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March 2008

Mining Sector
Listing: TSX (SVL.V)

SilverCrest Mines Inc

Three advanced precious metal projects in Mexico and El Salvador have Silvercrest Mines well placed to capitalise on the currently robust gold and silver market. The Santa Elena project offers opportunity for quick development.

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Initiation Report

Contents

I certify that this report represents my own opinions.

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SilverCrest Mines Inc is an active junior explorer focused on silver and gold prospects in Mexico and Central America. The company has three advanced projects supporting formal resource calculations, two in Mexico and one in El Salvador.

- ***Real silver prices are at their highest levels in twenty years***
  Silver continues a rally that began late in 2001 at US$4 per ounce and the price currently tops US$16 per ounce, its highest level since after the Bunker-Hunt bubble burst in 1980. In real terms, the current price also is at a level not experienced since the early 1980s. Gold is also several years into a bull market that began early in 2002, reaching an all-time high of over US$900 per ounce earlier this year.

- ***The Santa Elena project hosts a significant silver and gold resource***
  SilverCrest's top project is the Santa Elena property in Sonora, northwestern Mexico. The property has been an intermittent producer of high-grade silver since the late 1800s and the company has delineated a significant NI 43-101 compliant indicated and inferred mineral resource of nearly ten million tonnes, grading 74 grams of silver and 1.5 grams of gold per tonne, for over 56 million ounces of silver and silver equivalent.

- ***A prefeasibility study at Santa Elena is nearly complete***
  SilverCrest commenced a comprehensive prefeasibility study into a Santa Elena mine late in 2006 and the report is due for completion shortly. The company anticipates a production decision early in 2008. The deposit is potentially amenable to standard heap leach processing techniques and partial open pit mining.

- ***SilverCrest has a second advanced project nearby with an established silver resource***
  SilverCrest also has a significant silver resource on its Cruz de Mayo property, which lies immediately north-east of Santa Elena. The deposit contains a largely inferred mineral resource of 7.1 million tonnes, grading 66 grams of silver per tonne, indicating a resource of over 15 million ounces of silver. A new phase of drilling is planned this year to expand and upgrade the resource.

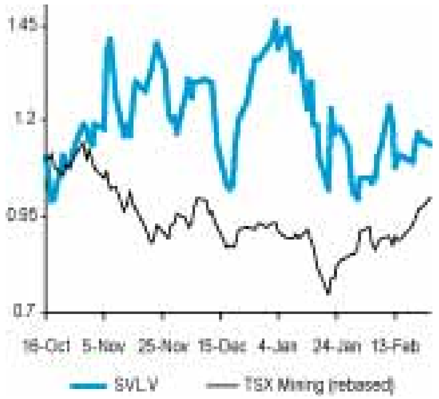
- ***A silver-zinc resource at El Zapote offers further upside***
  The El Zapote deposit in El Salvador hosts a NI 43-101 compliant indicated and inferred mineral resource of approximately 3.0 million tonnes, grading 150 grams of silver per tonne and 1.2 percent zinc, with modest quantities of gold. Further exploration is planned, subject to permitting approvals.

- ***A management team with extensive exploration and development experience***
  SilverCrest's management, led by Scott Drever, Eric Fier and Barney Magnusson, has extensive experience in all aspects of international mineral exploration and development, including projects in Mexico and Central America.

Key Points

26 February 2008
Price: C$1.14

Price chart (C$)



Current fair value of equity	
Expected value	C$48.8m
Value per share	**C$1.38**

Derisked upside potential*	
Our core scenario	C$1.94
Our optimistic scenario	C$2.62
Maximum potential	C$3.19

*potential assuming projects reach permitting

Company details	
Quote	
Shares	
-TSX	SVL.V
-Frankfurt	CW5
Hi-Lo last 12-mos. (C$)	1.52 - 0.62
Shares issued (m)	35.4
Fully diluted (m)	45.6
Market Cap'n (C$m)	40.3
Website:	*www.silvercrestmines.com*

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Overview

SilverCrest Mines Inc is a junior exploration company with three advanced silver and gold exploration projects offering investors an opportunity to participate in the potential development of a significant silver producer in Latin America. The company's top precious metal project has a mineral resource containing the equivalent of over 56 million ounces of silver that could reach production in 2009. Two other projects contain significant resources of silver, gold and zinc, and these will be the focus for further exploration and drilling this year. As a result, the company is in a good position to capitalise on the currently high silver and gold prices, with added potential to increase its production significantly in following years.

