



Interim Consolidated Financial Statements

For the Three Months Ended July 31, 2009 and 2008

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Notice of No Auditor Review of Interim Statements

These interim consolidated financial statements of the Company for the three months ended July 31, 2008, 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

		Unaudited July 31, 2009	Audited April 30, 2009
Assets			
Current			
Cash		\$ 155,821	\$ 449,203
Receivables		20,450	21,696
Prepays		27,464	35,821
		203,735	506,720
Mineral properties	Note 5	3,288,942	3,277,042
Reclamation bonds		63,823	65,241
		\$ 3,556,500	\$ 3,849,003
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 52,110	\$ 50,310
Due to related parties	Note 6	3,112	2,465
		55,222	52,775
Shareholders' Equity			
Share capital	Note 7	19,005,235	19,000,984
Contributed surplus	Note 7	2,812,179	2,702,685
Deficit		(18,316,136)	(17,907,441)
		3,501,278	3,796,228
		\$ 3,556,500	\$ 3,849,003

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"

Lawrence Page, Q.C.

"Nazlin Rahemtulla"

Nazlin Rahemtulla

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Operations and Deficit for the three months ended July 31,

	2009	2008
Expenses		
Administration	\$ 24,000	\$ 24,000
Amortization	-	2,900
Consulting		
Services	68,012	65,108
Stock-based compensation	-	9,999
Independent directors' fees		
Services	8,068	8,864
Investor relations	7,496	65,925
Office and general	16,576	36,958
Professional fees	43,895	77,832
Regulatory fees and taxes	5,612	6,913
Shareholders' communications	918	674
Transfer agent	1,164	1,118
Travel and promotion	-	18,656
	175,741	318,947
Other Items		
Interest income	-	(7,359)
Foreign exchange (gain) loss	30,972	(23,196)
Share purchase warrants modification	Note 7(e) 109,494	-
General exploration	47,192	12,244
Write-off of mineral properties	Note 5 45,296	-
	232,954	(18,311)
Net Loss and Comprehensive Loss for Year	408,695	300,636
Deficit, Beginning of Year	17,907,441	12,990,941
Deficit, End of Year	\$ 18,316,136	\$ 13,291,577
Loss per share - basic and diluted	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding	42,879,756	42,706,386

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Cash Flows for the Three months ended July 31,

Cash provided by (used for):	2009	2008
Net loss for the year	\$ (408,695)	\$ (300,636)
Items not involving cash:		
Amortization	-	2,900
Stock-based compensation	-	9,999
Share purchase warrants modification	Note 7(e) 109,494	-
Foreign exchange (loss) gain	20,919	(21,732)
Write-off of mineral properties	Note 5 45,296	-
	(232,986)	(309,469)
Changes in Non-Cash Working Capital		
Receivables	1,246	67,781
Prepays	8,357	166,635
Accounts payable and accrued liabilities	(1,469)	25,758
Due to related parties	647	(24,150)
	8,781	236,024
Cash Used in Operating Activities	(224,205)	(73,445)
Investing Activities		
Expenditures on mineral properties	(49,676)	(1,035,230)
Reclamation bonds	(3,080)	-
Cash Used in Investing Activities	(52,756)	(1,035,230)
Financing Activity		
Proceeds from issuance of shares, net of share issue costs	-	-
Foreign Exchange Effect on Cash	(16,421)	20,593
Decrease in Cash During the Year	(293,382)	(1,088,082)
Cash , Beginning of Year	449,203	2,575,224
Cash , End of Year	\$ 155,821	\$ 1,487,142

Supplemental cash flow information (Note 10)

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Three months ended July 31, 2009 and 2008

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 July 31, 2009, the Company had working capital of \$148,513 (April 30, 2009 - \$453,945).

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of \$18,316,136 as at July 31, 2009 (April 30, 2009 - \$17,907,441).

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") in Canadian dollars. 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, 2009. 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. The results for the three months ended July 31, 2009 are stated utilizing the same accounting policies and methods of application as the most recent annual audited 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
Three months ended July 31, 2009 and 2008

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 indicated. 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. 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.

(b) Accounting Changes

(i) Goodwill

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Adoption of the new Section did not have an impact on the Company's financial statements since the Company does not have any goodwill or intangible assets that are accounted for in accordance with this section.

(c) 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 prior 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 is currently evaluating the future impact of IFRS on its consolidated financial statements.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Three months ended July 31, 2009 and 2008

2. Summary of Significant Accounting Policies, continued

(c) Future Accounting Changes, continued

(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.

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. Earlier 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 July 31, 2009 and April 30, 2009 are as follows:

Financial Assets	July 30, 2009		April 30, 2009	
	Held-for-trading	Loans and Receivables	Held-for-trading	Loans and Receivables
Cash	\$ 155,821	\$ -	\$ 449,203	\$ -
Reclamation bonds	-	63,823	-	65,241
	\$ 155,821	\$ 63,823	\$ 449,203	\$ 65,241

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Three months ended July 31, 2009 and 2008

3. Financial Instruments

The carrying value of financial liabilities by category at July 31, 2009 and April 30, 2009 are as follows:

	July 31, 2009	April 30, 2009
Financial Liabilities	Other financial Liabilities	Other financial Liabilities
Accounts payable and accrued liabilities	\$ 52,110	\$ 50,310
Due to related parties	\$ 3,112	\$ 2,465
	\$ 55,222	\$ 52,775

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, at July 31, 2009 the cash balance of \$155,821 would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral 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 2009/2010. At July 31, 2009, the Company had accounts payable and accrued liabilities of \$52,110 and amounts due to related parties of \$3,112 due within 30 days.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Three months ended July 31, 2009 and 2008

3. Financial Instruments, continued

(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 July 31, 2009.

