financial Instruments

Upon adoption of IFRS 9 there were no changes to the measurement of the Company's financial instruments which include cash, other receivables, reclamation bond, accounts payable and accrued liabilities and due to related parties. The carrying values of other receivables, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

### 5. Mineral Properties

Mineral property acquisition costs as at October 31, 2018 were as follows:

	Oro	Total
	\$	\$
Balance as at April 30, 2017	59,753	59,753
Additions, net	66,413	66,413
Balance as at April 30, 2018	126,166	126,166
Additions, net	92,281	92,281
<b>Balance as at October 31, 2018</b>	<b>218,447</b>	<b>218,447</b>



## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

### 5. Mineral Properties, continued

#### (a) Oro - New Mexico, USA

The property consists of certain unpatented mining claims in the Eureka Mining District, Grant County, New Mexico, eight patented lode mining claims, which are adjacent to these claims, and surface rights to a contiguous property.

The property is subject to a 2% NSR payable to the optionors whom have granted the Company an option to purchase the NSR at any time in 0.5% increments at US \$500,000 for each increment.

Pursuant to a lease with option to purchase agreement dated May 1, 2011, the Company can earn a 100% interest in six unpatented lode mining claims also located in the Eureka Mining District, Grant County, New Mexico. Remaining lease payments are due as follows:

- (i) US \$30,000 annually from May 1, 2018 (paid) to May 1, 2024; and
- (ii) US \$60,000 annually from May 1, 2025 to May 1, 2031.

The Company can purchase the property at any time by paying any amounts remaining under the lease, subject to a 1% NSR payable to the optionors, which terminates when aggregate payments thereunder equal US \$500,000.

#### (b) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the six months ended October 31, 2018 and 2017 were as follows:

	Oro		Total	
	\$	\$	\$	\$
	2018	2017	2018	2017
Assays and geochemistry	151	-	151	-
Drilling	-	75,734	-	75,734
Geological and geophysics	23,117	153,936	23,117	153,936
Land fees	-	5,571	-	5,571
Project supervision	6,549	22,548	6,549	22,548
	<b>29,817</b>	<b>257,789</b>	<b>29,817</b>	<b>257,789</b>
General exploration - other			-	370
			<b>29,817</b>	<b>258,159</b>

### 6. Investment in Associate

Pursuant to an earn-in agreement completed in November 2016, Electrum Global Holdings L.P. ("Electrum") owns 60% of SSSL with the Company owning the remaining 40%. MPS, a wholly-owned subsidiary of SSSL, holds title to the Cerro Las Minitas property which consists of twenty five mineral concessions located in Durango, Mexico.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

### 6. Investment in Associate, continued

Following the earn-in period, each SSSL shareholder is to proportionately participate in all exploration and associated costs related to the development of Cerro Las Minitas in accordance with their respective participating interest or have their participating interest diluted in accordance with an applicable dilution formula. If a participating interest is diluted to less than 10%, that interest will be surrendered in exchange for a 2% NSR.

As the Company retained a 40% interest and is able to exert significant influence, SSSL is considered to be an associate as at October 31, 2018 and April 30, 2018. The interest is accounted for as an investment in an associate using the equity method as follows:

	October 31, 2018	April 30, 2018
Balance as at May 1,	\$ 5,028,583	\$ 4,043,938
Advances to associate, net	672,231	2,016,876
Share of net loss	(998,359)	(1,032,231)
	<b>\$ 4,702,455</b>	<b>\$ 5,028,583</b>

With respect to Cerro Las Minitas, the Company will be expected to contribute at its participating interest to the following:

- On April 20, 2017, two contiguous concessions were acquired by staking. One of these claims is subject to a finder's fee whereby minimum periodic payments are due on a semi-annual basis accelerating from US \$5,000 to US \$25,000 over a ninety-six month period and a 1% NSR with such periodic payments being credited to NSR payments. Subsequent to payment of US \$5,000,000 in NSR payments the royalty is reduced to 0.5%.
- One additional concession may be acquired if the underlying owner can deliver registered title and by making a payment, excluding applicable local taxes, of US \$200,000.

Summarized financial information for SSSL and MPS after inter-company eliminations is as follows:

	October 31, 2018	April 30, 2018
Current assets (USD)	\$ 958,174	\$ 1,362,972
Non-current assets (USD)	2,192,737	2,215,617
Current liabilities (USD)	340,080	44,733
Non-current liabilities (USD)	11,399,002	11,482,726
Net loss (USD)	1,914,301	2,003,652

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

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### **7. Related Party Balances and Transactions**

Except as disclosed elsewhere, the Company entered into the following related party transactions:

(a) Pursuant to a service agreement between the Company and a private company controlled by a director and officer of the Company, the Company was charged as follows:

- \$30,000 (2017 - \$30,000) for office space and general administration services;
- \$18,150 (2017 - \$21,450) for professional services;
- \$7,158 (2017 - \$17,728) for consulting services;
- \$100,423 (2017 - \$98,215) for investor relations services;
- \$2,050 (2017 - \$23,188) for geological services;
- \$113,082 (2017 - \$76,586) for geological and professional services (charged to investment in associate); and
- \$857 (2017 - \$3,245) for the mark-up on out-of-pocket expenses.

Amounts payable as at October 31, 2018 were \$43,205 (April 30, 2018 - \$44,227).

(b) Fees in the amount of \$nil (2017 - \$46,800) were charged by a director and officer of the Company for consulting services. Effective October 1, 2017 such fees of \$78,000 (2017 - \$13,000) were charged by a company controlled by a director and officer of the Company. Amounts payable as at October 31, 2018 were \$nil (April 30, 2018 - \$13,650).