Santa Elena is SilverCrest's best bet for early production…

SilverCrest acquired the Santa Elena project in 2005. The silver and gold project lies in Sonora, northwestern Mexico, approximately 150 kilometres north-east of Hermosillo. The project hosts a NI 43-101 compliant mineral resource of nearly ten million tonnes, including an indicated 7.38 million tonnes grading 74.2 grams of silver and 1.81 grams of gold per tonne. In total, the Santa Elena deposit contains 23.7 million ounces of silver and 543,500 ounces of gold, for a combined silver equivalent of 56.3 million ounces.

The current resource lies within an 800-metre span of a 1,200-metre main mineralised zone and continued exploration offers significant potential to expand the scale of the project. The current focus will be potentially high-grade silver and gold mineralisation at the easternmost portion of the Main Zone.

SilverCrest commenced a comprehensive prefeasibility study at Santa Elena late in 2006 and the report should shortly be complete. Company management expects permitting would take less than six months to complete and suggests the project could reach production in 2009.

SilverCrest has not yet completed its prefeasibility study, but we believe that a Santa Elena mine could run at 3,000 tonnes per day, slightly higher than the company's initial expectation of 2,500 tonnes per day. This would be sufficient for a ten-year mine life based on the current resource, and we expect further drilling will significantly expand the available ore, extending the life of the mine considerably.

…and the nearby Cruz de Mayo project hosts an additional silver resource…

Several months earlier than Santa Elena, SilverCrest acquired the Cruz de Mayo concession, which lies approximately forty kilometres north-east of Santa Elena. The project contains a NI 43-101 compliant mineral resource of 7.2 million tonnes, averaging 66 grams of silver per tonne. The largely inferred resource contains a total of 15.3 million ounces of silver. SilverCrest completed a significant reverse-circulation drill programme on Cruz de Mayo last year and the company plans further drilling this year. The company believes there is potential to add to the resource to the north and down-dip, with the potential for higher-grade mineralisation at structural intersections.

…with further precious metal potential at Silver Angel

SilverCrest acquired the 18,000-hectare Silver Angel project in 2004, in the area immediately north of Santa Elena and Cruz de Mayo. The project contains an area of intense alteration approximately twenty kilometres in length and three kilometres wide, with structural features hosting seven past producers of high-grade silver and gold. The company's exploration efforts yielded mixed results to date and the project remains at a much earlier stage. As a result, we expect Silver Angel will carry a lower priority for some time.

An El Salvador project hosts an additional silver resource, with some zinc and gold…

SilverCrest acquired the El Zapote project in northern El Salvador in 2004. The property hosts several known deposits. Three of these, Cerro Colorado III, Tajado and San Casimiro, have a combined NI 43-101 compliant mineral resource of 3.01 million tonnes. An indicated resource of 1.93 million tonnes averages 177.7 grams of silver and 0.19 grams of gold per tonne, with a zinc content of 1.17 percent. An inferred resource of 1.09 million tonnes averages 101.6 grams of silver and 0.18 grams of gold per tonne, with a zinc content of 1.22 percent. The combined resource contains 14.5 million ounces of silver and 78.6 million pounds of zinc.

SilverCrest believes further exploration at El Zapote has the potential to expand the mineral resource significantly at the three main deposits and at additional deposits on the property. The company plans further exploration this year, but the work is contingent upon receipt of the required permits.

Valuation

Our valuation approach

We have valued SilverCrest based on assessing the economic potential of the company's key property, Santa Elena. In so doing we have accounted for: the likelihood that an economic resource will ultimately be proven; the likelihood that feasibility will be established, after considering metallurgical, social and permit issues etc; and the likely economics if actual mining were to occur, considering parameters such as tax, operating costs, revenues etc.