(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 July 31, 2009, the Company has financial instruments denominated in foreign currencies as below and is exposed to currency risk as follows:

	US	Peso
Cash	\$ 140,590	28,037
Bonds	20,595	510,000
Accounts payable and accrued liabilities	(5,752)	(141,161)
	\$ 155,433	396,876

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 \$16,700 in the Company's deficit, or a corresponding change in the Mexico peso would result in an increase/decrease of \$3,200 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.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
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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 upon 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
 - a. Magistral properties, which include Magistral I and EI Magistral
 - b. Quila property
 - c. Altavista (relinquished the rights to the property during the quarter)
 - (ii) Chihuahua – Pinabete property
- **USA**
 - (i) Arizona - Dragoon properties
 - (ii) New Mexico – Oro property

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
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5. Mineral Properties, continued

Deferred mineral property costs by property for the year ended July 31, 2009 are as follows:

Mineral Properties	Minas de Ameca \$	Pinabete \$	Oro \$	Dragoon \$	Total \$
Acquisition					
Balance as at April 30, 2009	341,807	196,847	320,296	68,895	927,845
Additions during the year	28,479	6,966	732	3,557	39,734
Write-offs during the year	(45,296)	-	-	-	(45,296)
Balance as at July 31, 2009	324,990	203,813	321,028	72,452	922,283
Exploration					
Balance as at April 30, 2009	2,114,946	-	187,560	46,691	2,349,197
Additions during the year:					
Assays and Geochemistry	23	-	-	-	23
Camp, Utilities and Supplies	2,238	-	-	-	2,238
Equipment/Rentals/Supplies	1,807	-	-	-	1,807
Geological and Geophysics	1,623	-	2,030	1,358	5,011
General Exploration	650	-	-	148	798
Project Supervision	5,043	-	-	1,164	6,207
Project Support	750	-	-	-	750
Travel	398	-	-	-	398
Environmental	230	-	-	-	230
Total additions during the year	12,762	-	2,030	2,670	17,462
Balance as at July 31, 2009	2,127,708	-	189,590	49,361	2,366,659
Total mineral properties expenditures as at July 31, 2009	2,452,698	203,813	510,618	121,813	3,288,942

Terms of the agreements for these properties are described in Note 6 to the AFS.

Altavista de Ramos Property

During the quarter ended July 31, 2009, the Company relinquished its right to the above property and, accordingly, \$45,296 (acquisition costs of \$45,296 and \$Nil in exploration cost) was written off and included in the statements of operations and deficit.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Three months ended July 31, 2009 and 2008

6. Related Party Balances and Transactions

The Company entered into the following related party transactions during the quarter ended July 31, 2009.

- (a) Under 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:
- \$24,000 in respect of office space and general administration services;
 - \$16,090 in respect of professional services;
 - \$12,548 in respect of consulting services;
 - \$5,490 in respect of investor relations services;
 - \$7,237 in respect of geological consulting services in relation to mineral properties;
 - \$1,065 in respect of the mark-up on out-of-pocket expenses; and
 - \$2,770 in respect of administrative services.

As of July 31, 2009, prepayment of \$10,500 was made in relation to the office space and administration services..

- (b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$28,080 for consulting services. Prepaid amount was \$5,000.
- (c) Fees in the amount of \$9,612 were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at July 31, 2009 were \$3,112.
- (d) Consulting fees relating to corporate development of \$18,000 were charged by a private company controlled by a director and an officer of the Company.
- (e) Consulting fees relating to office administration of \$6,000 were charged by a private company controlled by a director and an officer of the Company.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Three months ended July 31, 2009 and 2008

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, 2008	42,699,321	\$ 18,981,258	\$ 2,692,687
Issued			
To acquire mineral properties	175,000	19,726	-
Stock-based compensation	-	-	9,998
Balance as at April 30, 2009	42,874,321	19,000,984	2,702,685
Issued			
To acquire mineral properties	50,000	4,251	-
Share purchase warrants modification Note 7(e)	-	-	109,494
Balance as at July 31, 2009	42,924,321	\$ 19,005,235	\$ 2,812,179

(b) Private Placements

No private placements were announced or completed by the Company during the quarter ended July 31, 2009.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Three months ended July 31, 2009 and 2008

7. Share Capital, continued

(c) Shares Issued for Mineral Properties

During the quarter ended July 31, 2009, the Company issued 50,000 common shares at a fair value of \$0.085 per share, \$4,251 in total, pursuant to an option to acquire a 65% interest in the Magistral I, Mexican mining exploration concession (Note 6 (a) of the AFS).

d) Stock Options

As at July 31, 2009, 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.

As at July 31, 2009, 4,117,500 options were outstanding and exercisable.

Exercise Price	Fair Value (*)	Expiry Date	Balance April 30, 2009	Granted	Cancelled or Expired	Balance July 31, 2009
\$0.65	\$0.34	December 10, 2009	827,500	-	-	827,500
\$0.30	\$0.27	October 13, 2010	205,000	-	-	205,000
\$0.51	\$0.43	November 8, 2010	415,000	-	-	415,000
\$0.83	\$0.64	January 16, 2011	190,000	-	-	190,000
\$0.82	\$0.72	March 27, 2011	125,000	-	-	125,000
\$0.88	\$0.80	June 1, 2011	460,000	-	-	460,000
\$0.58	\$0.54	March 1, 2012	1,210,000	-	15,000	1,195,000
\$0.58	\$0.41	March 26, 2012	100,000	-	-	100,000
\$0.58	\$0.37	October 19, 2012	25,000	-	-	25,000
\$0.58	\$0.39	December 4, 2012	25,000	-	-	25,000
\$0.21	\$0.12	March 26, 2013	550,000	-	-	550,000
			4,132,500	-	15,000	4,117,500
Weighted average exercise price			\$0.58	-	\$0.58	\$0.58
Weighted average contractual life (in years)						1.93