(c) Fees in the amount of \$12,000 (2017 - \$59,630) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs, mineral property expenditures or charged to investment in associate. Amounts payable as at October 31, 2018 were \$nil (April 30, 2018 - \$8,982).

(d) Fees in the amount of \$15,000 (2017 - \$15,000) were charged by an officer of the Company for consulting services. Amounts payable as at October 31, 2018 were \$2,625 (April 30, 2018 - \$2,625).

(e) Fees in the amount of \$18,000 (2017 - \$21,000) were charged by a an officer of the Company for consulting services and included in consulting fees, mineral property expenditures or charged to investment in associate. Amounts payable as at October 31, 2018 were \$3,150 (April 30, 2018 - \$3,150).

(f) Amounts payable, relating to consulting services charged by a director of the Company, as at October 31, 2018 were \$nil (April 30, 2018 - \$1,695).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. Compensation awarded to key management, included in (b), (d), (e) and (f) above, was as follows:

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

### 7. Related Party Balances and Transactions, continued

	2018	2017
Short-term benefits	\$ 111,000	\$ 95,800
Share-based payments	81,370	584,471
Total	\$ 192,370	\$ 680,271

One executive officer is entitled to termination benefits in the event of a change of control equal to thirty six months of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at October 31, 2018 was \$468,000.

### 8. Share Capital

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

#### (a) Equity Financings

*Six months ended October 31, 2017*

On June 13, 2017, the Company closed the first tranche of a non-brokered and brokered private placement and issued 6,372,500 units for gross proceeds of \$2,549,000. On August 31, 2017, the Company closed the second tranche of this private placement and issued 1,170,000 units for gross proceeds of \$468,000. On September 29, 2017, the Company closed the final tranche of this private placement and issued 1,254,500 units for gross proceeds of \$501,800. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of three years at an exercise price of \$0.55 per share.

On August 31, 2017, the Company also issued 105,600 finders' compensation options exercisable to purchase one common share for a period of three years at an exercise price of \$0.40 per share and 1,750 finders' share purchase warrants exercisable to purchase one common share for a period of three years at an exercise price of \$0.55 per share (Note 8(f)).

#### (b) Shares for Services

On May 29, 2018, 100,000 common shares were issued as part of a consulting agreement at a fair value of \$0.20 per share.

#### (c) Stock Options

On September 27, 2018, the Company granted 800,000 fully-vested stock options to directors, officers and consultants exercisable for a period of five years at an exercise price of \$0.17 per share.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

### 8. Share Capital, continued

#### (c) Stock Options, continued

Stock options outstanding and exercisable as at October 31, 2018 were as follows:

Exercise Price	Expiry Date	Balance		
		April 30, 2018	Granted	
\$0.50	March 24, 2019	50,000	-	50,000
\$0.08	March 26, 2020	2,218,000	-	2,218,000
\$0.08	July 29, 2020	650,000	-	650,000
\$0.08	September 28, 2020	190,000	-	190,000
\$0.11	April 22, 2021	1,168,500	-	1,168,500
\$0.30	June 3, 2021	1,625,000	-	1,625,000
\$0.34	October 2, 2022	2,750,000	-	2,750,000
\$0.34	February 1, 2023	150,000	-	150,000
\$0.17	September 27, 2023	-	800,000	800,000
<b>Options outstanding</b>		<b>8,801,500</b>	<b>800,000</b>	<b>9,601,500</b>
<b>Options exercisable</b>		<b>8,651,500</b>		<b>9,526,500</b>
Weighted average exercise price, outstanding		\$0.21	\$0.17	\$0.21
Weighted average exercise price, exercisable		\$0.21	\$0.17	\$0.21
Weighted average remaining life in years, outstanding		3.14		2.82
Weighted average remaining life in years, exercisable		3.11		2.81

#### (d) Share Purchase Warrants

Share purchase warrants outstanding as at October 31, 2018 were as follows:

Exercise Price	Expiry Date	Balance		
		April 30, 2018	Exercised	
\$0.08	March 4, 2020	1,259,295	-	1,259,295
\$0.08	March 5, 2020	15,884,593	-	15,884,593
\$0.08	March 11, 2020	1,810,000	-	1,810,000
\$0.15	June 26, 2020	9,000,000	-	9,000,000
\$0.08	March 4, 2021	6,000,000	-	6,000,000
\$0.08	April 8, 2021	2,300,000	-	2,300,000
\$0.15	May 19, 2021	9,062,500	100,000	8,962,500
\$0.55	June 13, 2020	6,372,500	-	6,372,500
\$0.55	August 31, 2020	1,171,750	-	1,171,750
\$0.55	September 29, 2020	1,254,500	-	1,254,500
		<b>54,115,138</b>	<b>100,000</b>	<b>54,015,138</b>
Weighted average exercise price		\$0.18	\$0.15	\$0.18
Weighted average remaining life in years		2.32		1.81

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

### 8. Share Capital, continued

#### (e) Compensation Options

Compensation options outstanding and exercisable as at October 31, 2018 were as follows:

Exercise Price	Expiry Date	Balance April 30, 2018	Balance October 31, 2018
\$0.40	August 31, 2020	105,100	105,100
		<b>105,100</b>	<b>105,100</b>
Weighted average exercise price		\$0.40	\$0.40
Weighted average remaining life in years		2.34	1.84

