



Interim Consolidated Financial Statements

For the Nine Months Ended January 31, 2011 and 2010

<u>Index</u>	<u>Page</u>
Notice of No Auditor Review	2
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Deficit	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 – 20

Southern Silver Exploration Corp.
(Exploration Stage Company)

Notice of No Auditor Review of Interim Statements

These interim consolidated financial statements of the Company for the nine months ended January 31, 2011, and comparatives for the nine months ended January 31, 2010 were prepared by management and have not been reviewed or audited by the Company's auditors.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Balance Sheets as at

		January 31, 2011		April 30, 2010
		Unaudited		Audited
Assets				
Current				
Cash		\$ 1,579,508	\$	656,457
Receivables		86,786		38,607
Prepays		39,869		42,979
		1,706,163		738,043
Mineral properties	Note 5	4,013,428		3,312,020
Reclamation bonds		41,957		54,000
		\$ 5,761,548	\$	4,104,063
Liabilities				
Current				
Accounts payable and accrued liabilities		\$ 151,745	\$	82,080
Due to related parties	Note 6	30,653		5,116
		182,398		87,196
Shareholders' Equity				
Share capital	Note 7	23,638,209		21,008,918
Contributed surplus	Note 7	3,562,082		3,281,090
Deficit		(21,621,141)		(20,273,141)
		5,579,150		4,016,867
		\$ 5,761,548	\$	4,104,063

Nature of operations and going concern (Note 1)

Contingencies and commitments (Note 11)

Subsequent events (Note 12)

Approved on behalf of the Board

"Lawrence Page"

"Terry Eyton"

Lawrence Page, Q.C.

Terry Eyton

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Operations and Deficit for the,

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2011	2010	2011	2010
Expenses				
Administration	\$ 24,000	\$ 24,000	\$ 72,000	\$ 72,000
Consulting				
Services	61,675	75,530	174,005	210,767
Stock-based compensation	102,447	247,500	102,447	247,500
Independent directors' fees				
Services	9,210	8,548	27,808	25,470
Stock-based compensation	22,181	48,750	22,181	48,750
Investor relations	46,584	42,813	146,239	60,123
Office and general	16,951	20,714	52,430	49,986
Professional fees	42,430	44,664	149,329	126,493
Regulatory fees and taxes	1,848	24,478	18,884	37,541
Shareholders' communications	6,614	8,499	10,045	10,629
Transfer agent	4,424	4,523	7,340	6,982
Travel and promotion	26,354	15,720	51,539	18,476
Wages and benefits				
Stock-based compensation	56,350	108,750	56,350	108,750
	421,068	674,489	890,597	1,023,467
Other Items				
Interest income	(2,836)	(402)	(3,518)	(402)
Foreign exchange (gain) loss	558	(3,490)	(3,024)	28,207
Share purchase warrants modification	-	-	-	109,494
General exploration	6,222	9,518	79,047	80,106
Write-off of mineral properties	261,308	814,641	384,898	859,937
	265,252	820,267	457,403	1,077,342
Net Loss and Comprehensive Loss for the Period	686,320	1,494,756	1,348,000	2,100,809
Deficit, Beginning of the Period	20,934,821	18,513,494	20,273,141	17,907,441
Deficit, End of the Period	\$ 21,621,141	\$ 20,008,250	\$ 21,621,141	\$ 20,008,250
Loss per share - basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.05)
Weighted average number of common shares outstanding	78,211,567	54,270,986	70,857,047	46,317,436