(*) Fair value determined by Black-Scholes option pricing model

Southern Silver Exploration Corp.
(Exploration Stage Company)
Notes to Consolidated Financial Statements
Three months ended July 31, 2009 and 2008

7. Share Capital, continued

(e) Share Purchase Warrants

The Company's share purchase warrants for the quarter ended July 31, 2009 are summarized as follows:

Exercise Price	Expiry Date	Balance April 30, 2009	Cancelled or Expired	Exercised	Balance July 31, 2009
\$0.10	February 24, 2010	6,500,000	-	-	6,500,000
		6,500,000	-	-	6,500,000
Weighted average exercise price		\$0.10	-	-	\$0.10
Weighted average remaining contractual life (in years)					0.57

On December 10, 2008 the Company extended the expiry date of 6,500,000 share purchase warrants from February 24, 2009 to February 24, 2010 (exercise price \$0.60). These warrants were issued pursuant to a private placement of 13,000,000 with 6,500,000 share purchase warrants attached, which closed on February 23, 2007. The extension of the share purchase warrants resulted in \$Nil addition to stock-based compensation expense.

The Company amended the exercise price of the share purchase warrants from \$0.60 per share to \$0.10 per share as at May 7, 2009 with a forced exercise provision of 30 days to exercise if the closing trading price of the Company's common shares is \$0.135 or greater for a period of 10 consecutive trading days.

The re-pricing of the warrants resulted in a non cash expense of \$109,494, derived from Black-Scholes option pricing model and included in the statements of operations and deficit.

(f) Fair Value Determination

The fair value of warrant re-price using the Black-Scholes option pricing model was calculated using the following weighted average assumptions:

	2009		2008	
	Options	Warrants	Options	Warrants
Risk-free interest rate	N/A	1.07%	2.86%	N/A
Expected share price volatility	N/A	158.54%	171.01%	N/A
Expected option/warrant life in years	N/A	0.8	5.0	N/A
Expected dividend yield	N/A	0%	0%	N/A

Southern Silver Exploration Corp.
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Notes to Consolidated Financial Statements
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9. Segmented Information

The Company engaged solely in exploration of mineral properties. The Company's total assets are distributed by geographic area as follows:

	July 31, 2009		April 30, 2009	
	\$	%	\$	%
Canada	170,604	5%	383,053	10%
Mexico	2,731,274	76%	2,821,348	73%
USA	654,622	19%	644,602	17%
	3,556,500	100%	3,849,003	100%

10. Supplemental Cash Flow Information

	July 31, 2009		July 31, 2008	
Cash Items				
Interest received	\$	-	\$	7,359
Income tax paid	\$	-	\$	-
Interest paid	\$	-	\$	-
Non-Cash Items				
Investing Activities				
Mineral property costs included in accounts payable	\$	12,113	\$	6,084
Mineral property costs included in due to related parties	\$	-	\$	341
Financing Activities				
Shares issued for mineral property	\$	4,251	\$	10,750

11. Contingencies and Commitments

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.

Southern Silver Exploration Corp.
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11. Contingencies and Commitments, continued

(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 space and general administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012. The fee commitment for the next four years is as follows:

Year ending April 30,	Commitment \$
Balance to 2010	72,000
2011	96,000
2012	96,000
2013	16,000

12. Subsequent Event

Dragoon Property

On August 27, 2009 the Company entered in to an earn-in agreement with Freeport-McMoran Exploration Corporation, for the Dragoon property.



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Management's Discussion and Analysis
In respect of the three months ended July 31, 2009
Dated: September 16, 2009

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Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Southern Silver Exploration Corp., formerly known as Newcoast Silver Mines Ltd., (the "Company") compares results for the three months ended July 31, 2009 to the same period in the previous year. These statements should be read in conjunction with the unaudited consolidated financial statements for the three months ended July 31, 2009 and audited consolidated financial statements for the twelve months ended April 30, 2009. All notes referenced herein may be found in the unaudited consolidated financial statements for the three months ended July 31, 2009.

The Company's financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries Minera Plata Del Sur SA De SV (Mexico), Southern Silver Exploration (US) Corp. (USA), and Southern Silver Holdings Ltd. (British Virgin Islands). This MD&A, dated September 16, 2009, was prepared to conform with National Instrument 51-102 F1 and was approved by the Board of Directors prior to its release.

The Company is a reporting issuer in British Columbia and Alberta and its shares trade on the Tier 2 Board of the TSX Venture Exchange ("TSX") under the symbol SSV.

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

Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. These are subject to significant risks and uncertainties that may cause actual results or events to differ materially from projected results or events.

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 and on SEDAR at www.sedar.com.

B. Qualified Person

Robert W. J. Macdonald, P. Geo., is the qualified person under National Instrument 43-101 *Standards for Disclosure for Mineral Properties* ("NI 43-101") responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of B.C. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

Southern Silver Exploration Corp. (An Exploration Stage Company)

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B. Qualified Person, continued

Adrian Robles Salazar and Dr. Linus Keating, two highly regarded geologists with specialized experience in Mexico and Arizona, respectively, provide consulting services to the Company. Mr. Robles has extensive experience with Mexican projects that was gained through his association with Minera Kennecott S.A. de C.V. and Western Silver Corporation. Dr. Keating is an accomplished exploration geologist with many years of international experience, including 14 years with Rio Tinto (Kennecott), supervising work on porphyry and precious metals projects in Arizona. He has a B.Sc. in Geological Engineering from the University of Arizona, and a Doctorate of Science in Geology from the University of Brussels, Belgium.

