



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

**Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)**

<b><u>Index</u></b>	<b><u>Page</u></b>
<b>Independent Auditors' Report to the Shareholders</b>	<b>2</b>
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Comprehensive Loss	3
Consolidated Statements of Financial Position	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7-34

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SOUTHERN SILVER EXPLORATION CORP.

We have audited the accompanying consolidated financial statements of Southern Silver Exploration Corp., which comprise the consolidated statements of financial position as at April 30, 2013 and 2012, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended April 30, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Southern Silver Exploration Corp. as at April 30, 2013 and 2012, and its financial performance and its cash flows for the years ended April 30, 2013 and 2012 in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

*Smythe Ratcliffe LLP*  
Chartered Accountants

Vancouver, British Columbia  
August 27, 2013

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Consolidated Statements of Comprehensive Loss  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

	Note	2013	2012
<b>Expenses</b>			
Administration	\$	121,000	\$ 96,000
Consulting		222,585	373,876
Exploration and evaluation, net of recoveries	8(e)	544	3,117,437
Independent directors' fees		37,673	38,828
Investor relations		140,363	421,194
Office and general		62,162	98,692
Professional fees		226,152	148,634
Regulatory fees and taxes		13,796	18,556
Share-based payments	11(f)	253,301	73,738
Shareholders' communications		11,508	25,831
Transfer agent		15,483	17,434
Travel and promotion		17,822	164,117
		<b>1,122,389</b>	<b>4,594,337</b>
<b>Foreign exchange gain</b>		(11,969)	(25,291)
<b>Interest income</b>		(283)	(8,870)
<b>Loan interest accretion</b>		6,455	-
<b>Modification of share purchase warrants</b>	11(f)	-	249,390
		<b>(5,797)</b>	<b>215,229</b>
<b>Net Loss for the Year</b>	<b>\$</b>	<b>1,116,592</b>	<b>\$ 4,809,566</b>
<b>Other Comprehensive Loss</b>			
Unrealized loss on fair value of marketable securities	6	2,000	-
<b>Net Loss and Comprehensive Loss for the Year</b>	<b>\$</b>	<b>1,118,592</b>	<b>\$ 4,809,566</b>
Loss per share - basic and diluted	\$	0.01	\$ 0.04
Weighted average number of common shares outstanding		131,746,288	112,884,240

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

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

As at	Note	April 30, 2013	April 30, 2012
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 16,054	\$ 452,344
Taxes and other receivables		26,890	47,681
Marketable securities	6	9,000	-
Prepays		19,622	20,303
		<b>71,566</b>	<b>520,328</b>
<b>Non-current</b>			
Reclamation bonds	7	119,068	113,932
Mineral properties	8	3,059,621	2,541,772
		<b>\$ 3,250,255</b>	<b>\$ 3,176,032</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9(h)	\$ 630,614	\$ 557,411
Due to related parties	9	118,056	39,959
Loans payable	10	49,050	-
		<b>797,720</b>	<b>597,370</b>
<b>Shareholders' Equity</b>			
Share capital	11	29,073,186	28,345,365
Share-based payments reserve		1,054,446	1,297,771
Warrants reserve		66,270	66,270
Accumulated other comprehensive loss		(2,000)	-
Deficit		(27,739,367)	(27,130,744)
		<b>2,452,535</b>	<b>2,578,662</b>
		<b>\$ 3,250,255</b>	<b>\$ 3,176,032</b>

Approved on behalf of the Board

*"Lawrence Page"*

Lawrence Page, Q.C.

*"Terry Eyton"*

Terry Eyton, FCA

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

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Consolidated Statements of Changes in Equity  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

	Share Capital		Share-based Payments Reserve	Warrants Reserve	Accumulated Other Comprehensive		Total
	Number of Shares	Amount			Loss	Deficit	
<b>Balance as at April 30, 2011</b>	<b>94,238,796</b>	<b>\$ 24,045,028</b>	<b>\$ 1,874,998</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(23,281,062)</b>	<b>\$ 2,638,964</b>
<b>Issued</b>							
Private placements	32,487,446	4,922,036	-	-	-	-	4,922,036
Private placements - allocated to warrants	-	(66,270)	-	66,270	-	-	-
Shares for finders' fees	1,176,471	200,000	-	-	-	-	200,000
Shares for mineral property payment	300,000	49,250	-	-	-	-	49,250
Exercised share purchase warrants	38,200	7,640	-	-	-	-	7,640
Share issue costs	-	(814,510)	61,720	-	-	-	(752,790)
Fair value of warrants exercised	-	2,191	(2,191)	-	-	-	-
Fair value of options and warrants expired	-	-	(959,884)	-	-	959,884	-
Fair value of warrants modified	-	-	249,390	-	-	-	249,390
Share-based payments	-	-	73,738	-	-	-	73,738
Net loss for the year	-	-	-	-	-	(4,809,566)	(4,809,566)
<b>Balance as at April 30, 2012</b>	<b>128,240,913</b>	<b>28,345,365</b>	<b>1,297,771</b>	<b>66,270</b>	<b>-</b>	<b>(27,130,744)</b>	<b>2,578,662</b>
<b>Issued</b>							
Private placements	15,662,000	783,100	-	-	-	-	783,100
Shares for mineral property payment	700,000	35,000	-	-	-	-	35,000
Shares for loan	96,000	4,800	-	-	-	-	4,800
Returned to treasury	(4)	-	-	-	-	-	-
Share issue costs	-	(95,079)	11,343	-	-	-	(83,736)
Fair value of options and warrants expired	-	-	(507,969)	-	-	507,969	-
Share-based payments	-	-	253,301	-	-	-	253,301
Unrealized loss on marketable securities	-	-	-	-	(2,000)	-	(2,000)
Net loss for the year	-	-	-	-	-	(1,116,592)	(1,116,592)
<b>Balance as at April 30, 2013</b>	<b>144,698,909</b>	<b>\$ 29,073,186</b>	<b>\$ 1,054,446</b>	<b>\$ 66,270</b>	<b>\$ (2,000)</b>	<b>(27,739,367)</b>	<b>\$ 2,452,535</b>

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

**Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

	2013	2012
<b>Operating Activities</b>		
Net loss for the year	\$ (1,116,592)	\$ (4,809,566)
<b>Items not involving cash:</b>		
Interest accretion	5,850	-
Modification of share purchase warrants	-	249,390
Share-based payments	253,301	73,738
Unrealized foreign exchange gain	(11,714)	(13,774)
	(869,155)	(4,500,212)
<b>Changes in non-cash working capital</b>		
Taxes and other receivables	20,791	93,780
Prepays	681	26,786
Accounts payable and accrued liabilities	73,203	338,168
Due to related parties	78,097	3,143
	172,772	461,877
<b>Cash Used in Operating Activities</b>	(696,383)	(4,038,335)
<b>Investing Activities</b>		
Mineral property acquisition costs	(493,849)	(954,230)
Reclamation bonds	-	(70,920)
<b>Cash Used in Investing Activities</b>	(493,849)	(1,025,150)
<b>Financing Activities</b>		
Loans received	48,000	-
Proceeds from issuance of shares, net	699,364	4,376,886
<b>Cash Provided by Financing Activities</b>	747,364	4,376,886
<b>Foreign Exchange Effect on Cash</b>	6,578	13,774
<b>Decrease in Cash During the Year</b>	(436,290)	(672,825)
<b>Cash, Beginning of Year</b>	452,344	1,125,169
<b>Cash, End of Year</b>	\$ 16,054	\$ 452,344

Supplemental cash flow information (Note 14)

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

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **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 located in Mexico and the United States. 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 consolidated 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 April 30, 2013, the Company had a working capital deficiency of \$726,154 (April 30, 2012 - \$77,042). The Company incurred a net loss of \$1,116,592 for the year ended April 30, 2013 (2012 - \$4,809,566) and had an accumulated deficit of \$27,739,367 as at April 30, 2013 (April 30, 2012 - \$27,130,744).

As at April 30, 2013, the Company does not have sufficient working capital to meet its administrative overheads and continue its exploration programs. The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance future activities through private placements and the exercise of options and warrants and is actively seeking additional equity financing (Note 16). There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists which casts substantial doubt over the Company's ability to continue as a going concern.

These consolidated 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.

### **2. Basis of Preparation**

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis using the accrual basis of accounting, except for cash flow information and financial instruments measured at fair value, and include the accounts of the Company and its wholly-owned integrated subsidiaries: Minera Plata del Sur S.A de C.V. and Exploraciones Magistral S.A de C.V., both incorporated in Mexico, Southern Silver Exploration (US) Corp., incorporated in the United States, and Southern Silver Projects Ltd. and Southern Silver Holdings Ltd., both incorporated in the British Virgin Islands. All inter-company transactions and balances have been eliminated upon consolidation.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **2. Basis of Preparation, continued**

The Company's functional and presentation currency is the Canadian dollar.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 27, 2013.

### **3. Summary of Significant Accounting Policies**

#### **(a) Significant Accounting Estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

##### *Impairment of long-lived assets*

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The estimation of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties and the results of exploration and evaluation to date.

##### *Determination of, and provision for, reclamation and remediation obligations*

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

##### *Deferred taxes*

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.



## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **3. Summary of Significant Accounting Policies, continued**

#### **(a) Significant Accounting Estimates and Judgments, continued**

##### *Share-based payments*

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to net loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

##### *Mexican Value Added Tax*

The recoverability of taxes receivable related to value added tax incurred in Mexico is dependent on various factors such as local policy, historical collectability and the general economic environment. Management uses all relevant facts to determine if the taxes receivable are recoverable.