#### (f) Fair Value Determination

The weighted average fair value of stock options granted was \$0.14 (2017 - \$0.29), compensation options granted was \$nil (2017 - \$0.32) and finders warrants issued was \$nil (2017 - \$0.30). Fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017		
	Options	Options	Options	Warrants
Risk-free interest rate	2.32%	1.78%	1.35%	1.35%
Expected share price volatility	111.05%	129.75%	142.72%	142.72%
Expected life (years)	5.00	5.00	3.00	3.00
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

The expected volatility assumptions have been developed taking into consideration historical volatility of the Company's share price. The total calculated fair value of share-based payments recognized was as follows:

	2018	2017
Consolidated Statements of Comprehensive Loss		
Directors and officers	\$ 81,370	\$ 584,471
Consultants	44,943	219,607
	<b>126,313</b>	<b>804,078</b>
Consolidated Statements of Changes in Equity		
Compensation Options / Finders' warrants	-	33,806
Total	\$ 126,313	\$ 837,884

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars, Unaudited)

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### 9. Supplemental Cash Flow Information

	2018	2017
Cash items		
Interest received	\$ 4,761	\$ -
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

### 10. Segmented Information

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at October 31, 2018 the Company's non-current assets were located in the British Virgin Islands (\$4,702,455) and in the United States of America (\$257,704).

### 11. Events After the Reporting Period

Other than disclosed elsewhere, no significant events occurred subsequent to October 31, 2018.



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**Management's Discussion and Analysis  
For the Six Months Ended October 31, 2018  
Dated: December 20, 2018**

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# Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2018

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## A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating results and financial condition of Southern Silver Exploration Corp. (the "Company") is for the six months ended October 31, 2018 and is dated December 20, 2018. This MD&A was prepared to conform to National Instrument ("NI") 51-102F1 and was approved by the Board of Directors prior to its release.

This analysis should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended October 31, 2018, and the Company's audited consolidated financial statements for the year ended April 30, 2018, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares trade on the TSX Venture Exchange ("SSV"), the Frankfurt Stock Exchange ("SEG1"), the Santiago Stock Exchange, Venture ("SSVCL") and the OTCQB Marketplace ("SSVFF").

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

Additional information relating to the Company is available at [www.southernsilverexploration.com](http://www.southernsilverexploration.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## B. Qualified Person

Robert W. J. Macdonald, P. Geo., is the qualified person as defined by 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 British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

## C. Foreign Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

Canadian Dollars per US Dollar <sup>(1)</sup>			Conversion Table <sup>(2)</sup>		
	Six Months Ended				
	October 31, 2018	2017	Imperial		Metric
Rate at end of period	1.3124	1.2895	1 acre	=	0.404686 hectares
Average rate for period	1.3039	1.2790	1 foot	=	0.304800 meters
			1 mile	=	1.609344 kilometres
			1 ton	=	0.907185 tonnes
			1 Ounce (troy)/ton	=	34.285700 g/t

(1) [www.bankofcanada.ca](http://www.bankofcanada.ca) (2) [www.onlineconversion.com](http://www.onlineconversion.com)

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2018

### C. Foreign Exchange Information and Conversion Tables, continued

Precious metal units and conversion factors <sup>(2)</sup>					
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/t
g	- Gram				
g/t	- 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	

### D. Summary of Mineral Properties

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third party option and/or joint venture agreements.

The Company is continuing to advance its core asset - Cerro Las Minitas - a silver-lead-zinc property located in Durango State, Mexico. The property is a large land position and lies within the prolific Faja de Plata (Belt of Silver) of north central Mexico with the Company owning an indirect interest of 40% along with joint venture partner Electrum Global Holdings L.P. ("Electrum") which owns an indirect 60% interest.

The Company also continues to advance Oro - a gold-silver-copper-lead-zinc property located in New Mexico, USA. The property features a classic porphyry zonation within the highly prospective Laramide Porphyry belt of the southern USA.

#### Cerro Las Minitas - Durango, Mexico

The property is located about 70 kilometres to the northeast of the city of Durango in Durango State, Mexico, and is accessed easily by road. The property comprises twenty five concessions totaling approximately 34,415 hectares in one of the most significant silver producing regions in the world.

From 2010 to present, the Company has completed 131 drill holes totaling 58,176 metres.

Drilling has identified three high-grade silver-polymetallic deposits, the Blind deposit, the El Sol deposit and the Skarn Front deposit, several new discoveries including the North Skarn and Las Victorias targets and extensions to the historic deposits at Mina La Bocona. Mineralization occurs as massive-sulphide pipes, veins and replacements in sub-vertical structures that demonstrate good continuity between drill holes. Mineralization is open on-strike and at depth in a similar geological environment to that of major Mexican Carbonate Replacement Deposits (CRDs) such as Santa Eulalia (45Mt of 310g/t Ag, 7.1% Zn and 8.2% Pb) and Skarn deposits such as San Martin (60Mt of 118g/t Ag, 0.9% Pb and 3.9% Zn).

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2018

### D. Summary of Mineral Properties, continued

#### Cerro Las Minitas - Durango, Mexico, continued

On January 8, 2018, the Company released an updated NI 43-101 mineral resource estimate for the project which, at a 175g/t AgEq cut-off, featured:

- a 318% increase in Indicated Mineral resources to 10.1Mt averaging 102g/t Ag, 0.1g/t Au, 0.15% Cu, 1.4% Pb and 3.6% Zn (356g/t AgEq, 7.6% ZnEq); and
- an 18% increase in Inferred Mineral resources to 8.7Mt averaging 74g/t Ag, 0.04g/t Au, 0.15% Cu, 0.7% Pb and 4.5% Zn (332g/t AgEq, 7.0% ZnEq).