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

	Canadian Dollars per US Dollar ⁽¹⁾		
	Year ended		
	July 31 2009	July 31 2008	April 30 2009
Rate at end of period	1.0775	1.0240	1.1930
Average rate for period	1.1324	1.0101	1.2442
High for period	1.1859	1.0292	1.2991
Low for period	1.0775	0.9841	1.1930

Imperial	Conversion Table ⁽²⁾		Metric
1 Acre	0.404686	Hectares	
1 Foot	0.304800	Meters	
1 Mile	1.609344	Kilometres	
1 Ton	0.907185	Tonnes	
1 Ounce (troy)/ton	34.285700	Grams/Tonne	

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

C. Exchange Information and Conversion Tables, continued

Precious metal units and conversion factors ⁽²⁾

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

(1) www.bankofcanada.ca

(2) Information from www.onlineconversion.com

D. Description of Business

The Company acquires and explores mineral properties in North America. It is currently exploring for precious and base metals in Mexico (Jalisco and Chihuahua) and the USA (Arizona and New Mexico).

E. Description of Mineral Properties

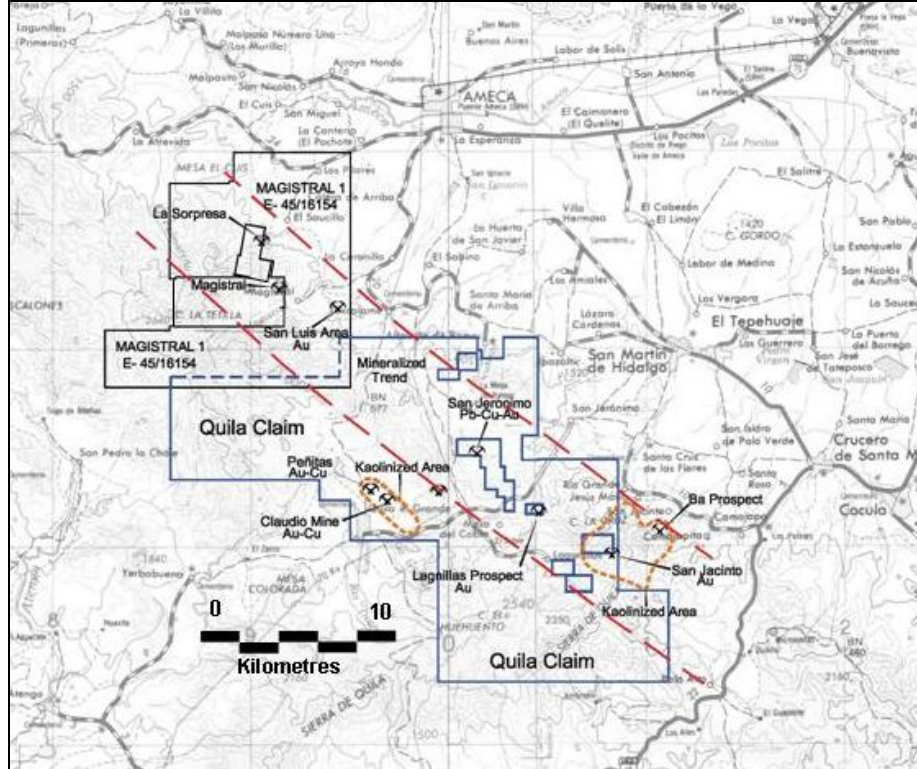
i) Minas de Ameca Project - Jalisco, Mexico

The **Minas de Ameca project** encompasses a 320 sq. km claim package assembled in part through option agreements between the Company and Fury Explorations Ltd. now merged with Golden Predator Mines Inc. and Soltoro Ltd. together with the purchase from the Mexican Government of the El Magistral claim which includes an historic producing mine from which copper was extracted, with some gold credits, from chalcopyrite, bornite and oxide ores. The concessions that make up the project include the Magistral I claims, the El Magistral claims and the Quila claims. The LaSorpresa concession, which was previously form part of the project was relinquished during the quarter ending October 31, 2008.

Southern Silver Exploration Corp. (An Exploration Stage Company)
Management's Discussion and Analysis
In respect of the three months ended July 31, 2009

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued



The district is located along the western margin of the Sierra Madre Occidental terrane. Geological reconnaissance has identified several strongly mineralized, copper-rich breccias located at volcanic-intrusive contacts and numerous structurally controlled, quartz-hematite vein systems which occur along a 25 km long mineralized trend extending southeast through the project area.

Magistral I

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd. ("Fury"), the Company has an option to acquire a 65% interest in the property (see Note 6 (a) to the audited consolidated financial statements dated April 30, 2009).

The Magistral I property is accessible via a series of gravel roads from the town of Ameca (population 50,000), which is located 80 kilometers southwest of Guadalajara.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco, Mexico, continued

Magistral I, continued

Since acquisition, the Company has initiated a systematic program of target generation and evaluation, which utilizes newly available reprocessed airborne geophysical and satellite data, ground geophysics and systematic mapping and sampling of the newly defined target areas. The initial target generated from this work is the San Luis – Cerro de la Cruz vein systems, which was tested in 2007 and 2008.

Results from the first phase include **an 8.0 metre interval of 1.05 g/t Au and 0.49% Cu within a 30 metre interval grading 0.39 g/t Au and 0.17% Cu**. The second hole reported a **6.85 metre interval of 1.05 g/t Au, 15.7 g/t Ag and 0.55% Cu** within a longer, **14.5 metre interval**, that carried **0.62 g/t Au, 8.78 g/t Ag and 0.31% Cu**. Estimated true thicknesses have not been calculated for these intervals, however, the mineralized zone is believed to be steeply dipping.