#### **(b) Mineral Properties**

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until these mineral properties are placed into commercial production, sold, or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **3. Summary of Significant Accounting Policies, continued**

#### **(b) Mineral Properties, continued**

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive, or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit and loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

#### **(c) Reclamation Bonds**

Reclamation bonds are recorded at amortized cost and held by government agencies or in trust.

#### **(d) Foreign Currency Translation**

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the reporting date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

#### **(e) Related Party Transactions**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **3. Summary of Significant Accounting Policies, continued**

#### **(f) Share Capital**

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

#### **(g) Non-monetary Consideration**

Shares issued for non-monetary consideration are recorded at fair value based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

#### **(h) Share-based Payments**

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of stock options is charged to profit and loss using the graded vesting method, with the offset credit to share-based payment reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry, related fair value previously recorded is transferred from share-based payment reserve to deficit.

#### **(i) Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused tax loss carried forwards, resource related tax pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **3. Summary of Significant Accounting Policies, continued**

#### **(j) Loss per Share**

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

#### **(k) Financial Instruments**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

##### *Fair value through profit or loss ("FVTPL")*

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

##### *Available-for-sale ("AFS")*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

##### *Impairment of financial assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **3. Summary of Significant Accounting Policies, continued**

#### **(k) Financial Instruments, continued**

##### *Financial liabilities*

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

The Company has no derivative financial liabilities.

#### **(l) Future Accounting Standards Changes**

IFRS 9: *Financial Instruments* was issued in November 2009, and amended in October 2010 and December 2011, as the first step to replace IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 also amends some of the requirements of IFRS 7: *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income / loss and guidance on financial liabilities and de-recognition of financial instruments. IFRS 9 must be applied to annual periods beginning on or after January 1, 2015.

IFRS 10: *Consolidated Financial Statements* was issued in May 2011 to replace IAS 27: *Consolidated and Separate Financial Statements* and SIC 12: *Consolidation – Special Purpose Entities*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. IFRS 10 must be applied to annual periods beginning on or after January 1, 2013.

IFRS 11: *Joint Arrangements* was issued in May 2011 to replace IAS 31: *Interests in Joint Ventures*. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 must be applied to annual periods beginning on or after January 1, 2013.

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### 3. Summary of Significant Accounting Policies, continued

#### (l) Future Accounting Standards Changes, continued

IFRS 12: *Disclosure of Interests in Other Entities* was issued in May 2011 to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e., special purpose entities). IFRS 12 must be applied to annual periods beginning on or after January 1, 2013.

IFRS 13: *Fair Value Measurement* was issued in May 2011 as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 must be applied to annual periods beginning on or after January 1, 2013.

The Company has assessed the impact of adopting the above future accounting standard changes on its consolidated financial statements and the impact is not expected to be material.

### 4. Financial Instruments

#### (a) Categories of Financial Instruments

The Company's financial instruments include cash, other receivables, marketable securities, reclamation bonds, accounts payable and accrued liabilities, amounts due to related parties and loans payable

The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash	FVTPL	Fair Value
Receivables (Advances)	Loans and Receivables	Amortized Cost
Marketable Securities	AFS	Fair Value
Reclamation Bonds	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost
Loans Payable	Other Financial Liabilities	Amortized Cost

#### (b) Fair Value

Marketable securities were categorized at Level 1 in the fair value hierarchy as fair value was determined by inputs utilizing quoted prices in an active market. The carrying values of receivables (April 30, 2013 - \$3,449 : April 30, 2012 - \$7,049), accounts payable and accrued liabilities, amounts due to related parties and loans payable approximate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing, have no maturity date and their carrying values approximate fair value.

**4. Financial Instruments, continued**

**(c) Financial Risk Management**

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

**(i) Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure. All of the Company's financial liabilities have contractual maturities of less than 90 days.

As at April 30, 2013, the cash balance of \$16,054 would not be sufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests, and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

**(ii) Currency Risk**

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

As at April 30, 2013, the Company's net exposure to foreign currency risk was as follows:

	US \$	Peso
Cash	10,278	68,733
Receivables	-	41,531
Reclamation bonds	75,012	523,778
Accounts payable	(394,673)	(782,334)
	<b>(309,383)</b>	<b>(148,292)</b>
Canadian dollar equivalent	<b>(311,703)</b>	<b>(12,310)</b>

Based on the above and exchange rate movements for the past twelve months, assuming all other variables remain constant, the Company's net loss and comprehensive loss would not be materially affected by a weakening or strengthening of the US dollar or Mexican peso.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **4. Financial Instruments, continued**

#### **(c) Financial Risk Management, continued**

##### **(iii) Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of April 30, 2013.

##### **(iv) Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash, which is mostly held with Canadian financial institutions. The Company mitigates credit risk by risk management policies that 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.

##### **(v) Other Price Risk**

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other significant price risk.

### **5. Capital Management**

The Company's capital includes components of shareholders' equity. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders.

To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been substantially funded by the issuance of equity instruments. The Company will continue to rely on equity issuances for future funding depending upon market and economic conditions at the time.

There have been no changes in the Company's approach to capital management during the year ended April 30, 2013.



## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### 6. Marketable Securities

On January 14, 2013, the Company entered into an agreement and granted Desert Star Resources Ltd. ("Desert Star") an option to acquire up to a 70% interest in the Oro property (Note 8(c)). As consideration, Desert Star issued 100,000 common shares to the Company.

	April 30, 2013		
	Accumulated unrealized		
	Cost	losses	Fair value
	\$	\$	\$
Desert Star	11,000	(2,000)	9,000

### 7. Reclamation Bonds

The Company has posted non-interest-bearing reclamation bonds as security for future reclamation costs that are held in trust to be released after required reclamation is satisfactorily completed as follows:

- With respect to the 1% net smelter return ("NSR") royalty payable on the El Magistral mineral concession (Note 8(b)), a bond of \$43,494 (Mexican peso 523,778) (April 30, 2012 - \$39,828) is being held in escrow by the Mexican government.
- With respect to the American Mine claims (Note 8(c)), a bond of \$44,250 (US \$43,920) (April 30, 2012 - \$43,389) was being held in escrow by the US government. The bond was returned subsequent to the year end as Desert Star assumed responsibility for future reclamation costs (Note 8(c)).
- With respect to a proposed project in New Mexico, a bond of \$31,324 (US \$31,092) (April 30, 2012 - \$30,715) was being held in escrow by the US government. The bond was returned subsequent to the year end.

### 8. Mineral Properties

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

- **Mexico**

- Cerro Las Minitas
- Minas de Ameca - Magistral properties, which include Magistral I and El Magistral

- **United States**

- Oro
- Dragoon

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

### 8. Mineral Properties, continued

Mineral property acquisition costs as at April 30, 2013 and 2012, were as follows:

	Mexico		USA		Total
	Cerro Las Minitas	Minas de Ameca	Oro	Dragoon	
	\$	\$	\$	\$	\$
<b>Acquisition</b>					
Balance as at April 30, 2011	400,717	241,560	818,535	77,480	1,538,292
Additions during the year, net	640,381	89,835	273,264	-	1,003,480
Balance as at April 30, 2012	1,041,098	331,395	1,091,799	77,480	2,541,772
Additions during the year, net	418,127	31,810	41,481	26,431	517,849
<b>Balance as at April 30, 2013</b>	<b>1,459,225</b>	<b>363,205</b>	<b>1,133,280</b>	<b>103,911</b>	<b>3,059,621</b>

Terms of the agreements for the above properties are described below:

#### (a) Cerro Las Minitas - Mexico

Pursuant to an agreement dated November 18, 2010, as amended, the Company can earn a 100% interest in the Cerro Las Minitas property located in Durango, Mexico.

Remaining staged payments are due as follows (plus applicable local taxes):

- (i) US \$250,000 on May 18, 2013 (paid subsequent to year end) (\*);
- (ii) US \$250,000 on November 18, 2013 (\*);
- (iii) US \$250,000 on February 18, 2014 (\*);
- (iv) US \$250,000 on May 18, 2014 (\*);
- (v) US \$500,000 on November 18, 2014 (\*); and
- (vi) US \$500,000 on March 18, 2015 (\*) (to be reduced to US \$100,000 if optionor fails to deliver registered title to certain claims upon closing).

Pursuant to an agreement dated October 19, 2012, the Company granted Freeport-McMoRan Exploration Corporation ("FMEC") the right to earn an indirect 70% interest in the property. FMEC will have the option to earn respective 51% and 19% indirect interests in the property through the acquisition of common shares of a subsidiary of the Company which has the right to purchase a 100% interest in the property.

To acquire the initial 51% interest FMEC shall:

- (i) Pay to the Company US \$600,000 as a deduction from work expenditure commitments (paid), US \$100,000 on or before October 19, 2013, US \$200,000 on or before October 19, 2014, and US \$300,000 on or before October 19, 2015;

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **8. Mineral Properties, continued**

#### **(a) Cerro Las Minitas - Mexico, continued**

- (ii) Incur exploration expenditures of US \$1,500,000 on or before October 19, 2013, an additional US \$1,300,000 on or before October 19, 2014, and an additional US \$1,600,000 on or before October 19, 2015; and
- (iii) Pay the residual option payments to the optionor of the property in the aggregate amount of US \$2,000,000 (\*) (as a deduction from work expenditure commitments).

To acquire the additional 19% interest, FMEC shall elect to do so within 90 days from the date of acquisition of the initial 51 % interest and:

- (i) Pay to the Company US \$1,000,000 on or before October 19, 2022; and
- (ii) Complete on or before October 19, 2022, a feasibility study and incur additional exploration expenditures of at least US \$19,000,000.