**Table 1: Base-case Mineral Resource Estimate Utilizing a 175g/t AgEq cut-off value:**

Indicated																
Zone	Tonnes (Kt)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Cu (%)	AgEq (g/t)	ZnEq (%)	Ag TrOz (000's)	Au TrOz (000's)	Pb (Mlbs)	Zn (Mlbs)	Cu (Mlbs)	AgEq TrOz (000's)	ZnEq (Mlbs)	
Blind Zone	3,168	86	0.05	1.8	2.1	0.11	279	5.9	8,739	6	128	145	8	28,461	414	
El Sol	1,150	79	0.03	2.0	2.0	0.09	276	5.9	2,931	1	51	52	2	10,217	149	
Las Victorias	708	122	0.70	2.0	2.5	0.23	403	8.6	2,772	16	32	38	4	9,177	133	
Skarn Front	5,109	115	0.07	1.0	5.1	0.17	416	8.8	18,915	11	108	578	19	68,273	993	
<b>Total</b>	<b>10,135</b>	<b>102</b>	<b>0.10</b>	<b>1.4</b>	<b>3.6</b>	<b>0.15</b>	<b>356</b>	<b>7.6</b>	<b>33,356</b>	<b>34</b>	<b>319</b>	<b>813</b>	<b>33</b>	<b>116,127</b>	<b>1,689</b>	

  

Inferred																
Zone	Tonnes (Kt)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Cu (%)	AgEq (g/t)	ZnEq (%)	Ag TrOz (000's)	Au TrOz (000's)	Pb (Mlbs)	Zn (Mlbs)	Cu (Mlbs)	AgEq TrOz (000's)	ZnEq (Mlbs)	
Blind Zone	503	103	0.33	1.9	3.4	0.07	374	7.9	1,662	5	21	38	1	6,042	88	
El Sol	264	61	0.06	1.7	2.5	0.04	263	5.6	515	1	10	15	0	2,233	32	
Skarn Front	7,917	73	0.02	0.6	4.7	0.16	332	7.0	18,545	6	100	818	28	84,451	1,228	
<b>Total</b>	<b>8,685</b>	<b>74</b>	<b>0.04</b>	<b>0.7</b>	<b>4.5</b>	<b>0.15</b>	<b>332</b>	<b>7.0</b>	<b>20,721</b>	<b>12</b>	<b>131</b>	<b>870</b>	<b>29</b>	<b>92,726</b>	<b>1,349</b>	

Notes: The 175g/t AgEq cut-off value was calculated using average long-term prices of \$16/oz. silver, \$1,200/oz. gold, \$2.75/lb. copper, \$1.0/lb. lead and \$1.10/lb. zinc and metal recoveries of 82% silver, 86% lead, 80% zinc and 80% copper were used to define the cut-off grades. The base case cut-off grade assumed \$75/tonne operating and sustaining costs. All prices are stated in \$USD.

Four separate mineral deposits were modelled in the resource update with the Blind, the El Sol and the Las Victorias deposits forming sets of sub-parallel, northwest-trending and steeply dipping mineralized zones which extend for over 1,000 metres strike and up to 600 metres depth. The fourth deposit known as the Skarn Front, forms beneath the Blind, El Sol and Las Victorias deposits and is localized on the outer edge of the skarn alteration zone surrounding the Central Monzonite Intrusion.

Thick zones of higher-grade mineralization cluster at the projected intersections of the Blind and El Sol zones and the Skarn Front, the outline of which forms an extensive "higher-grade" target area which rakes for over 800 metres diagonally and ranges from 300 to 600 metres in width. Significantly, this target region and other targets along the Skarn Front zone have been only partially drill tested to date.

The 2016-17 drill program successfully established potential extensions to the known zones of mineralization in the North Skarn and Las Victorias areas for continued resource expansion in the 2018 drilling. In May 2018, the Company announced the start of drilling on the property as part of its US\$3,000,000 2018/9 exploration program. Up to 10,000 metres of core drilling is targeting continued resource expansion at the Las Victorias and North Skarn target areas.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2018

### D. Summary of Mineral Properties, continued

#### Cerro Las Minitas - Durango, Mexico, continued

A second core drill was mobilized to the project in July 2018 and is targeting the discovery and delineation of major Ag-Au quartz vein systems within the more recently acquired CLM West claim group (Creston del Oro, Biznagas and Los Lenchos claims) which were identified through a comprehensive sampling program of over 6,000 float and rock chip samples, mapping and ground geophysics throughout the last twelve months.

Approximately 10,100 metres of drilling has been completed of the current on program including approximately 3,525 metres of drilling in the recently acquired CLM West claim group.

Initial results from the drilling returned a 15.1 metre (est. TT) interval of strongly silver-enriched mineralization averaging 260g/t Ag, 0.18% Cu 0.9% Pb and 0.1% Zn (317g/t AgEq; 8.9% ZnEq) from drill hole 18CLM-110 which tested the Skarn Front deposit and also successfully extended mineralization in the Las Victorias Target area (see results in Table 2).

Drilling in the area of the Cerro is now focused on the main part of the Skarn Front deposit with two core drills. Assays are pending.