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Cash Flows for the,

Cash provided by (used for):	Three months ended		Nine months ended	
	January 31,		January 31,	
	2011	2010	2011	2010
Net loss for the period	\$ (686,320)	\$ (1,494,756)	\$ (1,348,000)	\$ (2,100,809)
Items not involving cash:				
Share purchase warrants modification	-	-	-	109,494
Foreign exchange on transactions	42,941	-	32,224	-
Stock-based compensation	180,978	405,000	180,978	405,000
Write-off of mineral properties	261,308	814,641	384,898	859,937
	(201,093)	(275,115)	(749,900)	(726,378)
Changes in Non-Cash Working Capital				
Receivables	(22,287)	(13,962)	(48,179)	(9,672)
Prepays	(3,449)	(59,251)	3,110	(39,303)
Accounts payable and accrued liabilities	(56,902)	(499)	18,009	41,941
Due to related parties	(22,267)	(77,698)	28,307	5,095
	(104,905)	(151,410)	1,247	(1,939)
Cash Used in Operating Activities	(305,998)	(426,525)	(748,653)	(728,317)
Investing Activities				
Expenditures on mineral properties	(739,937)	(326,532)	(990,793)	(429,304)
Reclamation bonds	12,403	1,770	12,403	1,770
Cash Used in Investing Activities	(727,534)	(324,762)	(978,390)	(427,534)
Financing Activity				
Proceeds from exercise of warrants	385,300	371,294	385,300	377,778
Proceeds from exercise of options	67,100	-	67,100	-
Proceeds from private placements, net of share issue costs	1,341,878	1,618,880	2,230,278	1,618,880
Cash Provided by Financing Activities	1,794,278	1,990,174	2,682,678	1,996,658
Foreign Exchange Effect on Cash	(41,882)	-	(32,584)	-
Increase /(Decrease) in Cash During the Period	718,864	1,238,887	923,051	840,807
Cash , Beginning of the Period	860,644	51,123	656,457	449,203
Cash , End of the Period	\$ 1,579,508	\$ 1,290,010	\$ 1,579,508	\$ 1,290,010

Supplemental cash flow information (Note 10)

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

1. Nature of Operations and Going Concern

Southern Silver Exploration Corp. (the "Company") is an exploration stage enterprise incorporated under the laws of British Columbia. The Company and its subsidiaries are engaged in the acquisition and exploration of mineral properties and do not have any mineral properties in production.

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 current 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 January 31, 2011, the Company had working capital of \$1,523,765 (April 30, 2010 working capital - \$650,847).

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of \$21,621,141 as at January 31, 2011 (April 30, 2010 - \$20,273,141).

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 intends to continue relying upon the issuance of share capital to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These unaudited interim financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company's annual audited consolidated financial statements ("AFS") for the fiscal year ended April 30, 2010. All material adjustments, which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods, have been reflected in these statements. The results for the nine months ended January 31, 2011 are stated using the same accounting policies and methods of application as the most recent annual audited consolidated financial statements, but are not necessarily indicative of the results to be expected for the full year.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation and Consolidation, continued

The Company's reporting currency is the Canadian dollar and all dollar amounts in these statements are in Canadian dollars, unless otherwise stated. These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Minera Plata del Sur S.A de C.V., incorporated in Mexico, Southern Silver Exploration (US) Corp. incorporated in Nevada USA and Southern Silver Holdings Ltd., incorporated in the British Virgin Islands.

All intercompany accounts and transactions were eliminated upon consolidation.

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

A summary of significant accounting policies is disclosed in Note 2 to the AFS.

(b) Future Accounting Changes

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended July 31, 2011, which must include restated interim results for the period ended July 31, 2010 prepared on the same basis. The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures.

The Company has identified current GAAP applicable to the Company that will be affected by the changeover and differences with the corresponding IFRSs and has outlined appropriate policy choices allowed under IFRS. The management submitted a document outlining the differences between current GAAP and IFRS, appropriate policy choices and their impact on the Company's financial statements and business processes to the Audit Committee for Approval.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interest". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for a non-controlling interest in a subsidiary.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

2. Summary of Significant Accounting Policies, continued

(c) Future Accounting Changes, continued

(ii) Business Combinations

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners.

Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Early adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

3. Financial Instruments

The carrying value of financial assets by category at January 31, 2011 and April 30, 2010 are as follows:

Financial Assets	January 31, 2011		April 30, 2010	
	Held-for-trading	Loans and Receivables	Held-for-trading	Loans and Receivables
Cash	\$ 1,579,508	\$ -	\$ 656,457	\$ -
Reclamation bonds	-	41,957	-	54,000
Receivables	-	-	-	8,905
	\$ 1,579,508	\$ 41,957	\$ 656,457	\$ 62,905

The carrying value of financial liabilities by category at January 31, 2011 and April 30, 2010 are as follows:

Financial Liabilities	January 31, 2011	April 30, 2010
	Other financial Liabilities	Other financial Liabilities
Accounts payable and accrued liabilities	\$ 151,745	\$ 82,080
Due to related parties	\$ 30,653	\$ 5,116
	\$ 182,398	\$ 87,196

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2010

3. Financial Instruments, continued

Fair Value

The carrying values of cash, reclamation bonds, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short term to maturity.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit Risk

The Company is exposed to credit risk with respect to managing its cash position. This risk is mitigated by risk management policies that require deposits or short-term investments to 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 and the Company has no exposure to asset-backed commercial paper.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. 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 and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. However, January 31, 2011 cash balance of \$1,579,508 would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral property interests and continuing with its exploration program in the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in 2010/2011. At January 31, 2011, the Company had accounts payable and accrued liabilities of \$151,745 and amounts due to related parties of \$30,653 due within 30 days.

(c) Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and other price risk. These are discussed further below:

(i) 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 January 31, 2011.

(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.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

3. Financial Instruments, continued

(ii) Currency Risk, continued

As at January 31, 2011, the Company has financial instruments denominated in foreign currencies as below and are exposed to currency risk as follows:

	US	Peso
Cash	\$ 535,047	19,815
Bonds	-	510,000
Accounts payable and accrued liabilities	(67,805)	(353,698)
	\$ 467,242	176,117

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of \$46,794 in the Company's deficit, or a corresponding change in the Mexico peso would result in an increase/decrease of \$1,452 in the Company's deficit.

(iii) Other Price Risk

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

4. Management of Capital

The Company's objective in managing its capital is 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.

The Company's capital includes components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests. 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 funded by the issuance of common shares and convertible notes to investors in the past. The Company will continue these financing methods in the future depending on market and economic conditions at the time.

5. Mineral Properties

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

- **Mexico**
 - (i) Jalisco - Minas de Ameca Magistral properties, which include Magistral I and EI Magistral
 - (ii) Chihuahua - Pinabete property
 - (iii) Durango - Cerro Las Minitas

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

5. Mineral Properties, continued

- **USA**
 - (i) Arizona - Dragoon properties
 - (ii) New Mexico – Oro property

Deferred mineral property costs by property for the nine months ended January 31, 2011 are as follows:

Mineral Properties	Minas de Ameca \$	Pinabete \$	Oro \$	Dragoon \$	San Juan \$	Cerro Las Minitas \$	Total \$
Acquisition							
Balance as at April 30, 2010	208,412	237,049	494,253	76,623	53,996	-	1,070,333
Additions during the period	36,912	24,259	305,765	857	632	392,306	760,731
Write-offs during the period	-	(261,308)	-	-	(54,628)	-	(315,936)
Balance as at January 31, 2011	245,324	-	800,018	77,480	-	392,306	1,515,128
Exploration							
Balance as at April 30, 2010	1,563,434	-	557,782	59,090	61,381	-	2,241,687
Additions during the period:							
Air Support	-	-	-	-	-	36,668	36,668
Assays and Geochemistry	-	-	61	-	327	1,998	2,386
Camp, Utilities and Supplies	1,460	-	2,650	-	226	10,422	14,758
Equipment/Rentals/Supplies	434	-	1,022	-	753	7,929	10,138
Geological and Geophysics	-	-	72,320	2,163	88	13,960	88,531
General Exploration	-	-	49	-	62	490	601
Project Supervision	7,114	-	20,955	6,827	3,988	105,235	144,119
Project Support	224	-	192	-	-	9,919	10,335
Travel	1,595	-	5,305	-	-	3,365	10,265
Environmental	-	-	2,649	-	2,138	2,988	7,775
Total additions during the period	10,827	-	105,203	8,990	7,581	192,974	325,575
Write - off during the period	-	-	-	-	(68,962)	-	(68,962)
Balance as at January 31, 2011	1,574,261	-	662,985	68,080	-	192,974	2,498,300
Total mineral properties expenditures as at January 31, 2011	1,819,585	-	1,463,003	145,560	-	585,280	4,013,428

Terms of the agreements for these properties are described in Note 5 to the AFS.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

5. Mineral Properties, continued

Cerro Las Minitas – Durango, Mexico

During the nine months ended January 31, 2011 the Company announced that it signed a letter of intent with a private vendor to acquire a 100% interest in the Cerro Las Mintas property located in Durango, Mexico. Upon signing the letter on intent the Company paid US\$50,000 to secure exclusive right to the property while due diligence proceeds.