A total of 4,832 metres of drilling was completed in 20 drill holes over two phases of drilling on the San Luis vein system and adjacent targets. Seventeen drill holes had tested an 800 metre strike length of the main **San Luis** vein structure and to depths of up to 200 metres. A single drill hole tested the **Cerrito de la Cruz** vein system (07SL-15), located 400 metres to the north of the San Luis vein. Two additional drill holes tested a northeast-trending EM anomaly immediately adjacent to the San Luis vein and a large magnetic anomaly associated with a +1g/t gold surface grab sample located about 1,000 metres to the north of the San Luis vein.

Most recently, 25 line-kilometers of detailed gradient IP geophysics was been completed over portions of the San Luis vein system. The survey showed some correlation between chargeability anomalies and Cu- and Au-enriched drill hole intercepts. Several untested chargeability highs occur to the north of previously tested veins and may represent additional veins within the mineralizing system. Shallow drill testing of these targets is anticipated during the 2009 exploration season.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco, Mexico, continued

Magistral I, continued

Significant assays from the 2007-08 drilling program include:

Drill Hole Number	Collar Data			From m	To m	Interval m	Est. True Thcknss m	Au g/t	Ag g/t	Cu %
	AZ Deg	Dip Deg	Depth m							
07SL-03	180	-71	237.00	179.50	199.20	19.70	9.60	1.01	11.20	0.95
Includes				195.85	199.20	3.35	1.92	5.07	49.81	4.32
				214.10	216.90	2.80	1.61	1.33	9.20	0.84
07SL-04**	180	-60	149.80	24.60	35.25	10.65	9.00	0.13	6.00	0.82
				65.85	69.45	3.60	2.20	0.51	10.00	1.18
				103.25	113.50	10.26	7.25	2.05	12.88	0.34
Includes				107.80	110.30	2.50	1.77	4.58	30.80	0.65
07SL-05**	180	-60	246.00	155.25	159.25	4.00	3.00	0.37	11.80	1.04
				174.95	196.35	21.40	15.13	1.03	12.15	0.58
Includes				187.30	189.80	2.50	1.77	3.44	6.10	2.29
07SL-06	0	-65	351.00	115.15	116.10	0.95	0.61	0.52	2.40	0.06
07SL-07	180	-46	299.20	247.90	250.00	2.10	1.89	0.51	13.70	0.58
07SL-08	190	-50	328.00	258.30	260.40	2.10	1.82	1.01	25.79	1.52
Includes				273.75	284.35	10.60	9.18	1.14	7.70	0.86
Includes				279.80	282.00	2.20	1.91	4.14	11.70	2.40
07SL-09	180	-55	270.00	159.00	161.20	2.20	2.20	0.60	12.92	0.75
				189.90	190.60	0.70	0.55	0.31	13.00	1.22
				202.90	207.60	4.70	3.85	0.45	5.13	0.31
07SL-11	180	-55	152.20	81.40	93.60	12.20	10.57	1.50	1.26	0.28
Includes				86.60	88.60	2.00	1.73	5.92	2.60	0.23
				98.00	100.00	2.00	1.73	1.96	4.20	0.31
07SL-12	180	-50	199.85	122.80	125.20	2.40	1.50	0.52	5.40	0.18
07SL-16	0	-50	198.00	57.15	59.75	2.60	2.00	1.20	2.90	0.08
07SL-17	180	-75	290.00	211.10	215.25	4.15	2.70	0.47	4.70	0.57
07SL-18	180	-61	459.00	102.95	109.80	6.85	4.00	2.02	14.00	0.84
				289.50	292.30	2.80	2.80	0.30	22.00	1.93
08SL-19	180	-74	650.00	163.05	166.60	3.55	2.50	0.12	13.00	0.86

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco, Mexico, continued

El Magistral – Mexico

On October 18, 2006, the Company announced that it was the successful bidder in an auction conducted by the Mexican federal government with respect to the sale of the El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico.

The Company has agreed to purchase the 1,366 hectare mineral concession by the payment of \$15,600 (Mexican Peso 150,000) over a twenty-four month period to earn a 100% interest. During the fiscal year the company earned 100% interest. (see Note 6 (a) in the audited consolidated financial statements for the year ended April 30, 2009).

The El Magistral concession adjoins to the south La Sorpresa claims and in turn is bound, to the east and south by the Magistral I concession. This concession forms part of the Magistral I property subject to the terms of its options agreement.

Five core drill holes, of which three were completed to target depth, 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. Only weakly anomalous values were returned from the drilling.

Quila Property – Jalisco, Mexico

On January 19, 2007, the Company signed an agreement to acquire a 70% interest in the Quila Claims, Jalisco, Mexico. (see Note 6 (a) in the audited consolidated financial statements for the year ended April 30, 2009).

A single drill hole has tested the Tres Copales target within the Quila concession. Drilling intersected locally strong argillic alteration, quartz veining and variable pyrite mineralization. Assays from this drill hole returned anomalous silver values but not significant mineralized intervals.

Surface mapping and sampling through the winter of 2008 identified several new drill ready targets at the Altavista and Texcalame prospects. Gold and copper mineralization is widely distributed throughout a 20 sq kilometre area in the northern portion of the Quila claims where up to 3.8 metres of 7.12 g/t gold with strongly anomalous copper and silver values were returned from channel, chip and grab sampling.

A Phase I core drilling program started in May 2008 to follow up on the surface anomalies. To date, 1435 metres of core drilling in seven holes has been completed at the Altavista prospect.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Quila Property – Jalisco, Mexico

Generally weak copper and gold anomalies were identified in drilling at both of the Altavista and Texcalame prospects as mineralization appears to be localized within sub-horizontal, manto-like bodies. Mapping and sampling in the area of these occurrences has identified several targets for further drill testing. Phase II drilling, comprising three core holes totaling 1,200 metres, is anticipated in early 2010.