**Table 2: Select Summary Assays from 2018 Drilling at the Cerro Las Minitas Project**

Hole #	From (m)	To (m)	Interval (m)	Est Tr Thck (m)	Ag (g/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)	AgEq (g/t)	ZnEq (%)
<b>Skarn Front</b>											
<b>18CLM-110</b>	<b>450.0</b>	<b>468.9</b>	<b>18.9</b>	<b>15.1</b>	<b>260</b>	<b>0.05</b>	<b>0.2</b>	<b>0.9</b>	<b>0.1</b>	<b>317</b>	<b>8.9</b>
inc.	450.0	462.3	12.3	9.8	377	0.05	0.2	1.2	0.1	451	12.7
inc.	450.0	455.5	5.5	4.4	598	0.07	0.4	2.1	0.1	720	20.3
<b>Las Victorias</b>											
<b>18CLM-107</b>	<b>100.9</b>	<b>102.1</b>	<b>1.1</b>	<b>0.7</b>	<b>55</b>	<b>0.67</b>	<b>0.0</b>	<b>1.9</b>	<b>0.3</b>	<b>180</b>	<b>5.1</b>
	<b>353.8</b>	<b>354.6</b>	<b>0.9</b>	<b>0.6</b>	<b>79</b>	<b>0.37</b>	<b>1.2</b>	<b>0.1</b>	<b>14.1</b>	<b>733</b>	<b>20.7</b>
<b>18CLM-108</b>	<b>434.5</b>	<b>435.2</b>	<b>0.7</b>	<b>0.5</b>	<b>98</b>	<b>0.21</b>	<b>0.0</b>	<b>3.7</b>	<b>0.9</b>	<b>273</b>	<b>7.7</b>
and	444.7	446.4	1.7	1.2	56	0.04	0.0	2.4	0.5	161	4.5
and	461.3	462.2	0.9	0.6	143	0.03	0.2	1.0	0.4	212	6.0
<b>18CLM-109</b>	<b>250.9</b>	<b>253.6</b>	<b>2.7</b>	<b>2.0</b>	<b>88</b>	<b>0.27</b>	<b>0.2</b>	<b>1.1</b>	<b>2.6</b>	<b>257</b>	<b>7.3</b>
<b>North Skarn</b>											
<b>18CLM-111</b>	<b>256.9</b>	<b>257.5</b>	<b>0.6</b>	<b>-</b>	<b>506</b>	<b>0.21</b>	<b>0.1</b>	<b>14.1</b>	<b>15.1</b>	<b>1547</b>	<b>43.7</b>
and	468.3	469.6	1.3	0.9	39	0.01	0.0	2.1	3.5	239	6.7
<b>18CLM-112</b>	<b>387.5</b>	<b>390.9</b>	<b>3.4</b>	<b>2.8</b>	<b>191</b>	<b>0.04</b>	<b>0.9</b>	<b>3.7</b>	<b>9.4</b>	<b>747</b>	<b>21.1</b>
inc.	387.5	388.7	1.1	1.0	260	0.03	0.8	5.6	16.4	1119	31.6
and	415.6	418.3	2.8	2.3	80	0.01	0.4	0.6	0.9	179	5.1
inc.	415.6	416.8	1.3	1.0	113	0.02	0.6	0.9	1.3	254	7.2
<b>18CLM-113</b>	<b>398.5</b>	<b>399.5</b>	<b>1.0</b>	<b>-</b>	<b>154</b>	<b>0.01</b>	<b>0.2</b>	<b>7.3</b>	<b>9.2</b>	<b>756</b>	<b>21.3</b>
and	564.8	565.6	0.8	0.6	214	0.01	0.0	7.2	2.8	563	15.9
and	614.7	616.1	1.4	1.0	49	0.00	0.0	2.0	2.7	211	6.0
and	643.5	645.9	2.4	1.7	139	0.03	0.4	0.4	4.1	339	9.6

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2018

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### D. Summary of Mineral Properties, continued

#### Cerro Las Minitas - Durango, Mexico, continued

*Analyzed by FA/AA for gold and ICP-AES by ALS Laboratories, North Vancouver, BC. Silver (>100ppm), copper, lead and zinc (>1% overlimits assayed by ore grade ICP analysis, High silver overlimits (>1500g/t Ag) and gold overlimits (>10g/t Au) re-assayed with FA-Grav. High Pb (>20%) and Zn (>30%) overlimits assayed by titration. AgEq and ZnEq were calculated using average metal prices of: US\$18.2/oz. silver, US\$1240/oz. gold, US\$2.8/lbs. copper and US\$0.91/lbs. lead and US\$0.94/lbs. zinc. AgEq and ZnEq calculations did not account for relative metallurgical recoveries of the metals. Ore-grade composites calculated using a 80g/t AgEq cut-off and <20% internal dilution, except where noted; anomalous intercepts calculated using a 10g/t AgEq cut-off.*

During October 2018, the Company reported that drilling on the CLM West claim group from hole CLMW-007 returned a 3 metre intercept grading 168g/t Ag from a strongly oxidized and broken zone in the upper part of the hole. The silver intercept is one of three zones intersected in the hole which also include deeper brecciated intervals with strongly anomalous arsenic and antimony values.

The mineralization represents the first significant silver intercept identified on the CLM West claim group where drilling is targeting new Ag-Au epithermal systems similar to the adjacent Avino Gold Silver Mine, located 8 kilometres to the northwest and the La Preciosa deposit (Coeur Mining) located 25 kilometres to the west. The mineralization occurs less than 100 metres below surface and may represent a peripheral structure within a much larger mineralizing system. Only one hole has tested the target to date.

Metallurgical test work on representative composites from the Cerro Los Minitas mineral deposits was conducted by Blue Coast Research of Parksville, BC which visited the project in October 2017 to supervise the selection of samples for use in the study. Representative samples of the Blind – El Sol oxides and sulphides as well as the Skarn Front sulphides were collected from drill core and combined into three distinct composites to represent the three different styles of mineralization currently identified on the project. Test work included sample characterization and batch flotation tests. A limited cyanidation test program was conducted on the Blind – El Sol oxide composite. Sample characterization of the composites included head analyses, chemical characterization, modal mineralogy determinations (including microprobe work) and Bond Ball Work Index tests.