On December 1, 2010 the Company announced that it has executed a formal agreement to acquire 100% interest in the property.

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

- (i). Pay US\$ 50,000 (paid) upon signing of the letter of intent;
- (ii). Pay US\$250,000 (paid) on December 1, 2010;
- (iii). Pay US\$300,000 on June 1, 2011;
- (iv). Pay US\$300,000 on December 1, 2011;
- (v). Pay US\$300,000 on June 1, 2012
- (vi). Pay US\$800,000 on December 1, 2012;
- (vii). Pay US\$1,000,000 on June 1, 2013;
- (viii). Pay US\$1,000,000 on December 1, 2013

Total commitment is US\$4,000,000 over 36 months.

San Juan and Pinabite Properties

During the nine months ended January 31, 2011, the Company relinquished the right to the above properties in Mexico and the capitalized acquisition and exploration costs in the amount of \$123,590 and \$261,308 respectively was written off.

Oro Property

The Company was the successful bidder for two lease land parcels of New Mexico State Land which were critical for future exploration on Oro property. The Company extended option payment of US\$ 200,000 due on August 28, 2010 to January 01, 2011 (paid).

Minas de Ameca Project - Jalisco, Mexico - Magistral I

Effective July 21, 2010, parties to the agreement amended the option agreement as follows:

- (i). to extend the aggregate exploration commitment of US\$1,800,000 for July 21, 2010 to July 21, 2011
- (ii). to extent the aggregate exploration commitment of US\$3,000,000 from July 21, 2011 to July 21, 2012

The Company issued 50,000 common shares at \$0.10 pursuant to the agreement.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

6. Related Party Balances and Transactions

The Company entered into the following related party transactions during the nine months ended January 31, 2011.

(a) Pursuant to the service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company was charged as follows:

- \$72,000 in respect of office accommodation and management services;
- \$42,337 in respect of professional services;
- \$48,265 in respect of consulting services;
- \$60,224 in respect of investor relations services;
- \$25,092 in respect of geological consulting services in relation to mineral properties;
- \$4,538 in respect of the mark-up on out-of-pocket expenses; and
- \$7,527 in respect of administrative services.

Amounts payable as at January 31, 2011 were \$21,450.

(b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$84,240 for consulting services.

(c) Fees in the amount of \$30,285 were charged by a law firm controlled by a director and an officer of the Company and included in professional fees and mineral property expenditures. Amounts payable as at January 31, 2011 were \$9,203.

(d) Consulting fees relating to office administration of \$18,000 were charged by a private company controlled by a director and an officer of the Company.

(e) Consulting fees relating to geological services of \$37,233 were charged by a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are unsecured, non-interest bearing, and have no formal terms of payments.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

7. Share Capital

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

(a) Issued and Outstanding

The issued common shares are as follows:

	No. of Shares	Amount	Contributed Surplus
Balance as at April 30, 2009	42,874,321	19,000,984	2,702,685
Issued			
Private placement	18,160,000	1,816,000	-
Issued to acquire mineral properties	100,000	10,250	-
Exercised share purchase warrants	3,777,775	377,778	-
Fair value of warrants exercised	-	63,637	(63,637)
Stock base compensation	-	-	480,000
Share purchase warrants modification Note 7(e)	-	-	109,494
	64,912,096	21,268,649	3,228,542
Share issuance cost	-	(259,731)	52,548
Balance as at April 30, 2010	64,912,096	\$ 21,008,918	\$ 3,281,090
Issued			
Private placement	25,000,000	2,500,000	-
Issued to acquire mineral properties	50,000	5,000	-
Exercised share purchase warrants	1,926,500	385,300	-
Exercised stock options	415,000	67,100	-
Fair value of broker warrants exercised	-	4,140	(4,140)
Fair value of stock options exercised	-	57,385	(57,385)
Stock base compensation	-	-	222,605
	27,391,500	3,018,925	161,080
Share issuance cost	-	(389,634)	119,912
Balance as at January 31, 2011	92,303,596	\$ 23,638,209	\$ 3,562,082

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

7. Share Capital, continued

(b) Private Placements

A non-brokered unit private placement was announced on October 13, 2010 and amended on November 24, 2010 to issue up to 25,000,000 common shares at a price of \$0.10 per unit to raise \$2,500,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one common share at \$0.20 for a period of two years. The private placement closed in three tranches, October 27, 2010, November 29, 2010 and December 10, 2010.