Upon acquisition of the initial 51% interest, and should FMEC elect to earn the additional 19% interest, operations on the property will be conducted pursuant to a shareholders' agreement with each shareholder bearing its proportionate share of further expenditures. Provision for dilution of a participating interest will apply and if a participating interest is diluted to less than 10%, that participating interest will be converted to a 2% NSR.

#### **(b) Minas de Ameca (Magistral Properties) - Mexico**

Pursuant to an agreement dated July 4, 2006, as amended, the Company could earn a 65% interest in the Magistral I mining exploration concession ("Magistral") located in Mexico. The Company did not comply with all underlying terms and the agreement was terminated.

On October 18, 2006, the Company purchased a 100% interest in the 1,366 hectare El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico. The mineral concession is subject to a 1% NSR payable to the Mexican government.

The Company is currently negotiating a revised agreement with the owner of the Magistral concession incorporating both the Magistral and El Magistral concessions.

#### **(c) Oro Property - New Mexico, USA**

Pursuant to an agreement dated August 28, 2006, as amended, the Company can earn a 100% interest in several patented and unpatented mining claims in the Eureka Mining District, Grant County, New Mexico.

The final remaining staged payment of US \$150,000 is due on or before August 28, 2013 (paid subsequent to year end).

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.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **8. Mineral Properties, continued**

#### **(c) Oro Property - New Mexico, USA, continued**

Pursuant to an agreement effective December 1, 2007, as amended, the Company owns a 100% interest in the American Mine claims consisting of eight patented lode mining claims and surface rights to a contiguous property. The American Mine claims are adjacent to the above claims.

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 in the Eureka Mining District, Grant County, New Mexico.

Remaining lease payments are due as follows:

- (i) US \$6,000 annually from May 1, 2014 to May 1, 2017;
- (ii) US \$30,000 annually from May 1, 2018 to May 1, 2024; and
- (iii) 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. The property is subject to a 1% NSR payable to the optionors, which terminates when aggregate payments thereunder equal US \$500,000.

Pursuant to an agreement dated January 14, 2013, the Company granted Desert Star the right to earn up to an undivided 70% interest in the property.

To acquire the initial 51% interest Desert Star shall:

- (i) Pay to the Company US \$75,000 on agreement execution (received) and US \$150,000 on or before August 1, 2013 (received subsequent to year end);
- (ii) Issue 100,000 common shares on February 5, 2013 (the "Effective Date") (issued);
- (iii) Issue 150,000 common shares and incur aggregate exploration expenditures of US \$800,000 on or before 18 months from the Effective Date;
- (iv) Issue 250,000 common shares and incur aggregate exploration expenditures of US \$1,400,000 on or before 30 months from the Effective Date; and
- (v) Issue 500,000 common shares and incur aggregate exploration expenditures of US \$3,000,000 on or before 42 months from the Effective Date;

To acquire the additional 19% interest, Desert Star shall elect to do so within 90 days from the date of acquisition of the initial 51 % interest and:

- (i) Complete a Preliminary Economic Assessment and incur aggregate exploration expenditures of US \$6,000,000 on or before 66 months from the Effective Date.

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

---

**8. Mineral Properties, continued**

**(d) Dragoon Property - Arizona, USA**

Pursuant to an agreement dated August 28, 2007, as amended, the Company can earn a 100% interest in certain claims located in the state of Arizona.

The final remaining staged payment of US \$300,000 is due on or before August 28, 2013.

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.

On August 26, 2009, the Company signed an earn-in agreement with FMEC for the property, whereby FMEC had the exclusive right and option to acquire a 70% ownership interest in the property. FMEC terminated the agreement on August 15, 2012.

**(e) Exploration and Evaluation Expenses**

Exploration expenditures incurred for the year ended April 30, 2013 were as follows:

Mineral Properties	Mexico		USA		Total
	Minas de Ameca	Cerro Las Minitas	Oro	Dragoon	
	\$	\$	\$	\$	\$
Assays and geochemistry	-	36,609	-	-	36,609
Camp, utilities and supplies	-	13,750	3,071	-	16,821
Drilling	-	291,719	-	-	291,719
Environmental	-	5,841	113	-	5,954
Equipment, rentals and supplies	-	4,904	56	-	4,960
Field supplies	-	20,471	-	-	20,471
Geological and geophysics	-	156,812	4,261	617	161,690
Project supervision	7,364	200,617	6,131	6,246	220,358
Project support	-	16,534	-	-	16,534
Taxes	-	246,597	-	-	246,597
Travel	-	57	169	-	226
Recoveries	-	(1,032,099)	-	-	(1,032,099)
	<b>7,364</b>	<b>(38,188)</b>	<b>13,801</b>	<b>6,863</b>	<b>(10,160)</b>
General exploration - other					10,704
					<b>544</b>

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

**8. Mineral Properties, continued**

**(e) Exploration and Evaluation Expenses**

Exploration expenditures incurred for the year ended April 30, 2012 were as follows:

Mineral Properties	Mexico		USA		Total
	Minas de Ameca	Cerro Las Minitas	Oro	Dragoon	
	\$	\$	\$	\$	\$
Assays and geochemistry	-	48,081	58,346	-	106,427
Camp, utilities and supplies	-	25,380	3,292	-	28,672
Drilling services	-	1,415,178	312,538	-	1,727,716
Environmental	619	573	1,021	-	2,213
Equipment, rentals and supplies	-	23,329	16,199	-	39,528
Field supplies	-	66,410	-	-	66,410
Geological and geophysics	-	30,331	107,755	-	138,086
Other	-	-	4,978	-	4,978
Project supervision	-	406,645	7,634	4,645	418,924
Project support	-	50,886	-	-	50,886
Taxes	-	483,259	-	-	483,259
Travel	-	8,032	11,010	-	19,042
	<b>619</b>	<b>2,558,104</b>	<b>522,773</b>	<b>4,645</b>	<b>3,086,141</b>
General exploration - other					31,296
					<b>3,117,437</b>

**(f) Title to Mineral Properties**

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 conveyance history of many mineral properties. The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, 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.

**(g) Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **8. Mineral Properties, continued**

#### **(g) Environmental, continued**

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

#### **(h) Realization of Assets**

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal. The attainment of commercial production is in turn dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production.

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

In addition to those transactions disclosed elsewhere in these consolidated financial statements, the Company entered into the following related party transactions during the year ended April 30, 2013:

**(a)** Under a service agreement, as amended, between the Company and a private company controlled by a director and an officer of the Company, the Company was charged as follows:

- \$121,000 for office space and general administration services (2012 - \$96,000);
- \$48,745 for professional services (2012 - \$68,972);
- \$26,079 for consulting services (2012 - \$106,230);
- \$72,903 for investor relations services (2012 - \$141,420);
- \$37,400 for geological consulting services in relation to mineral properties (2012 - \$27,691);
- \$4,109 for the mark-up on out-of-pocket expenses (2012 - \$31,003); and
- \$1,403 for office and general (2012 - \$7,140).

Amounts payable as at April 30, 2013 were \$67,141 (2012 - \$16,977).

**(b)** Pursuant to a consulting agreement, as amended, between the Company and a director and an officer of the Company, the Company was charged \$112,320 (2012 - \$112,320) for consulting services. Amounts payable as at April 30, 2013 were \$18,443 (2012 - \$nil).

## Southern Silver Exploration Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

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

- (c) Fees in the amount of \$83,014 (2012 - \$246,831) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2013 were \$9,141 (2012 - \$8,982).
- (d) Fees relating to office administration of \$nil (2012 - \$18,000) were charged by a private company controlled by a director and an officer of the Company. Agreement expired effective February 1, 2012.
- (e) Fees in the amount of \$24,000 (2012 - \$70,207) were charged by a director of the Company for geological services. No amounts were payable as at April 30, 2013 and 2012.
- (f) Fees in the amount of \$30,000 (2012 - \$20,000) were charged by a private company controlled by a director and an officer of the Company for consultancy services. Amounts payable as at April 30, 2013 were \$8,225 (2012 - \$5,600). Agreement expired effective May 30, 2013.
- (g) Fees in the amount of \$67,460 (2012 - \$142,742) were charged by a private company controlled by a former director and officer of the Company for consultancy services and included in consulting fees and share issue costs. Amounts payable as at April 30, 2013 were \$15,106 (2012 - \$8,400).
- (h) Fees of \$37,673 (2012 - \$38,828) were payable with respect to independent directors' fees. As at April 30, 2013, \$21,622 was outstanding and included in accounts payable and accrued liabilities (2012 - \$18,204).

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. One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent 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 April 30, 2013 was \$131,040. The Company has no long-term employee or post-employment benefits.

Compensation awarded to key management during the year ended April 30, 2013 was as follows:

---

	2013	2012
Short-term benefits	\$ 203,993	\$ 259,355
Share-based payments	86,052	31,413
Total	\$ 290,045	\$ 290,768

---



## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **10. Loans Payable**

During August 2012, the Company entered into two loan agreements, one with a private company controlled by a director and the other with a private company controlled by a consultant, for \$33,000 and \$15,000 respectively.

The initial term of the loans was for a period of six months with interest payable quarterly at prime plus two percent per annum. As further consideration for providing the loans, the lenders also received common shares equal to ten per cent of the value of the loan (Note 11(c)).

No amounts were repaid and therefore all outstanding balances are now repayable on demand. The Company, in its sole discretion, can elect to repay all interest and loan balances by the issuance of common shares.

### **11. Share Capital**

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

#### **(a) Private Placements**

*Year ended April 30, 2013*

A non-brokered private placement was announced on January 16, 2013, to issue up to 15,000,000 units at a price of \$0.05 per unit to raise gross proceeds of \$750,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of \$0.10 for a period of three years.