Initial test work successfully generated high-grade lead and zinc concentrates from the Blind-El Sol deposits and a high-grade lead concentrate from the Skarn Front deposit. However, heavy dilution of the zinc concentrate by chalcopyrite resulted in lower than optimal recoveries and grades of zinc concentrate generated from the Skarn Front composite. More recent test work successfully optimized the flotation sequence, upgraded the zinc concentrate by removing the chalcopyrite and created a separate copper concentrate. The best results were achieved using a sequential float of Cu-Pb-Zn followed by subsequent cleaning of each concentrate. The test work on the Skarn Front sulphide composite recovered:

- 67.7% Cu and 15.1% Ag into the copper concentrate assaying 27.9% Cu and 1661g/t Ag respectively after three stages of cleaning;
- 85.2% Pb and 67.3% Ag into the lead concentrate assaying 60.8% Pb and 4596g/t Ag respectively after one stage of cleaning; and
- 89% Zn and 8.2% Ag into the zinc concentrate assaying 50.7% Zn and 111g/t Ag respectively after three stages of cleaning.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2018

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### **D. Summary of Mineral Properties, continued**

#### **Cerro Las Minitas - Durango, Mexico, continued**

These latest test results complement previously reported recoveries from the Blind – El Sol sulphide composite which recovered:

- 82% Ag, 90% Pb and 4% Zn into a lead concentrate assaying 2880ppm Ag, 68% Pb and 2% Zn; and
- 78% Zn into a zinc concentrate assaying 52% Zn.

The combined results from the Blind – El Sol and the Skarn Front deposits provide very favorable recoveries and grades of silver, lead and zinc which form the initial basis for a metallurgical processing flowsheet which in turn, can be used in the further evaluation and scoping of the project.

The overall objective of the 2018/9 exploration program is to continue to increase the existing resource base and to identify and drill test new epithermal vein systems within the larger claim package.

#### **Oro - New Mexico, USA**

The Oro property comprises a contiguous block of Federal, State and private land in the historic Eureka mining district in Grant County, New Mexico and is located approximately 80 kilometres southwest of the Silver City porphyry copper district.

The claims surround a highly prospective zone of quartz-sericite-pyrite alteration footprint, interpreted to overlie an unexposed porphyry centre. Classic porphyry system zonation is indicated by surface gold and copper mineralization associated with Laramide-age intrusions in this core area, flanked by lead-zinc skarn mineralization and distal sediment-hosted gold occurrences. In addition to bulk-tonnage porphyry copper-molybdenum-gold potential, the property also includes the sediment-hosted gold mineralization Stockpond target located 3 kilometres to the northeast of the porphyry system.

In October 2017 the company completed an eight hole, 1520 metre reverse circulation (RC) drill program on the Stockpond gold target. The program was a follow-up to Phase I drilling in 2016 which intersected thick horizons of strongly silicified and hematite-rich sediments in eight of nine holes drilled, with the higher gold grades spatially associated with zones of strong silicification. The strongest values were obtained in the easternmost hole, SP16-004, which intersected a 41.2 metre interval of 0.42g/t Au (including a 9.1 metre interval of 0.75g/t Au). Phase II holes offset this encouraging drill intercept and tested to bedrock in the large gravel-covered area to the east of the earlier drilling.

The Company also previously completed a 300 line-kilometre airborne Z-TEM survey over the entire property at 200 metre line spacing as part of a larger evaluation of the property to identify new targets for drill testing Cu-Mo porphyry potential. Preliminary results show several potential target areas. Further 3D processing and interpretation of the data is pending.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2018

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### D. Summary of Mineral Properties, continued

#### Acquisition Costs

Mineral property acquisition costs as at October 31, 2018 were as follows:

	Oro	Total
	\$	\$
Balance as at April 30, 2017	59,753	59,753
Additions, net	66,413	66,413
Balance as at April 30, 2018	126,166	126,166
Additions, net	92,281	92,281
<b>Balance as at October 31, 2018</b>	<b>218,447</b>	<b>218,447</b>

#### Exploration and Evaluation Expenditures

Exploration and evaluation expenditures for the six months ended October 31, 2018 and 2017 were as follows:

	Oro		Total	
	\$	\$	\$	\$
	2018	2017	2018	2017
Assays and geochemistry	151	-	151	-
Drilling	-	75,734	-	75,734
Geological and geophysics	23,117	153,936	23,117	153,936
Land fees	-	5,571	-	5,571
Project supervision	6,549	22,548	6,549	22,548
	<b>29,817</b>	<b>257,789</b>	<b>29,817</b>	<b>257,789</b>
General exploration - other			-	370
			<b>29,817</b>	<b>258,159</b>

### E. Results of Operations

During the six months ended October 31, 2018 the Company recognized a net loss and comprehensive loss of \$1,650,326 (2017 - \$2,385,041).

As per its mandate to acquire, explore, and develop mineral resource properties, the Company continues exploration on the Cerro Las Minitas and Oro properties (*D - Summary of Mineral Properties*). The Company's share of costs associated with exploration and other activities at Cerro Las Minitas are accounted for within Share of Loss in Equity Accounted Investment.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended October 31, 2018

### E. Results of Operations, continued

Consulting fees increased as a result of recognition of fair value of shares issued for such services and due to charges for certain related parties (*G - Related Party Transactions*). Investor relations, professional fees, shareholders' communications and travel and promotion decreased due to increased activity associated with financing and promotional initiatives in the prior period.