The placement was fully subscribed and the Company raised gross proceeds of \$2,500,000. The Company incurred \$389,634 for share issue cost of which \$ 106,350 consists of finder's fees, \$163,372 general share issue costs and \$ 119,912 cost of agent's warrants issued (1,815,500 exercisable at \$0.20) and calculated using Black-Scholes option pricing model (Note 7(f)).

(c) Shares Issued for Mineral Properties

The Company issued 50,000 common shares at \$0.10 pursuant to the agreement with Fury Exploration for Magistral 1 property.

d) Stock Options

As at January 31, 2011, the Company had a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The terms of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. Except those options issued to persons providing investor relation services, which vest in stages over 12 months with no more than one-quarter of such options so granted vesting in any three-month period, the Board of Directors shall have complete discretion to set the terms of any vesting schedule at the date of grant. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

During the nine months ended January 31, 2011 415,000 stock options were exercised for gross proceeds of \$67,100.

On November 29, 2010 and December 13, 2010 the Company granted a total of 2,815,000 stock options to the directors, officers, consultants and management company employees exercisable at \$0.17 with immediately vesting and expiring five years from the date of the grant.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

7. Share Capital, continued

d) Stock Options, continued

Exercise Price	Expiry Date	Balance April 30, 2010	Granted	Cancelled or Expired	Options Exercised	Balance January 31, 2011
\$0.30	October 13, 2010	205,000	-	205,000	-	-
\$0.51	November 8, 2010	400,000	-	400,000	-	-
\$0.83	January 16, 2011	175,000	-	175,000	-	-
\$0.82	March 27, 2011	125,000	-	-	-	125,000
\$0.88	June 1, 2011	435,000	-	85,000	-	350,000
\$0.58	March 1, 2012	1,145,000	-	55,000	-	1,090,000
\$0.58	March 26, 2012	100,000	-	-	-	100,000
\$0.58	October 19, 2012	25,000	-	-	-	25,000
\$0.58	December 4, 2012	25,000	-	25,000	-	-
\$0.21	March 26, 2013	525,000	-	35,000	-	490,000
\$0.16	January 8, 2015	3,200,000	-	200,000	345,000	2,655,000
\$0.17	November 29, 2015	-	2,500,000	-	70,000	2,430,000
\$0.17	December 13, 2015	-	315,000	-	-	315,000
		6,360,000	2,815,000	1,180,000	415,000	7,580,000
Weighted average exercise price		\$ 0.36	\$0.17	0.19	\$0.16	\$0.28
Weighted average contractual life (in years)						3.42

7. Share Capital, continued

e) Share Purchase Warrants

During the nine months ended January 31, 2011 1,926,500 share purchase warrants were exercised for gross proceeds of \$385,300.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

7. Share Capital, continued

e) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance April 30, 2010	Granted	Cancelled or Expired	Exercised	Balance January 31, 2011
\$0.20	December 10, 2011	14,570,000	-	-	1,007,500	13,562,500
\$0.20	December 10, 2011	653,400	-	-	69,000	584,400
\$0.20	December 24, 2011	3,590,000	-	-	850,000	2,740,000
\$0.20	December 24, 2011	166,800	-	-	-	166,800
\$0.20	October 27, 2012	-	9,900,000	-	-	9,900,000
\$0.20	October 27, 2012	-	597,000	-	-	597,000
\$0.20	November 26, 2012	-	10,601,000	-	-	10,601,000
\$0.20	November 26, 2012	-	843,500	-	-	843,500
\$0.20	December 10, 2012	-	4,499,000	-	-	4,499,000
\$0.20	December 10, 2012	-	375,000	-	-	375,000
		18,980,200	26,815,500	-	1,926,500	43,869,200
Weighted average exercise price		\$0.20	\$0.20	-	0.20	\$0.20
Weighted average remaining contractual life (in years)						1.43