On January 31, 2013, the Company closed the first tranche of this private placement by issuing 8,002,000 units for gross proceeds of \$400,100. The Company also issued 450,000 finders' warrants at an exercise price of \$0.10 per share expiring on January 31, 2016, with a fair value of \$7,691 (Note 11(f)).

On February 28, 2013, the Company closed the final tranche of this private placement and issued 7,660,000 units for gross proceeds of \$383,000. The Company also issued 213,000 finders' warrants at an exercise price of \$0.10 per share expiring on February 28, 2016, with a fair value of \$3,652 (Note 11(f)).

*Year ended April 30, 2012*

A non-brokered private placement was announced June 20, 2011, and amended June 30, 2011, to issue up to 23,530,000 units at a price of \$0.17 per unit to raise gross proceeds of \$4,000,100. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of \$0.22 for a period of two years.

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **11. Share Capital, continued**

#### **(a) Private Placements, continued**

On July 20, 2011, the Company closed the first tranche of this private placement by issuing 14,151,706 units at \$0.17 per unit for gross proceeds of \$2,405,790. The Company issued 1,176,471 finders' units (consisting of one common share and one share purchase warrant with each warrant exercisable into one common share at \$0.22 for a period of two years), with a fair value of \$200,000, and 72,000 finders' warrants at an exercise price of \$0.22 per share expiring on July 20, 2013, with a fair value of \$4,479 (Note 11(f)).

On August 16, 2011, the Company closed the second tranche of this private placement by issuing 4,818,206 units at \$0.17 per unit for gross proceeds of \$819,095. The Company issued 328,421 finders' warrants with an exercise price of \$0.22 per share expiring on August 16, 2013, with a fair value of \$23,002 (Note 11(f)).

On August 29, 2011, the Company closed the final tranche of this private placement by issuing 43,534 units at \$0.17 per unit for gross proceeds of \$7,401. The Company issued 2,000 finders' warrants with an exercise price of \$0.22 per share expiring on August 29, 2013, with a fair value of \$127 (Note 11(f)).

A non-brokered private placement was announced November 7, 2011 to issue up to 8,000,000 units at a price of \$0.15 per unit to raise gross proceeds of \$1,200,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of \$0.20 for a period of two years.

On December 5, 2011, the Company closed the first tranche of this private placement by issuing 6,417,000 units at \$0.15 per unit for gross proceeds of \$962,550. The Company issued 404,000 finders' warrants with an exercise price of \$0.20 per share expiring on December 5, 2013, with a fair value of \$28,340 (Note 11(f)).

On January 5, 2012, the Company closed the final tranche of this private placement by issuing 430,000 units at \$0.15 per unit for gross proceeds of \$64,500. The Company issued 10,000 finders' warrants with an exercise price of \$0.20 per share expiring on January 5, 2014, with a fair value of \$492 (Note 11(f)).

A non-brokered private placement was announced March 12, 2012, and amended March 28, 2012, and April 3, 2012, to issue up to 20,000,000 units at a price of \$0.10 per unit to raise \$2,000,000. 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 \$0.17.

On April 23, 2012, the Company closed the first tranche of this private placement by issuing 6,627,000 units at a price of \$0.10 per unit for gross proceeds of \$662,700. The Company issued 182,000 finders' warrants with an exercise price of \$0.17 per share expiring on April 23, 2015, with a fair value of \$5,280 (Note 11(f)).

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **11. Share Capital, continued**

#### **(b) Shares Issued for Mineral Properties**

*Year ended April 30, 2013*

On January 17, 2013, the Company issued 200,000 common shares with a fair value of \$10,000 pursuant to a mineral property option extension agreement.

On January 17, 2013, pursuant to a mineral property finder's fee agreement, the Company issued 500,000 common shares with a fair value of \$25,000 and 250,000 common share purchase warrants, with each warrant contingently exercisable to purchase one common share at a price of \$0.30 for a period of two years from the date on which FMEC exercises its option to acquire a 51% indirect interest in the Cerro Las Minitas property, and 250,000 common share purchase warrants, with each warrant contingently exercisable to purchase one common share at a price of \$0.40 for a period of two years from the date on which FMEC gives notice of its election to acquire an additional 19% indirect interest in the Cerro Las Minitas property.

*Year ended April 30, 2012*

On July 20, 2011, the Company issued 250,000 common shares with a fair value of \$42,500 pursuant to a mineral property option and acquisition agreement.

On November 28, 2011, the Company issued 50,000 common shares with a fair value of \$6,750 pursuant to a mineral property option and acquisition agreement.

#### **(c) Shares Issued for Loan Bonus**

On October 17, 2012, in accordance with two loan agreements, the Company issued 96,000 common shares with a fair value of \$4,800 (Note 10).

#### **(d) Stock Options**

The Company has a rolling stock option plan (the "Plan") that allows 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 stock options granted under the Plan may not exceed ten 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.

- On June 5, 2012, the Company granted 350,000 fully vested stock options to a consultant at an exercise price of \$0.10 per share exercisable for a period of five years (Note 11(f)).
- On March 14, 2013, the Company granted 7,824,000 fully vested stock options to directors and consultants at an exercise price of \$0.10 exercisable for a period of five years (Note 11(f)).

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

**11. Share Capital, continued**

**(d) Stock Options, continued**

As at April 30, 2013 and 2012, options were outstanding and exercisable as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance			Balance April 30, 2013
			April 30, 2012	Granted	Expired	
\$0.58	\$0.37	October 19, 2012	25,000	-	25,000	-
\$0.21	\$0.12	March 26, 2013	455,000	-	455,000	-
\$0.16	\$0.15	January 8, 2015	2,515,000	-	105,000	2,410,000
\$0.17	\$0.13	November 29, 2015	2,380,000	-	90,000	2,290,000
\$0.17	\$0.11	December 13, 2015	315,000	-	-	315,000
\$0.15	\$0.13	November 8, 2016	500,000	-	250,000	250,000
\$0.15	\$0.10	February 2, 2017	150,000	-	150,000	-
\$0.10	\$0.06	June 5, 2017	-	350,000	-	350,000
\$0.10	\$0.03	March 14, 2018	-	7,824,000	-	7,824,000
Options outstanding			<b>6,340,000</b>	<b>8,174,000</b>	<b>1,075,000</b>	<b>13,439,000</b>
Options exercisable			<b>6,227,500</b>			<b>13,439,000</b>
Weighted average exercise price (outstanding and exercisable)			\$0.17	\$0.10	\$0.19	\$0.13
Weighted average remaining life in years (outstanding)			3.13			3.82
Weighted average remaining life in years (exercisable)			3.10			3.82

Exercise Price	Grant Date Fair Value	Expiry Date	Balance			Balance April 30, 2012
			April 30, 2011	Granted	Expired	
\$0.88	\$0.80	June 1, 2011	350,000	-	350,000	-
\$0.58	\$0.54	March 1, 2012	1,090,000	-	1,090,000	-
\$0.58	\$0.41	March 26, 2012	100,000	-	100,000	-
\$0.58	\$0.37	October 19, 2012	25,000	-	-	25,000
\$0.21	\$0.12	March 26, 2013	455,000	-	-	455,000
\$0.16	\$0.15	January 8, 2015	2,565,000	-	50,000	2,515,000
\$0.17	\$0.13	November 29, 2015	2,380,000	-	-	2,380,000
\$0.17	\$0.11	December 13, 2015	315,000	-	-	315,000
\$0.15	\$0.13	November 8, 2016	-	500,000	-	500,000
\$0.15	\$0.10	February 2, 2017	-	150,000	-	150,000
Options outstanding			<b>7,280,000</b>	<b>650,000</b>	<b>1,590,000</b>	<b>6,340,000</b>
Options exercisable			<b>7,280,000</b>			<b>6,227,500</b>
Weighted average exercise price (outstanding and exercisable)			\$0.27	\$0.15	\$0.63	\$0.17
Weighted average remaining life in years (outstanding)			3.27			3.13
Weighted average remaining life in years (exercisable)			3.27			3.10

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

---

**11. Share Capital, continued**

**(e) Share Purchase Warrants**

As at April 30, 2013 share purchase warrants were outstanding as follows:

Exercise Price	Expiry Date	Balance			Balance April 30, 2013
		April 30, 2012	Issued	Expired	
\$0.20	June 10, 2012	11,847,500	-	11,847,500	-
\$0.20	June 24, 2012	2,740,000	-	2,740,000	-
\$0.20	October 27, 2012	10,497,000	-	10,497,000	-
\$0.20	November 26, 2012	11,444,500	-	11,444,500	-
\$0.20	December 10, 2012	4,874,000	-	4,874,000	-
\$0.22	July 20, 2013	15,400,177	-	-	15,400,177
\$0.22	August 16, 2013	5,146,627	-	-	5,146,627
\$0.22	August 29, 2013	45,534	-	-	45,534
\$0.20	December 5, 2013	6,821,000	-	-	6,821,000
\$0.20	January 5, 2014	440,000	-	-	440,000
\$0.17	April 23, 2015	6,809,000	-	-	6,809,000
\$0.30	Note 1	-	250,000	-	250,000
\$0.40	Note 2	-	250,000	-	250,000
\$0.10	January 31, 2016	-	8,452,000	-	8,452,000
\$0.10	February 28, 2016	-	7,873,000	-	7,873,000
		<b>76,065,338</b>	<b>16,825,000</b>	<b>41,403,000</b>	<b>51,487,338</b>
Weighted average exercise price		\$0.20	\$0.11	\$0.20	\$0.17
Weighted average remaining life in years		0.97			1.33

Note 1 - Expiry date is two years from the date on which FMEC exercises its option to acquire a 51% indirect interest in the Cerro Las Minitas property

Note 2 - Expiry date is two years from the date on which FMEC gives notice of its election to acquire an additional 19% indirect interest in the Cerro Las Minitas property.