Quarter ended July 31, 2009, the Company relinquished its right to the 92 ha Altavista de Ramos property which partially overlaps the Altavista prospect and, accordingly, \$45,296 acquisition costs was written off and included in the statement of operations and deficit.

ii) Pinabete Property – Chihuahua, Mexico

During the quarter ended October 31, 2008, the Company decided to relinquish its right to the property. The decision to relinquish the property was mainly driven by availability of cash in the treasury and adverse market conditions prevailed for equity financing.

On February 25, 2009 Parties to the option agreement amended the option agreement to extend the exploration commitment date from December 12, 2008 to December 12, 2010 and to issue 100,000 additional common shares subject to regulatory approval.

The Company has written down the property by \$990.956 during the year ended April 30, 2009. The Company is considering, further exploration of the property or to identify joint venture partnership opportunities.

iii) Oro Property – New Mexico, USA

On August 28, 2006, the Company entered into an agreement to acquire a 100% interest in the Oro Claims, a prospect in Grant County, New Mexico from Philip Sterling.

On October 26, 2007, the Company entered into an agreement to earn a 100% interest in the American Mine claims, New Mexico, USA consisting of eight patented lode-mining claims inclusive of surface rights to contiguous property. The American Mine claims are adjacent to Oro property claims and are reported under Oro property claims. (See Note 6 (d) in the audited consolidated financial statements for the year ended April 30, 2009 for further details on these agreements).

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

E. Description of Mineral Properties, continued

iii) Oro Property – New Mexico, USA, continued

The Company has compiled available historical data, mapped the area and carried out a rock and biogeochemical sampling over a mineralized corridor largely untested by modern exploration. Geological mapping indicates the presence of a prospective northwest trending structural zone.

Grab samples of vein material and the biogeochemical survey consistently returned high values of gold, silver, copper, lead and zinc and anomalous values of manganese and antimony which are indicative of a widespread and zoned mineral system with the potential to develop both copper-gold porphyry and silver-rich, polymetallic skarn/carbonate replacement deposits.

The phase one drilling program, planned for 2009 and consisting of up to 1,500 metres is designed to test both high-grade structures below levels of historic mining and prospective Cretaceous-age stratigraphy within the mineralized corridor identified through surface mapping.

iv) Dragoon Property – Arizona, USA

On August 28, 2007, the Company, through its subsidiary in the USA, signed a letter agreement to enter into an option to acquire a 100% interest in Dragoon claims, Cochise County, Arizona. (see Note 6 (d) in the audited consolidated financial statements for the year ended April 30, 2009).

On September 1, 2009 the Company signed an earn-in agreement with Freeport-McMoRan exploration Corporation ("FMEC"), for the property. FMEC has the exclusive right and option to acquire a 70% ownership interest in the property by spending US\$ 3 million on the property by December 31, 2012 which includes drilling one hole of approximately 300 metres on or before December 31, 2010. FMEC will assume all annual property maintenance requirements with the State and Federal authorities as well as assuming all payments pertaining to the underlying option agreement.

The Dragoon property is a contiguous block of 1,280 ha comprising 68 unpatented mining claims and four 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. A larger down-dropped block of porphyry related rocks underlie the gravel-covered western and northwestern portion of the property.

Drilling in these areas by Kennecott, Noranda and US Borax has identified hematite-quartz-sericite-altered intrusive rocks, low-grade chalcopyrite and chalcocite mineralization and further hematite leached capping. The presence of the "leached capping" is significant as it may overlie supergene-enriched copper mineralization at depth in the relatively under-explored gravel covered portions of the property.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 5 in the consolidated financial statements for the quarter ended July 31, 2009. The deferred mineral property costs as at July 31, 2009 were as follows:

	Balance	Additions	Total
	April 30, 2008	Q1	April 31, 2009
	\$	\$	\$
Minas de Ameca	2,456,753	(4,055)	2,452,698
Pinabete	196,847	6,966	203,813
Oro	507,856	2,762	510,618
Dragoon	115,586	6,227	121,813
Total	3,277,042	11,900	3,288,942

	Minas de	Pinabete	Oro	Dragoon	Total
	Ameca				
	\$	\$	\$	\$	\$
Acquisitions/ Land and property	324,990	203,813	321,028	72,452	922,283
Assays & geochemistry	99,553	-	10,998	-	110,551
Camp, Utilities and Supplies	51,061	-	10,372	1,321	62,754
Drilling services	877,980	-	-	-	877,980
Equipment/rentals/Supplies	178,438	-	10,245	766	189,449
Geological & Geophysics	384,113	-	132,208	39,281	555,602
General exploration	74,030	-	2,655	1,221	77,906
Project supervision/Manex	294,595	-	4,425	4,363	303,383
Project support	130,773	-	10,842	1,395	143,010
Travel	36,935	-	7,844	1,014	45,793
Environmental	230				230
Total	2,452,698	203,813	510,618	121,813	3,288,942

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

G. Results of Operations

	Three months ended July 31,		Variance	
	2009	2008	Increase/(Decrease)	
	\$	\$	\$	%
Expenses				
Investor relations	7,496	65,925	(58,429)	(89)%
Office and general	16,576	36,925	(20,349)	(55)%
Professional fees	43,895	77,832	(33,937)	(44)%
Travel and promotion	-	18,656	(18,656)	(100)%
Stock-based compensation	-	9,999	(9,999)	(100)%
Other Items				
Interest income	-	(7,359)	(7,359)	100%
Foreign exchange loss/(gain)	30,972	(23,196)	54,168	(234)%
Share purchase warrants modification	109,494	-	109,494	N/A
General exploration	47,192	12,244	34,948	285%
Write-off of mineral properties	45,296	-	45,296	N/A

The Company reported a net loss of \$408,695 for the three months ended July 31, 2009 ("2009") compared to a net loss of \$300,636 for the Three months ended July 31, 2008 ("2008"). This increase in net loss of \$108,059 was primarily due to recognition of stock base compensation for share purchase warrants modification (Note I) and write-off of mineral properties (Note I).