Non-cash share-based payments vary as stock options are granted and vest. Foreign exchange gains and losses fluctuate based on the US and Canadian dollar exchange rate and the extent of transactions and balances denominated in US dollars.

Other income recognized mainly relates to interest income earned on cash reserves.

A summary of variances is as follows:

	2018	2017	Variance
	\$	\$	\$
Administration	30,000	30,000	-
Consulting	129,158	108,028	21,130
Exploration and evaluation	29,817	258,159	(228,342)
Investor relations	225,301	321,346	(96,045)
Office and general	11,143	23,473	(12,330)
Professional fees	60,481	103,508	(43,027)
Regulatory fees and taxes	19,710	23,845	(4,135)
Share-based payments	126,313	804,078	(677,765)
Shareholders' communications	7,666	10,952	(3,286)
Transfer agent	8,633	6,915	1,718
Travel and promotion	4,442	20,928	(16,486)
Foreign exchange loss	4,090	35,787	(31,697)
Other income	(4,787)	-	(4,787)
Share of loss in equity accounted investment	998,359	638,022	360,337

### F. Summary of Quarterly Results

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

	Oct 31, 2018 \$	Jul 31, 2018 \$	Apr 30, 2018 \$	Jan 31, 2018 \$	Oct 31, 2017 \$	Jul 31, 2017 \$	Apr 30, 2017 \$	Jan 31, 2017 \$
Net loss	955,112	695,214	540,764	472,917	1,461,770	923,271	606,691	222,165
Basic and diluted loss per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.00



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### F. Summary of Quarterly Results, continued

The Company earned no revenue due to the nature of current operations.

Quarterly fluctuations mainly relate to recognition of share-based payments which occur as stock options are granted and vest, foreign exchange gains and losses which vary with market rates, mineral property exploration expenses which occur as projects are identified or impairments which occur when indicators arise and share of losses in equity accounted investment.

A significant gain upon deconsolidation of certain assets and liabilities was recognized in the three months ended January 31, 2017.

### G. Related Party Transactions

Except as disclosed elsewhere, the Company entered into the following related party transactions:

(a) Pursuant to a service agreement between the Company and a private company controlled by a director and officer of the Company, the Company was charged as follows:

- \$30,000 (2017 - \$30,000) for office space and general administration services;
- \$18,150 (2017 - \$21,450) for professional services;
- \$7,158 (2017 - \$17,728) for consulting services;
- \$100,423 (2017 - \$98,215) for investor relations services;
- \$2,050 (2017 - \$23,188) for geological services;
- \$113,082 (2017 - \$76,586) for geological and professional services (charged to investment in associate); and
- \$857 (2017 - \$3,245) for the mark-up on out-of-pocket expenses.

Amounts payable as at October 31, 2018 were \$43,205 (April 30, 2018 - \$44,227).

(b) Fees in the amount of \$nil (2017 - \$46,800) were charged by a director and officer of the Company for consulting services. Effective October 1, 2017 such fees of \$78,000 (2017 - \$13,000) were charged by a company controlled by a director and officer of the Company. Amounts payable as at October 31, 2018 were \$nil (April 30, 2018 - \$13,650).

(c) Fees in the amount of \$12,000 (2017 - \$59,630) were charged by a law firm controlled by a director and officer of the Company and included in professional fees, share issue costs, mineral property expenditures or charged to investment in associate. Amounts payable as at October 31, 2018 were \$nil (April 30, 2018 - \$8,982).

(d) Fees in the amount of \$15,000 (2017 - \$15,000) were charged by an officer of the Company for consulting services. Amounts payable as at October 31, 2018 were \$2,625 (April 30, 2018 - \$2,625).

(e) Fees in the amount of \$18,000 (2017 - \$21,000) were charged by a an officer of the Company for consulting services and included in consulting fees, mineral property expenditures or charged to investment in associate. Amounts payable as at October 31, 2018 were \$3,150 (April 30, 2018 - \$3,150).

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### G. Related Party Transactions, continued

- (f) Amounts payable, relating to consulting services charged by a director of the Company, as at October 31, 2018 were \$nil (April 30, 2018 - \$1,695).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company.

The Company has no long-term employee or post-employment benefits. Compensation awarded to key management, included in (b), (d), (e) and (f) above, was as follows:

	2018	2017
Short-term benefits	\$ 111,000	\$ 95,800
Share-based payments	81,370	584,471
Total	\$ 192,370	\$ 680,271

One executive officer is entitled to termination benefits in the event of a change of control equal to thirty six months of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement termination clause as at October 31, 2018 was \$468,000.

### H. Financial Condition, Liquidity and Capital Resources

As at October 31, 2018 the Company had working capital of \$584,796 (April 30, 2018 - \$1,841,834). However, the Company does not yet generate any revenue from operations and, for the foreseeable future, will need to rely upon earn-in agreements and / or issue share capital to finance future exploration and administrative activities. Although the Company has been successful in its financing initiatives, there can be no assurance that the Company will be able to obtain adequate future financing. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

### I. Outstanding Equity and Convertible Securities

#### i) Issued and Outstanding Shares

As at December 30, 2018, the Company had 96,663,948 common shares issued and outstanding.