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

**11. Share Capital, continued**

**(e) Share Purchase Warrants, continued**

As at April 30, 2012 share purchase warrants were outstanding as follows:

Exercise Price	Expiry Date	Balance				Balance April 30, 2012
		April 30, 2011	Granted	Expired	Exercised	
\$0.20	June 10, 2012	11,851,500	-	-	4,000	11,847,500
\$0.20	December 10, 2011	547,200	-	513,000	34,200	-
\$0.20	June 24, 2012	2,740,000	-	-	-	2,740,000
\$0.20	December 24, 2011	154,800	-	154,800	-	-
\$0.20	October 27, 2012	10,497,000	-	-	-	10,497,000
\$0.20	November 26, 2012	11,444,500	-	-	-	11,444,500
\$0.20	December 10, 2012	4,874,000	-	-	-	4,874,000
\$0.22	July 20, 2013	-	15,400,177	-	-	15,400,177
\$0.22	August 16, 2013	-	5,146,627	-	-	5,146,627
\$0.22	August 29, 2013	-	45,534	-	-	45,534
\$0.20	December 5, 2013	-	6,821,000	-	-	6,821,000
\$0.20	January 5, 2014	-	440,000	-	-	440,000
\$0.17	April 23, 2015	-	6,809,000	-	-	6,809,000
		<b>42,109,000</b>	<b>34,662,338</b>	<b>667,800</b>	<b>38,200</b>	<b>76,065,338</b>
Weighted average exercise price		\$0.20	\$0.21	\$0.20	\$0.20	\$0.20
Weighted average remaining life in years		1.39				0.97

**(f) Fair Value Determination**

The fair value of stock options granted, finders' share purchase warrants issued and share purchase warrants modified were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2013		2012		
	Options	Warrants	Options	Warrants	Modified Warrants
Risk-free interest rate	1.40%	1.18%	1.41%	1.07%	0.94%
Expected share price volatility	119.64%	98.82%	121.96%	99.24%	78.71%
Expected option/warrant life (years)	5.00	3.00	5.00	2.18	0.60
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

The expected volatility assumptions have been developed taking into consideration both historical and implied volatility of the Company's share price.

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

---

**11. Share Capital, continued**

**(f) Fair Value Determination, continued**

The total calculated fair value of share-based payments for the years ended April 30, 2013 and 2012, were included in the respective consolidated statements of comprehensive loss or changes in equity as follows:

	2013	2012
Consolidated Statements of Comprehensive Loss		
Directors and officers	\$ 86,052	\$ 31,413
Consultants	167,249	42,325
Modification of share purchase warrants	-	249,390
	253,301	323,128
Consolidated Statements of Changes in Equity		
Finders' warrants	11,343	61,720
Total	\$ 264,644	\$ 384,848

**12. Segmented Information**

The Company conducts its business as a single operating segment being the acquisition and exploration of mineral properties. The Company's total assets are distributed by geographic area as follows:

	April 30, 2013		April 30, 2012	
	\$	%	\$	%
Canada	53,176	2%	513,279	16%
Mexico	1,884,314	58%	1,419,369	45%
USA	1,312,765	40%	1,243,384	39%
	<b>3,250,255</b>	<b>100%</b>	<b>3,176,032</b>	<b>100%</b>

**13. Commitments**

Effective July 1, 2012, under an amended service agreement between the Company and a private company controlled by a director and officer of the Company, the Company is charged \$10,500 per month for office accommodation and services ("Basic Rent") and \$1,750 per month per dedicated office ("Specific Rent"). The Company may terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term. The agreement expires on August 31, 2017, and the remaining minimum fee commitment based on current rental space as at April 30, 2013 is \$252,000.

**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

**14. Supplemental Cash Flow Information**

	2013	2012
Cash items		
Interest received	\$ 283	\$ 8,870
Income tax paid	\$ -	\$ -
Interest paid	\$ 605	\$ -
Non-cash items		
Financing and Investing Activities		
Share issuance costs	\$ 11,343	\$ 261,720
Shares issued for mineral property	\$ 35,000	\$ 49,250
Shares received for mineral property	\$ 11,000	\$ -
Shares issued for loan bonus	\$ 4,800	\$ -

**15. Income Tax**

A reconciliation of the income tax charge computed at statutory rates to the reported loss before taxes is as follows:

	2013	2012
Income tax benefit at statutory rate of 25.08% (2011 - 26%)	\$ 280,076	\$ 1,250,487
Permanent differences	38,279	104,983
Temporary differences	71,572	54,917
Change in timing differences	(167,123)	(121,534)
Foreign exchange gains or losses	79,733	115,534
Change resulting from tax rate reduction	108,789	(88,107)
Adjustment attributable to income taxes of other countries	32,163	207,506
Unused tax losses and tax offsets not recognized	(443,489)	(1,523,786)
	\$ -	\$ -

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

	2013	2012
Deferred income tax assets		
Tax value over book value of non-capital losses	\$ 510,151	\$ 375,204
	510,151	375,204
Deferred income tax liabilities		
Book value over tax value of mineral properties	\$ (510,151)	\$ (375,204)
Net deferred tax assets	\$ -	\$ -



**Southern Silver Exploration Corp.**  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
Years Ended April 30, 2013 and 2012  
(Expressed in Canadian Dollars)

**15. Income Tax, continued**

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2013	2012
Non-capital losses	\$ 22,270,177	\$ 20,933,248
Capital losses	56,084	56,084
Share issue costs	547,707	691,771
Tax value over book value of mineral properties	1,891,500	1,901,782
Tax value over book value of marketable securities	1,000	-
Tax value over book value of income tax credits	1,534	1,534
Tax value over book value of equipment	27,497	27,663
	\$ 24,795,499	\$ 23,612,082

The Company's approximate unrecognized non-capital losses expire as follows:

	CDN \$	US \$	Mexican Pesos
2014	138,000	-	-
2015	410,000	-	1,179,000
2016	-	-	11,625,000
2017	-	-	12,453,000
2018	-	-	17,365,000
2019	-	-	6,613,000
2020	-	-	4,373,000
2021	-	-	29,002,000
2022	-	-	21,719,000
2023	-	-	10,652,000
2026	830,000	-	-
2027	1,206,000	-	-
2028	1,142,000	2,000	-
2029	760,000	1,719,000	-
2030	1,035,000	11,000	-
2031	1,062,000	5,000	-
2032	1,565,000	30,000	-
2033	1,004,000	64,000	-
	9,152,000	1,831,000	114,981,000

## **Southern Silver Exploration Corp.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended April 30, 2013 and 2012

(Expressed in Canadian Dollars)

---

### **16. Events After the Reporting Period**

In addition to the events disclosed elsewhere in these consolidated financial statements, the following occurred subsequent to April 30, 2013:

- On July 20, 2013, 15,400,177 share purchase warrants with an exercise price of \$0.22 per share expired unexercised.
- On August 16, 2013, 5,146,627 share purchase warrants with an exercise price of \$0.22 per share expired unexercised.
- On August 27, 2013, the Company announced a non-brokered private placement to issue up to 16,666,666 units at a price of \$0.03 per unit to raise gross proceeds of \$500,000. Each unit will consist 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 \$0.05 per share.

As of August 27, 2013, the Company had received subscriptions of \$80,000.



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

**Management's Discussion and Analysis**  
**For the Year Ended April 30, 2013**  
**Dated: August 27, 2013**

A - Introduction	2
B - Qualified Persons	2
C - Foreign Exchange Information and Conversion Tables	2
D - Summary of Mineral Properties	3
E - Results of Operations	8
F - Summary of Quarterly Results	9
G - Fourth Quarter	9
H - Summary of Annual Information	10
I - Related Party Information	10
J - Financial Condition, Liquidity and Capital Resources	12
K - Outstanding Equity and Convertible Securities	12
L - Subsequent Events and Outlook	14
M - Financial Instruments	14
N - Off-Balance Sheet Arrangements	14
O - Disclosure Controls and Procedures	14
P - Risks and Uncertainties	15
Q - Changes in Accounting Policies, Including Initial Adoption	17
R - Proposed Transactions	18
S - Forward-Looking Statements	18

## Southern Silver Exploration Corp. (An Exploration Stage Company)

### Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

#### 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 year ended April 30, 2013 and is dated August 27, 2013. This MD&A was prepared to conform to National Instrument 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 audited consolidated financial statements for the year ended April 30, 2013, and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares trade on both the TSX Venture Exchange under the symbol "SSV.V" and on the Frankfurt Stock Exchange under the symbol "SEG.F".

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, including detailed drill results previously disclosed in news releases, is available on the Company's website at [www.southernsilverexploration.com](http://www.southernsilverexploration.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

#### B. Qualified Persons

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 British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

Adrian Robles Salazar provides consulting services to the Company as Exploration Manager for Mexico. 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.