Stock-based compensation is a non-cash item representing the fair value determined under the Black-Scholes model, which was allocated to the Consolidated Statement of Operations and Deficit.

Excluding share purchase warrant modification and write-off of mineral property, the loss in 2009 was \$253,905 compared to the loss of \$290,637 in 2008. Decrease of \$36,732 was primarily due to decrease in activity level of the Company and in particularly due to the following:

- i) Investor relations fees decreased due to decrease in investor relations activities.
- ii) Office and general expenses decreased due to decrease in the time expended administering the company.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

G. Results of Operations, continued

- iii) Professional fees decreased due to decreased requirement for professional services.
- iv) Travel and promotion costs decreased due to no travels made for trade shows and analyst meetings in the quarter..
- v) Interest income decreased due to decrease in cash available for placement.
- vi) Foreign exchange loss increased due to unfavorable exchange rate prevailed during the quarter.
- vii) General exploration expenses increased due to an increase in the consideration of potential new properties.

H. Quarterly Results

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

	Three months ended								
	Jul 31,	Apr 30,	Jan 31,	Oct 31,	Jul 31,	Apr 30,	Jan 31,	Oct 31,	Jul 31,
	2009	2009	2009	2008	2008	2008	2008	2007	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operating expenses	175,741	206,309	217,366	218,340	308,947	292,837	273,600	250,494	259,508
Interest earned	-	(44,197)	(13,593)	(3,316)	(7,359)	(17,647)	(39,877)	(54,651)	(69,160)
Foreign exchange loss (gain)	30,972	29,748	(23,261)	(197,900)	(23,196)	(11,000)	(147,178)	414,958	231,482
General exploration	47,192	32,521	29,602	34,124	12,245	(1,334)	13,371	9,085	4,988
Write off of mineral propertie	45,296	1,569,846	-	2,560,276	-	158,313	-	-	-
Loss before the following iter	299,201	1,794,227	210,114	2,611,524	290,637	421,169	99,916	619,886	426,818
Share purchase warrants modification	109,494	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	9,998	110,631	4,606	54,086	-
Net Loss	408,695	1,794,227	210,114	2,611,524	300,635	531,800	104,522	673,972	426,818
Loss per share - basic and diluted	\$0.01	\$0.04	\$0.00	\$0.06	\$0.01	\$0.01	\$0.00	\$0.02	\$0.01

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

H. Quarterly Results, continued

Operating expenses showed a declining trend on a quarterly basis starting from fiscal year ended April 30, 2009. This declining trend is mainly related to continuing decrease in investor relation expenses, travel and promotion, and office and general expenses. Management had expected the deterioration in the market conditions and in early 2008 started reviewing its planned spending and had taken some initial measures to conserve cash where possible.

I. 1st Quarter Ended July 31, 2009

During the quarter the Company relinquished the rights to Altavista de Ramos property and accordingly \$45,296 was written off and included in the statement of operations and deficit (Note E i) Page 9).

The Company recorded an expense of \$109,494 in relation to modification of 6,500,000 share purchase warrants in May 2009. This expense is a non-cash item representing the fair value determined under the Black-Scholes model of the benefit to the warrant holders received by the modification of the warrants.

J. Selected Consolidated Financial Information

The following financial data was derived from the Company's consolidated financial statements as at the following dates:

Selected Financial Information	July 31, 2009	April 30, 2009	July 31, 2008
	\$	\$	\$
Cash and cash equivalents	155,821	449,203	1,487,142
Working capital	148,513	453,945	1,534,045
Total assets	3,556,500	3,849,003	8,508,165
Shareholders' equity	3,501,278	3,796,228	8,403,117
Accumulated deficit	18,316,136	17,907,441	13,291,577
Number of shares - issued and outstanding	42,924,321	42,974,321	42,749,321

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

K. Related Parties Transactions

The Company entered into the following related party transactions during the three months ended July 31, 2009:

(a) Under 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 for office space and administrative services, professional services, consulting services, investor relations services, geological services and a mark-up for out-of-pocket expenses. Total expenses charged for the three months ended July 31, 2009 were \$69,200. Prepayment of \$10,500 was made in relation to the office space and administration services.

(b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged \$28,080 for consulting services. Amount prepaid was \$5,000.

(c) Fees in the amount of \$9,612 were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at July 31, 2009 were \$3,112.

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

(e) Consulting fees relating to office administration of \$6,000 were charged by a private company controlled by a director and an officer of the Company.

For information regarding related party expenditures, refer to Note 6 in the unaudited consolidated financial statements for the quarter ended July 31, 2009.

L. Financial Conditions, Liquidity and Capital Resources

The Company has limited financial resources and finances its operations by raising capital in the equity markets. For the near future, the Company will need to rely on the sale of such securities and/or enter into joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of its mineral property acquisition and exploration activities.