(f) Fair Value Determination

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

	January 31, 2011		January 31, 2010	
	Options	Warrants	Options	Warrants
Risk-free interest rate	1.66%	1.66%	2.69%	1.31%
Expected share price volatility	92.02%	92.02%	112.08%	137.00%
Expected option/warrant life in years	2	2	5	2
Expected dividend yield	0%	0%	0%	0%

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

7. Share Capital, continued

(f) Fair Value Determination, continued

The total stock-based compensation recognized during the period ended January 31, 2011 was \$ 222,605 and included in the consolidated statement of operations and in the balance sheet under mineral properties as follows

	January 31, 2011		January 31, 2010	
	Number of Options Granted	Stock-based Compensation	Number of Options Granted	Stock-based Compensation
Consulting	1,305,000	\$ 102,447	1,650,000	\$ 247,500
Independent directors' fees	285,000	22,181	325,000	48,750
Wages and benefits	700,000	56,350	725,000	108,750
Geological services (Mineral propertie	525,000	41,627	500,000	75,000
Total	2,815,000	\$ 222,605	3,200,000	\$ 480,000

9. Segmented Information

The Company's assets are distributed by geographic area as follows:

	January 31, 2011		April 30, 2010	
	\$	%	\$	%
Canada	1,564,157	27%	622,799	15%
Mexico	2,589,372	45%	2,281,879	56%
USA	1,608,019	28%	1,199,385	29%
	5,761,548	100%	4,104,063	100%

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

10. Supplemental Cash Flow Information

	January 31, 2011	January 31, 2010
Cash Items		
Interest received	\$ 3,518	\$ 402
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Non-Cash Items		
Investing Activities		
Mineral property costs included in accounts payable	\$ 67,907	\$ 183,519
Mineral property costs included in due to related parties	\$ -	\$ -
Financing Activities		
Shares issued for mineral property	\$ 5,000	\$ 10,250
Cash and Cash equivalents consist of Cash	\$ 1,579,508	\$ 1,290,010

11. Contingencies and Commitments

(A) Contingencies

Certain claims have been filed against the Company.

- (a) A claim for US \$80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was instigated in October 1998 and since then no further claims or legal proceedings have taken place.
- (b) A claim for \$6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

These financial statements do not reflect the liability, if any, which may result from these claims as the outcome of either claim is indeterminable at this time. The impact to any outcome will be recorded at the time of settlement and, accordingly, may impact future results of operations and cash flows.

Under a service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company is charged \$8,000 monthly for office accommodation and administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

11. Contingencies and Commitments

(B) Commitments

The fee commitment for the next three years is as follows:

Year ending April 30,	Commitment \$
Balance to 2011	24,000
2012	96,000
2013	16,000

(C) Mineral properties interests

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

(a) Magistral properties:

- Incur an aggregate of at least US\$ 1,800,000 by July 21, 2011
- Issue 250,000 common shares to Fury Explorations Ltd. on or before July 21, 2011.
- Incur an aggregate of at least US\$ 3,000,000 by July 21, 2012;

(b) Oro property:

- US \$300,000 on or before August 28, 2011;
- US \$75,000 on or before December 1, 2011;
- US \$75, 000 on or before December 1, 2012

(c) Cerro Las Minitas property

US\$300,000 on or before June 1, 2011;
US\$300,000 on or before December 1, 2011;
US\$300,000 on or before June 1, 2012
US\$800,000 on or before December 1, 2012;
US\$1,000,000 on or before June 1, 2013;
US\$1,000,000 on or before December 1, 2013

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Nine months ended January 31, 2011 and 2011

12. Subsequent Events

The following events occurred subsequent to January 31, 2011:

- **Share purchase warrants**

Subsequent to January 31, 2011, 1,659,000 share purchase warrants were exercised for gross proceeds of \$331,800.

- **Stock options**

Subsequent to January 31, 2011, 175,000 stock options were exercised for gross proceeds of \$30,250.