#### 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>		
	Year ended				
	April 30,		Imperial		Metric
	2013	2012			
Rate at end of year	1.0075	0.9879	1 Acre	=	0.404686 Hectares
Average rate for year	1.0035	0.9958	1 Foot	=	0.304800 Meters
High for year	1.0397	1.0549	1 Mile	=	1.609344 Kilometres
Low for year	0.9683	0.9428	1 Ton	=	0.907185 Tonnes
			1 Ounce (troy)/ton	=	34.285700 Grams/Tonne

## Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

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

Precious metal units and conversion factors <sup>(2)</sup>				
- Part per billion	1 ppb	=	0.0010 ppm	= 0.000030 oz/t
- Part per million	100 ppb	=	0.1000 ppm	= 0.002920 oz/t
- Ounce (troy)	10,000 ppb	=	10.0000 ppm	= 0.291670 oz/t
- Ounce per ton (avdp.)	1 ppm	=	1.0000 ug/g	= 1.000000 g/tonne
- Gram				
- gram per metric ton	1 oz/t	=	34.2857 ppm	
- milligram	1 Carat	=	41.6660 mg/g	
- kilogram	1 ton (avdp.)	=	907.1848 kg	
- microgram	1 oz (troy)	=	31.1035 g	

(1) Information from [www.bankofcanada.ca](http://www.bankofcanada.ca)

(2) Information from [www.onlineconversion.com](http://www.onlineconversion.com)

### D. Summary of Mineral Properties

The Company is currently exploring for precious and base metals in Mexico (Durango and Jalisco) and the USA (Arizona and New Mexico).

#### Cerro Las Minitas - Durango, Mexico

The property lies within the Faja de Plata (Belt of Silver), 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 18 concessions totaling 15,125 hectares in one of the most significant silver producing regions in the world with current reserves/resources and historic production in excess of 3 billion ounces of silver. Certain claims are subject to receipt of registered title, failing receipt of which, will result in a reduction to final option payment obligations.

In October 2012, the Company granted Freeport-McMoRan Exploration Corporation ("FMEC") the right to earn an indirect 70% interest in the property.

Since execution of the agreement, FMEC has completed a program of soil and vegetation geochemistry and geophysical surveys over the entire property, three additional lines of deep-penetrating IP geophysics and a gravity survey that have confirmed both the lateral extent of anomalies identified in earlier work completed by the Company and have significantly extended the projection of several of the existing targets to over 600 metres depth. FMEC has also completed an initial 8 core hole, 3,445 metre drill program that targeted both lateral and vertical offsets to known mineralized zones at the Blind Zone, El Sol Zone and South Skarn targets as well as several geophysical and geochemical targets throughout the property, which was successful in both confirming the distribution of high-grade mineralization in the Blind Zone and identifying significant extensions of mineralization at each of El Sol Zone and South Skarn targets.

## **Southern Silver Exploration Corp. (An Exploration Stage Company)**

Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

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

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

##### *Blind Zone - El Sol Zone*

Multiple mineralized intercepts have been identified in most drill holes and are open in all directions. A preliminary interpretation of the drill data suggests good continuity within three main mineralized structures associated with monzonitic and felsic intrusives and several secondary footwall and hanging wall zones. Initial drilling in early 2011 identified high-grade silver mineralization in the El Sol Zone, an area located approximately 150 metres to the east of the Blind Zone mineralization.

Geological modeling using a nominal 80g/t AgEq cut-off has identified multiple distinct mineralized structures with a 820 metre cumulative strike-length, with depth projections of up to 300 metres below surface. Mineralization occurs in sub-vertical structures that demonstrate good continuity between drill holes. True thickness of the mineralized intervals are estimated at 60% to 70% of the down hole thicknesses. A Reconnaissance IP survey (RIP) covering the remainder of the concessions has identified new, previously undetected targets in gravel covered areas for further surface exploration and potential drill testing.

A single west to east oriented 680 metre drill hole tested both a shallow offset of mineralization within the Blind Zone and the depth projection of mineralization in the El Sol Zone, and returned extremely encouraging results (see table) which confirm the continuity of shallow high-grade silver mineralization in the upper portions of the Blind Zone. The deeper intercepts project to previously identified, near surface, mineralization in the El Sol Zone which had been tested during 2012 exploration to less than 200 metres depth. The intercepts are reported as down-hole thickness. True thickness of the mineralized intervals is estimated at about 40% of the reported thickness.

##### *La Bocona*

Drill hole 12CLM-058 tested a northwest extension of the deposit and returned a 1.3 metre interval grading 466g/t silver. Mineralization occurs within skarn and hornfels limestone on the eastern margin of a thick northwest-trending felsic dyke. This is a new target area located 750 metres to the northeast of the Blind Zone deposit and mineralization is open along strike for several hundred metres.

Additional drilling is planned to further test and delineate this new zone of mineralization.

##### *South Skarn*

Drilling in 2012 identified a new highly encouraging zone of gold-copper mineralization. The new zone is gravel covered and is located approximately 1.5 kilometres to the southeast of the Blind Zone deposit and is open in all directions.

Drill hole 12CLM-055 intersected an outer zone of weakly to moderately altered limestone followed by a 37 metre thick diatreme breccia, an intermixed zone of hematite breccia, skarn-hornfels and aplite dyke before entering variably altered monzonite/feldspar porphyry. Strongly anomalous gold mineralization was identified over a 20 metre interval within the hematite breccia which averaged 0.8g/t gold and included a 4.3 metre interval averaging 2.8g/t gold and 28g/t silver. A second 4.3 metre interval averaging 1.4g/t gold, 89g/t silver and 1.8% copper was intersected further down hole and is hosted in chlorite-garnet skarn related to the adjacent intrusions.

## Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2013

### D. Summary of Mineral Properties, continued

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

##### *South Skarn, continued*

Four core holes totaling 1,722 metres drilled during the most recent phase of exploration tested the target over a 250 metre strike length and 300 metre depth. Three holes returned significant results (see table) with one hole being abandoned prior to reaching target depth.

Mineralization in the South Skarn target is open both along strike to the northeast and at depth. Accurate orientations of the mineralized zones have not been determined; however mineralization appears to dip moderately to steeply southward. True thickness of the mineralized intervals may be up to +70% of the reported thickness.

*Table: Select Composites for the year ended April 30, 2013, and to date*

Hole No.	From m	To m	Interval m	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t
12CLM-047	162.55	166.95	4.40	185.55	0.02	0.16	5.62	4.56	470.54
inc	162.55	165.50	2.95	254.00	0.02	0.18	7.82	4.88	608.57
12CLM-051	50.90	70.85	19.95	142.84	0.04	0.02	2.43	0.64	228.35
inc	60.70	66.90	6.20	237.97	0.05	0.01	3.24	0.15	331.86
inc	63.00	63.90	0.90	833.00	0.14	0.02	8.78	0.15	1,079.13
12CLM-054	169.00	170.70	1.70	230.00	0.01	0.23	6.21	9.33	663.45
12CLM-059	12.00	31.05	19.05	29.62	0.02	0.01	0.63	0.19	53.17
12CLM-061	86.25	96.80	10.55	76.21	0.01	0.02	1.88	0.61	144.72
inc	86.25	87.50	1.25	382.00	0.02	0.18	9.92	5.13	798.50
12CLM-062	280.00	282.55	2.55	160.00	0.01	0.47	3.65	2.89	376.90
inc	291.60	292.10	0.50	177.00	0.01	0.60	5.52	9.02	618.04
13CLM-063	228.60	230.15	1.55	160.00	1.03	0.09	3.25	0.36	319.20
13CLM-066	62.75	63.80	1.05	3.80	8.63	0.00	0.07	0.06	472.40
13CLM-066	88.35	97.50	9.15	401.24	0.10	0.13	8.49	5.05	777.17
inc	92.90	97.50	4.60	726.88	0.18	0.09	13.49	7.03	1,288.93
inc	92.90	94.95	2.05	1,190.00	0.20	0.04	21.62	12.95	2,119.81
13CLM-066	138.00	151.10	13.10	52.98	0.13	0.15	2.93	1.36	187.23
inc	149.00	151.10	2.10	67.80	0.62	0.31	5.61	2.48	343.88
13CLM-066	165.80	176.80	11.00	53.00	0.10	0.10	3.90	3.50	264.00
13CLM-066	534.60	585.15	50.60	40.81	0.01	0.01	0.71	5.33	202.01
inc	546.00	561.00	15.00	66.75	0.01	0.01	0.46	5.98	238.40
and	573.00	585.15	12.15	45.06	0.01	0.02	1.70	10.82	379.29
13CLM-066	633.30	642.60	9.30	9.42	0.00	0.13	0.07	13.04	368.78
inc	638.20	640.35	2.15	13.60	0.01	0.41	0.01	20.60	597.28
13CLM-067	194.10	195.60	1.50	2.50	0.15	0.01	1.94	0.26	69.50
13CLM-068	285.40	299.30	13.90	135.82	0.24	0.03	2.41	1.31	250.44
inc	285.40	287.80	2.40	545.50	0.18	0.15	10.27	3.85	942.81
13CLM-068	307.00	307.90	0.90	1,140.00	0.42	0.10	18.10	21.00	2,207.07

## **Southern Silver Exploration Corp. (An Exploration Stage Company)**

Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

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

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

##### *2013 Exploration Program*

These latest results clearly demonstrate both the vertical projection of mineralization in the El Sol Zone but also the potential for significant depth extensions to mineralization in other parts of the property. Logging and sampling is complete and data compilation and interpretation of all results is underway to define additional drill targets in the next phase of exploration.

#### **Minas de Ameca - Jalisco, Mexico**

The Minas de Ameca project encompasses a 131 sq. km claim package located along the western margin of the Sierra Madre Occidental terrane. Geological reconnaissance has identified several strongly mineralized, copper-rich breccia located at volcanic-intrusive contacts and numerous structurally controlled, quartz-hematite vein systems which occur along an 8 kilometre long mineralized trend extending southeast through the project area.

The concessions that make up the project include the Magistral I claims and the El Magistral claims which includes a historic producing mine from which copper was extracted, with some gold credits, from chalcopyrite, bornite and oxide ores.