Although the Company has been successful in the past 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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

L. Financial Conditions, Liquidity and Capital Resources, continued

The Company had a working capital of \$148,513 as at April 30, 2009 compared to \$453,945 as at April 30, 2009. Cash and cash equivalents totaled \$155,821, and \$449,203 respectively.

i) Equity financings

The Company did not announce or complete any private placements for the quarter ended July 31, 2009.

ii) Funds raised by stock options and share purchase warrants exercise

The Company did not raise any funds by stock options or share purchase warrants exercise during the quarter ended July 31, 2009.

iii) Mineral properties expenditures

During the quarter ended July 31, 2009, the Company expended \$49,676 on mineral properties (net of shares issued for acquisition costs and ending balance of accounts payable for mineral properties).

iv) Amounts receivable

As at July 31, 2009, the Company had \$20,450 refund owned on GST and the equivalent tax in Mexico and Germany.

v) Commitments

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, 2010;
- Incur an aggregate of at least US\$ 3,000,000 by July 21, 2011;
- Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2010.
- Issue 250,000 common shares to Fury Explorations Ltd. on or before July 21, 2011.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

L. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

Mineral properties interests, continued

(b) Quila property:

- Incur an aggregate of at least US\$ 1,000,000 by January 19, 2010;
- Issue 100,000 common shares to Soltoro Ltd. on or before January 19, 2010;
- Incur an aggregate of at least US\$ 1,900,000 by January 19, 2011;
- Issue 100,000 common shares to Soltoro Ltd. on or before January 19, 2011.

(c) Oro property:

- US \$100,000 on or before August 28, 2009;
- US \$50,000 on or before December 1, 2009;
- US \$200,000 on or before August 28, 2010;
- US \$50,000 on or before December 1, 2010;
- US \$300,000 on or before August 28, 2011;.

The Management is in the process of negotiating an extension to the August 28, 2009 option payment with the optionors and believes the outcome will be favorable to the Company.

Other commitments

Pursuant to an agreement dated November 01, 2007 (see Note K (a) of this MD&A) the Company has committed to pay \$96,000 per year (\$8,000 per month) to a company privately held by a director and an officer of the Company for office space and general administrative services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012.

vi) Contingencies

(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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

L. Financial Conditions, Liquidity and Capital Resources, continued

vi) Contingencies, continued

(b) A claim for \$6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

Financial statements of the Company 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.

M. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

The authorized share capital of the Company is unlimited. The issued share capital as at September 16, 2009 is as follows:

	Number of Shares	Total \$
Balance as at July 31, 2009	42,924,321	19,005,235
Transaction for the period	-	-
Balance as at September 16, 2009	42,924,321	19,005,235

ii) Share Purchase Warrants

Warrants outstanding at September 16, 2009 are as follows:

Exercise Price	Expiry Date	Balance July 31, 2009	Cancelled or Expired	Balance September 16, 2009
\$0.10	February 24, 2010	6,500,000	-	6,500,000
Weighted average exercise price		\$0.10	-	\$0.10
Weighted average remaining contractual life in years				0.52

Share purchase warrants were re-priced from \$0.60 to \$0.10 with forced acceleration. Please refer Note 7(e) to the unaudited consolidated financial statements for the three months ended July 31, 2009 and Note I to this MD&A.

Southern Silver Exploration Corp. (An Exploration Stage Company)
Management's Discussion and Analysis
In respect of the three months ended July 31, 2009

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

iii) Stock Options

Stock options outstanding at September 16, 2009 are as follows:

Exercise Price	Expiry Date	Balance September 16, 2009
\$0.65	December 10, 2010	827,500
\$0.30	October 13, 2010	205,000
\$0.51	November 8, 2010	415,000
\$0.83	January 16, 2011	190,000
\$0.82	March 27, 2011	125,000
\$0.88	June 1, 2011	460,000
\$0.58	March 1, 2012	1,195,000
\$0.58	March 26, 2012	100,000
\$0.58	October 19, 2012	25,000
\$0.58	December 4, 2012	25,000
\$0.21	March 26, 2013	550,000
		4,117,500
Weighted average exercise price		\$0.58

N. Subsequent Events and Outlook

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

O. Financial Instruments

The carrying values of cash, receivables, accounts payable and accrued liabilities, and related parties' accounts payable approximate their fair values because of the short-term maturity of these financial instruments.

P. Off-Balance Sheet Arrangements

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

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

Q. Use of Estimates

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

R. Disclosure Controls and Procedures

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three 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.

Effective August, 2005, the Audit Committee adopted resolutions authorizing the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The implementation of the whistleblower policy is in accordance with new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

S. 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.

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

S. Risks and Uncertainties, continued

Since the Company does not generate any revenues, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the sale of securities.

The Company will need to continue its reliance on the sale of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favourable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

The ability to attract capital to the Company is dependent on movements in commodity prices. Commodity prices fluctuate on a daily basis and they are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and, if warranted, discontinued.

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

The Company conducts exploration activities in Mexico and the USA, and is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. 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 environmental hazards on any of the properties held by the Company.

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 of the 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.

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 affect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

T. Changes in Accounting Policies, Including Initial Adoptions

(i) Goodwill

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Adoption of the new Section did not have an impact on the Company's financial statements since the Company does not have any goodwill or intangible assets that are accounted for in accordance with this section.

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

In February 2008, the Canadian Accounting Standards Board confirmed that the publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter ending July 31, 2011, with restatement of comparative information presented. 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 established an implementation team to develop and implement the changeover plan to IFRS on a timely basis.

As at July 31, 2009 the Company has identified the differences between the current GAAP that will be affected by the changeover and the corresponding IFRS and is currently considering the policy choices allowed under IFRS. The management expects to be able to submit a document outlining the changes and appropriate policy choices to the Audit Committee for discussion by the end of December 2009.

(iii) 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. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

T. Changes in Accounting Policies, Including Initial Adoptions, continued

(iii) Business Combinations, continued

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. Earlier 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.

U. 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.

V. 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.

W. 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.

Southern Silver Exploration Corp. (An Exploration Stage Company)

Management's Discussion and Analysis

In respect of the three months ended July 31, 2009

W. Forward-Looking Statements, continued

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.