#### ii) Share Purchase Warrants

Share purchase warrants outstanding as at December 30, 2018 were as follows:

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### I. Outstanding Equity and Convertible Securities, continued

#### ii) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance October 31, 2018	Balance December 20, 2018
\$0.08	March 4, 2020	1,259,295	1,259,295
\$0.08	March 5, 2020	15,884,593	15,884,593
\$0.08	March 11, 2020	1,810,000	1,810,000
\$0.15	June 26, 2020	9,000,000	9,000,000
\$0.08	March 4, 2021	6,000,000	6,000,000
\$0.08	April 8, 2021	2,300,000	2,300,000
\$0.15	May 19, 2021	8,962,500	8,962,500
\$0.55	June 13, 2020	6,372,500	6,372,500
\$0.55	August 31, 2020	1,171,750	1,171,750
\$0.55	September 29, 2020	1,254,500	1,254,500
		<b>54,015,138</b>	<b>54,015,138</b>
Weighted average exercise price		\$0.18	\$0.18
Weighted average remaining life in years		1.81	1.67

#### iii) Stock Options

Stock options outstanding and exercisable as at December 30, 2018 were as follows:

Exercise Price	Expiry Date	Balance October 31, 2018	Balance December 20, 2018
\$0.50	March 24, 2019	50,000	50,000
\$0.08	March 26, 2020	2,218,000	2,218,000
\$0.08	July 29, 2020	650,000	650,000
\$0.08	September 28, 2020	190,000	190,000
\$0.11	April 22, 2021	1,168,500	1,168,500
\$0.30	June 3, 2021	1,625,000	1,625,000
\$0.34	October 2, 2022	2,750,000	2,750,000
\$0.34	February 1, 2023	150,000	150,000
\$0.17	September 27, 2023	800,000	800,000
<b>Options outstanding</b>		<b>9,601,500</b>	<b>9,601,500</b>
<b>Options exercisable</b>		<b>9,526,500</b>	<b>9,526,500</b>
Weighted average exercise price (outstanding)		\$0.21	\$0.21
Weighted average remaining life in years (outstanding)		3.14	2.68
Weighted average exercise price (exercisable)		\$0.21	\$0.21
Weighted average remaining life in years (exercisable)		3.11	2.67

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### I. Outstanding Equity and Convertible Securities, continued

#### iv) Compensation Options

Compensation options outstanding as at December 30, 2018 were as follows:

Exercise Price	Expiry Date	Balance October 31, 2018	Balance December 20, 2018
\$0.40	August 31, 2020	105,100	105,100
		<b>105,100</b>	<b>105,100</b>
Weighted average exercise price		\$0.40	\$0.40
Weighted average remaining life in years		1.84	1.70

### J. Financial Instruments

The Company's financial instruments include cash, other receivables, reclamation bond, accounts payable and accrued liabilities and amounts due to related parties. The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash	FVTPL	Fair Value
Other Receivables	Loans and Receivables	Amortized Cost
Reclamation Bond	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

The carrying values of other receivables, accounts payable and accrued liabilities and amounts due to related parties approximate their fair values due to the short period to maturity. The reclamation bond is non-interest-bearing, has no maturity date and carrying value approximates fair value.

These financial instruments have no material risk exposure. The Company's risk management policies require significant cash deposits or any 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.

### K. Events After the Reporting Period and Outlook

There are no other material events subsequent to the date of this document. The Company is continuing to explore its properties and activities over the ensuing year will focus on this. The Company expects to continue its strategy of collaborating with experienced mining companies to acquire and develop other properties and to advance them to production.

### L. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate entering into any such arrangements in the foreseeable future.

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### **M. Disclosure Controls and Procedures**

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 whom are independent, who meet at least quarterly with management, and at least annually with the external auditors, to review accounting, internal control, financial reporting and audit matters.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Audit Committee has established 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 Whistleblower policy is in accordance with National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures and Internal Control Over Financial Reporting. The Company is required to file Form 52-109FV1 for annual reporting and Form 52-109FV2 for interim reporting.

### **N. Risks and Uncertainties**

The principal business of the Company is the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered:

#### *Exploration Stage Company*

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive.

There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

## **Southern Silver Exploration Corp.**

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### **N. Risks and Uncertainties, continued**

#### *No Operating History and Availability of Financial Resources*

The Company does not have an operating history and has no operating revenues and is unlikely to generate any significant amount in the foreseeable future. Therefore, it may not have sufficient financial resources to undertake, by itself, all of its planned exploration and administrative activities.

Historically, the Company has relied mainly upon the issuance of share capital to finance its activities. In the future, the Company will be required to rely on earn-in agreements and / or issue share capital to finance future exploration and administrative activities, 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. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

#### *Dependence on Key Personnel*

The Company is dependent on a relatively small number of key directors, officers and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

#### *Price Volatility and Lack of Active Market*

Securities markets in Canada and elsewhere continue to experience a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

#### *Government Regulations and Environmental Risks and Hazards*

The Company conduct is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. 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 resource property interests, the potential for production on the property may be diminished or negated.

The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation.

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### **N. Risks and Uncertainties, continued**

Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any existing environmental hazards related to any of its current property interests that may result in material liability to the Company.

#### *Competition*

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

The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

#### *Title to Property*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, aboriginal land claims or government expropriation and title may be affected by undetected defects.

#### *Licenses and Permits*

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

### **O. Changes in Accounting Policies Including Initial Adoption**

The Company adopted IFRS 9, *Financial Instruments* ("IFRS 9") effective May 1, 2018. Upon adoption of IFRS 9 there were no changes to the measurement of the Company's financial instruments.

### **P. Proposed Transactions**

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

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### **Q. Forward-Looking Statements**

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence. Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as but not limited to; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

Readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not assume any obligation to update or revise any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws, whether as a result of new information, future events or otherwise.