##### *Magistral I*

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

Since acquisition, the Company has completed a total of 4,832 metres of drilling in 20 drill holes in two states on the San Luis vein system and adjacent targets. Seventeen drill holes have tested an 800 metre strike length of the main San Luis vein structure to depths of up to 500 metres. The system remains open along strike and down dip.

##### *El Magistral*

The El Magistral 1,366 hectare mineral concession adjoins to the south La Sorpresa claims and, in turn, is bound to the east and south by the Magistral I concession.

Exploration to date tested the Magistral Mine target for a total of 747.1 metres of drilling. Several narrow intervals of anomalous silver, copper and precious metal values were returned from three of the drill holes with only weakly anomalous values.

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

The Oro Project comprises a contiguous block of Federal, State and Private land totaling 17.2 square kilometres 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 6 square kilometre 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.



## Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

### D. Summary of Mineral Properties, continued

#### Oro - New Mexico, USA, continued

In addition to bulk-tonnage porphyry copper-molybdenum-gold potential, the Oro project claims also include the high-grade sediment-hosted Stock Pond gold target. Reconnaissance rock sampling has been completed over a strike length of 140 metres, yielding values up to 4.8 grams per tonne gold. Gold mineralization is interpreted to be related to the main porphyry centre, located 4 kilometres to the southwest.

In January 2013, the Company entered into an option agreement with Desert Star Resources Ltd. (DSR.V, "Desert Star") whereby Desert Star can acquire up to a 70% interest in the property. Desert Star is assuming operation of the project and intends to conduct a systematic exploration program in 2013 which includes a detailed deep-penetrating geophysical program, surface mapping, sampling, trenching and diamond drilling to test both the porphyry potential on the property as well as the gold potential at Stock Pond.

#### Dragoon Property - Arizona, USA

The Dragoon property is a contiguous claim block of 1,280 ha, located 90 kilometers southeast of Tucson, Arizona, comprising 68 unpatented mining claims and 4 state leases that contain areas of exposed Cu-Mo mineralization, Laramide-age monzogranite porphyry and geothitic "leached capping" which occur in the eastern part of the property and a larger down-dropped block of prospective Paleozoic stratigraphy in the gravel-covered western portion of the property.

The property was previously subject to an earn-in agreement with FMEC. FMEC advised the Company that it has terminated the earn-in agreement and has delivered to the Company geological data which is currently being analyzed by the Company's consultants with the intent to recommend further exploration work on the property.

#### Acquisition costs

The Company's accounting policy related to expenditures incurred for the acquisition of mineral properties is to capitalize on a property-by-property basis, net of recoveries. During the year ended April 30, 2013 the Company incurred acquisition costs on its mineral properties as follows:

	Balance	Additions				Balance
	April 30, 2012	Q1	Q2	Q3	Q4	April 30, 2013
	\$	\$	\$	\$	\$	\$
Minas de Ameca	331,395	-	-	-	31,810	363,205
Cerro Las Minitas	1,041,098	323,939	22,510	(329,065)	400,743	1,459,225
Oro	1,091,799	801	22,751	28,923	(10,994)	1,133,280
Dragoon	77,480	651	10,516	-	15,264	103,911
<b>Total</b>	<b>2,541,772</b>	<b>325,391</b>	<b>55,777</b>	<b>(300,142)</b>	<b>436,823</b>	<b>3,059,621</b>

## Southern Silver Exploration Corp. (An Exploration Stage Company)

### Management's Discussion and Analysis

For the Year Ended April 30, 2013

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

##### Exploration costs

The Company's accounting policy related to expenditures incurred for the exploration and development of mineral properties is to expense to the consolidated statement of comprehensive loss in the period in which they are incurred, net of recoveries. During the year ended April 30, 2013 the Company incurred exploration costs on its mineral properties as follows:

	Incurring to	Additions					Incurring to
	April 30, 2012	Q1	Q2	Q3	Q4	YTD	April 30, 2013
	\$	\$	\$	\$	\$	\$	\$
Minas de Ameca	1,579,189	-	1,123	4,294	1,947	7,364	1,586,553
Cerro Las Minitas	3,260,628	330,295	44,357	(725,213)	312,373	(38,188)	3,222,440
Oro	1,233,646	4,278	2,430	5,646	1,447	13,801	1,247,447
Dragoon	83,052	1,184	4,406	1,016	257	6,863	89,915
General Exploration		11,627	(7,571)	949	5,699	10,704	
		<b>347,384</b>	<b>44,745</b>	<b>(713,308)</b>	<b>321,723</b>	<b>544</b>	

#### E. Results of Operations

During the year ended April 30, 2013, the Company incurred a net loss and comprehensive loss of \$1,118,592 (2012 - \$4,809,566). The following table summarizes the variances in the consolidated statements of comprehensive loss:

	2013	2012	Variance	
	\$	\$	\$	%
<b>Operating Expenses</b>				
Administration	121,000	96,000	25,000	26%
Consulting	222,585	373,876	(151,291)	(40%)
Exploration and evaluation, net of recoveries	544	3,117,437	(3,116,893)	(100%)
Independent directors' fees	37,673	38,828	(1,155)	(3%)
Investor relations	140,363	421,194	(280,831)	(67%)
Office and general	62,162	98,692	(36,530)	(37%)
Professional fees	226,152	148,634	77,518	52%
Regulatory fees and taxes	13,796	18,556	(4,760)	(26%)
Share-based payments	253,301	73,738	179,563	244%
Shareholders' communications	11,508	25,831	(14,323)	(55%)
Transfer agent	15,483	17,434	(1,951)	(11%)
Travel and promotion	17,822	164,117	(146,295)	(89%)
Interest accretion	6,455	-	(6,455)	-
Interest income	(283)	(8,870)	(8,587)	(97%)
Foreign exchange gain	(11,969)	(25,291)	(13,322)	(53%)
Modification of share purchase warrants	-	249,390	249,390	(100%)
Unrealized loss on fair value of marketable securities	2,000	-	(2,000)	-

## Southern Silver Exploration Corp. (An Exploration Stage Company)

### Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

#### E. Results of Operations, continued

Administration expenses increased as a result of an amended office services agreement entered into on July 1, 2012.

Consulting, investor relations, office and general, shareholders' communications and travel and promotion expenses fluctuate based on the number of conferences and trade shows attended and other work performed in preparation of financing and reporting activities.

As per the Company's mandate to acquire, explore, and develop mineral resource properties, the Company has continued to invest in its current properties based on financial resources that have been available. During the year, the Company entered into an earn-in agreement with FMEC and partly recovered prior period exploration costs.

Professional fees increased as result of timing of audit fees and due to an increase in legal costs incurred with respect to the FMEC earn-in agreement.

Non-cash share-based payments vary as stock options are granted and vest. A non-cash expense was recognized in 2012 with respect to the modification of the terms of outstanding share purchase warrants that took place during that period.

#### F. Summary of Quarterly Results

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

	Apr 30, 2013 \$	Jan 31, 2013 \$	Oct 31, 2012 \$	Jul 31, 2012 \$	Apr 30, 2012 \$	Jan 31, 2012 \$	Oct 31, 2011 \$	Jul 31, 2011 \$
Net loss	476,895	(166,292)	282,508	523,481	1,721,296	1,627,000	870,701	590,569
Basic and diluted loss per share	\$ 0.00	\$ (0.00)	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

The Company earned no revenue during the periods presented other than minimal interest income due to the nature of current operations.

Quarterly fluctuations mainly relate to recognition of share-based payments which vary as stock options are granted and vest, foreign exchange gains and losses which vary with market rates and mineral property exploration expenses or impairments which occur as projects are identified and drilling results are analyzed. During the year ended April 30, 2013, the Company entered into an earn-in agreement with FMEC and partly recovered prior period exploration costs.

#### G. Fourth Quarter

No unusual events affected the Company's financial performance or cash flows during the fourth quarter.

## Southern Silver Exploration Corp. (An Exploration Stage Company)

### Management's Discussion and Analysis

For the Year Ended April 30, 2013

#### H. Summary of Annual Information

The following represents certain financial data for the previous three fiscal years:

	2013	2012	2011
	\$	\$	\$
<b>Net loss</b>	(1,116,592)	(4,809,566)	(2,557,947)
<b>Basic and diluted loss per share</b>	(0.01)	(0.04)	(0.03)
<b>Current assets</b>	71,566	520,328	1,313,719
<b>Other non-current assets</b>	119,068	113,932	43,012
<b>Mineral properties</b>	3,059,621	2,541,772	1,538,292
<b>Total assets</b>	3,250,255	3,176,032	2,895,023
<b>Total non-current financial liabilities</b>	-	-	-
<b>Cash dividends per common share</b>	-	-	-

The Company earned no revenue during the periods presented other than minimal interest income. The Company's main operating costs have remained materially constant over the periods presented subject to additional costs incurred for financing or other ad-hoc projects and mineral property exploration as finance and assessments have permitted. During the year ended April 30, 2013, the Company entered into an earn-in agreement with FMEC and partly recovered prior period exploration costs.

To date, the Company has not paid dividends and does not have any long-term financial liabilities.

#### I. Related Party Information

The Company entered into the following related party transactions during the year ended April 30, 2013:

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

- \$121,000 for office space and general administration services (2012 - \$96,000);
- \$48,745 for professional services (2012 - \$68,972);
- \$26,079 for consulting services (2012 - \$106,230);
- \$72,903 for investor relations services (2012 - \$141,420);
- \$37,400 for geological consulting services in relation to mineral properties (2012 - \$27,691);
- \$4,109 for the mark-up on out-of-pocket expenses (2012 - \$31,003); and
- \$1,403 for office and general (2012 - \$7,140).

Amounts payable as at April 30, 2013 were \$67,141 (2012 - \$16,977).

(b) Pursuant to a consulting agreement, as amended, between the Company and a director and an officer of the Company, the Company was charged \$112,320 (2012 - \$112,320) for consulting services. Amounts payable as at April 30, 2013 were \$18,443 (2012 - \$nil).

## Southern Silver Exploration Corp. (An Exploration Stage Company)

### Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

#### I. Related Party Information, continued

- (c) Fees in the amount of \$83,014 (2012 - \$246,831) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2013 were \$9,141 (2012 - \$8,982).
- (d) Fees relating to office administration of \$nil (2012 - \$18,000) were charged by a private company controlled by a director and an officer of the Company. Agreement expired effective February 1, 2012.
- (e) Fees in the amount of \$24,000 (2012 - \$70,207) were charged by a director of the Company for geological services. No amounts were payable as at April 30, 2013 and 2012.
- (f) Fees in the amount of \$30,000 (2012 - \$20,000) were charged by a private company controlled by a director and an officer of the Company for consultancy services. Amounts payable as at April 30, 2013 were \$8,225 (2012 - \$5,600). Agreement expired effective May 30, 2013.
- (g) Fees in the amount of \$67,460 (2012 - \$142,742) were charged by a private company controlled by a former director and officer of the Company for consultancy services and included in consulting fees and share issue costs. Amounts payable as at April 30, 2013 were \$15,106 (2012 - \$8,400).
- (h) Fees of \$37,673 (2012 - \$38,828) were payable with respect to independent directors' fees. As at April 30, 2013, \$21,622 was outstanding and included in accounts payable and accrued liabilities (2012 - \$18,204).

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. One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent 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 April 30, 2013 was \$131,040. The Company has no long-term employee or post-employment benefits.

Compensation awarded to key management during the year ended April 30, 2013 was as follows:

	2013	2012
Short-term benefits	\$ 203,993	\$ 259,355
Share-based payments	86,052	31,413
Total	\$ 290,045	\$ 290,768

During August 2012, the Company entered into a loan agreement with a private company controlled by a director for \$33,000. The initial term of the loan was for a period of six months with interest payable quarterly at prime plus two percent per annum. As further consideration for providing the loan, the lender also received common shares equal to ten per cent of the value of the loan.

## **Southern Silver Exploration Corp. (An Exploration Stage Company)**

### Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

#### **I. Related Party Information, continued**

No amounts were repaid and therefore all outstanding balances are now repayable on demand. The Company, in its sole discretion, can elect to repay all interest and loan balances by the issuance of common shares.

#### **J. Financial Condition, Liquidity and Capital Resources**

As at April 30, 2013, the Company had a working capital deficiency of \$726,154 (April 30, 2012 - \$77,042). The Company has been reducing general and administration costs, where possible, negotiating extended payment terms of its trade payables, and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments. However, the Company does not generate any revenue from operations and, without further financing, the Company does not have sufficient capital to meet the requirements for its administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months.

For the foreseeable future, the Company will need to rely on raising capital in the equity markets and/or enter into further joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. Although the Company has been successful in obtaining financing through sale of its securities, there can be no assurance that the Company will be able to obtain adequate financing in the future in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors. 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.

##### *Private Placement*

On August 27, 2013, the Company announced a non-brokered private placement to issue up to 16,666,666 units at a price of \$0.03 per unit to raise gross proceeds of \$500,000. Each unit will consist 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 \$0.05 per share.

As of August 27, 2013, the Company had received subscriptions of \$80,000.

##### *Commitments*

Effective July 1, 2012, under an amended service agreement between the Company and a private company controlled by a director and officer of the Company, the Company will be charged \$10,500 per month for office accommodation and services ("Basic Rent") and \$1,750 per month per dedicated office ("Specific Rent"). The Company may terminate the agreement through written notice at any time by paying the Basic and Specific Rents for the lesser of 24 months or the remainder of the term. The agreement expires on August 31, 2017, and the remaining minimum fee commitment based on current rental space as at April 30, 2013 is \$252,000.

#### **K. Outstanding Equity and Convertible Securities**

##### **i) Issued and Outstanding Shares**

As at April 30, 2013, and August 27, 2013, the Company had 144,698,909 common shares issued and outstanding. No shares have been issued, cancelled or re-issued since April 30, 2013.

**Southern Silver Exploration Corp. (An Exploration Stage Company)**

Management's Discussion and Analysis

For the Year Ended April 30, 2013

**K. Outstanding Equity and Convertible Securities, continued****ii) Stock Options**

As at August 27, 2013, the Company had stock options outstanding as follows:

Exercise Price	Expiry Date	Balance	
		April 30, 2013	August 27, 2013
\$0.16	January 8, 2015	2,410,000	2,410,000
\$0.17	November 29, 2015	2,290,000	2,290,000
\$0.17	December 13, 2015	315,000	315,000
\$0.15	November 8, 2016	250,000	250,000
\$0.10	June 5, 2017	350,000	350,000
\$0.10	March 14, 2018	7,824,000	7,824,000
		<b>13,439,000</b>	<b>13,439,000</b>
Weighted average exercise price		\$0.13	\$0.13
Weighted average remaining life in years		3.82	3.49

**iii) Share Purchase Warrants**

As at August 27, 2013, the Company had share purchase warrants outstanding as follows:

Exercise Price	Expiry Date	Balance		Balance August 27, 2013
		April 30, 2013	Expired	
\$0.22	July 20, 2013	15,400,177	15,400,177	-
\$0.22	August 16, 2013	5,146,627	5,146,627	-
\$0.22	August 29, 2013	45,534	-	45,534
\$0.20	December 5, 2013	6,821,000	-	6,821,000
\$0.20	January 5, 2014	440,000	-	440,000
\$0.17	April 23, 2015	6,809,000	-	6,809,000
\$0.30	Note 1	250,000	-	250,000
\$0.40	Note 2	250,000	-	250,000
\$0.10	January 31, 2016	8,452,000	-	8,452,000
\$0.10	February 28, 2016	7,873,000	-	7,873,000
		<b>51,487,338</b>	<b>20,546,804</b>	<b>30,940,534</b>
Weighted average exercise price		\$0.17	\$0.22	\$0.14
Weighted average remaining life in years		1.33		1.73

Note 1 - Expiry date is two years from the date on which FMEC exercises its option to acquire a 51% indirect interest in the Cerro Las Minitas property.

Note 2 - Expiry date is two years from the date on which FMEC gives notice of its election to acquire an additional 19% indirect interest in the Cerro Las Minitas property.

## Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

### L. Subsequent Events and Outlook

There are no significant events subsequent to the date of this document.

### M. Financial Instruments

The Company's financial instruments include cash, other receivables, marketable securities, reclamation bonds, accounts payable and accrued liabilities, amounts due to related parties and loans payable.

The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash	FVTPL	Fair Value
Receivables (Advances)	Loans and Receivables	Amortized Cost
Marketable Securities	AFS	Fair Value
Reclamation Bonds	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost
Loans Payable	Other Financial Liabilities	Amortized Cost

Marketable securities were categorized at Level 1 in the fair value hierarchy as fair value was determined by inputs utilizing quoted prices in an active market. The carrying values of receivables (April 30, 2013 - \$3,449 : April 30, 2012 - \$7,049), accounts payable and accrued liabilities, amounts due to related parties and loans payable approximate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing, have no maturity date and their carrying values approximate fair value.

These financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. In addition, all investments must be less than one year in duration.

### N. Off-Balance Sheet Arrangements

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

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

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.



## **Southern Silver Exploration Corp. (An Exploration Stage Company)**

Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

### **O. Disclosure Controls and Procedures, continued**

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.

### **P. 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.

#### *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. Hence, 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 issuance of securities.

The Company will need to continue its reliance on the issuance 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. 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.

## **Southern Silver Exploration Corp. (An Exploration Stage Company)**

Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

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

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

In recent months, the securities markets in Canada and elsewhere have experienced 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.

#### *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.

#### *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. 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.

#### *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 interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects. In addition, certain mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties.

## **Southern Silver Exploration Corp. (An Exploration Stage Company)**

### Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

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

##### *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.

##### *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.

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

##### *Future Accounting Standards Changes*

IFRS 9: *Financial Instruments* was issued in November 2009, and amended in October 2010 and December 2011, as the first step to replace IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 also amends some of the requirements of IFRS 7: *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income / loss and guidance on financial liabilities and de-recognition of financial instruments. IFRS 9 must be applied to annual periods beginning on or after January 1, 2015.

IFRS 10: *Consolidated Financial Statements* was issued in May 2011 to replace IAS 27: *Consolidated and Separate Financial Statements* and SIC 12: *Consolidation – Special Purpose Entities*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. IFRS 10 must be applied to annual periods beginning on or after January 1, 2013.

IFRS 11: *Joint Arrangements* was issued in May 2011 to replace IAS 31: *Interests in Joint Ventures*. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 must be applied to annual periods beginning on or after January 1, 2013.

## **Southern Silver Exploration Corp. (An Exploration Stage Company)**

Management's Discussion and Analysis

For the Year Ended April 30, 2013

---

### **Q. Changes in Accounting Policies Including Initial Adoption, continued**

#### *Future Accounting Standards Changes, continued*

IFRS 12: *Disclosure of Interests in Other Entities* was issued in May 2011 to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e., special purpose entities). IFRS 12 must be applied to annual periods beginning on or after January 1, 2013.

IFRS 13: *Fair Value Measurement* was issued in May 2011 as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 must be applied to annual periods beginning on or after January 1, 2013.

The Company has assessed the impact of adopting the above future accounting standard changes on its consolidated financial statements and the impact is not expected to be material.

### **R. Proposed Transactions**

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

### **S. Forward-Looking Statements**

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

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

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