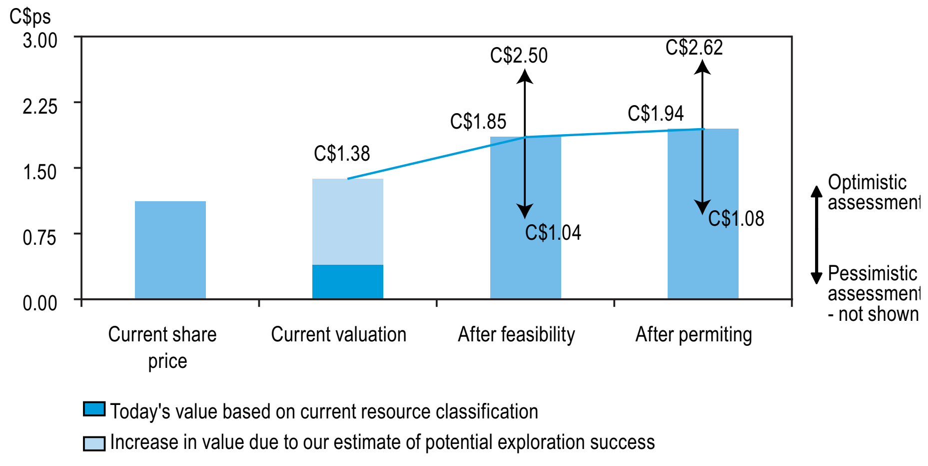
One of the key issues that any mining analysis must consider is the problem posed by the dependence of our assessment on commodity prices. This issue takes two forms – what will be the price environment when mining eventually occurs; and the operating dynamics in response to changing mining prices.

From a valuation perspective, the aspect of operational dynamics that is of interest is the ability to "mothball" operations during periods when the commodity price is below the marginal cost of extraction. This creates what is frequently referred to as "optionality" – something that traditional NPV fails to capture. Intuitively this can most easily be understood by thinking of NPV as assuming that positive and negative deviations from our mid-case have a similar likelihood of occurring and hence balance each other – however, in mining, the downside is capped at the cost of "mothballing" the site.

We capture these aspects by valuing each year's production as an option assuming that prices revert to mean over the long run – that is, the mine will only operate if the commodity price is above the extraction cost. In essence, rather than valuing that year's production as we would in an NPV model as the discounted value of the cash-flow estimated using the mid-case for the commodity price we value the probability that the price is above the extraction cost.

In valuing the economic potential of resource projects, we assume that while commodity prices are volatile they return to an inflation-adjusted, long-run mean. For example, in the case of precious metals, silver has averaged approximately US$6.75 per ounce in current dollars since 1990, with deviations from mean normally correcting over 8.0 years with a volatility of 25 percent. Gold has historically traded at approximately US$550 per ounce in current dollars since the early 1970s, with deviations from mean normally correcting over 8.0 years with a volatility of 25 percent.

What SilverCrest Mines could be worth - now and in the future



Source: Objective Capital

Fair value summary (US$)

	Base	Scenario Pessimistic	Optimistic
Property portfolio			
- Santa Elena	51.5	26.2	72.0
- Cruz de Mayo	1.2	1.2	1.2
- Silver Angel	1.0	1.0	1.0
- El Zapote	3.8	3.8	3.8
Total	57.5	32.2	78.0
Less: overhead	7.0	7.0	7.0
Expected value of portfolio	50.5	25.2	71.0
Add: other investments	3.8	3.8	3.8
Add: starting cash + new funds	0.4	0.4	0.4
Total current value for firm	54.7	29.4	75.2
Less: bank & other debt	0.0	0.0	0.0
Total value to equity claims	54.7	29.4	75.2
Less: warrants and options	6.8	2.1	10.4
Ordinary equity holders	47.9	27.3	64.8
Value per share (US$)	**1.35**	**0.70**	**1.74**
Value per share (C$)	**1.38**	**0.71**	**1.77**

Expected fair value of SilverCrest mines

Scenario	Risked mineable resources (m tonnes)	Santa Elena property value (US$m)	SVL Valuation (C$)	Value per share (C$)
Base case outlook	**8.8**	**51.5**	**48.8**	**1.38**
Value for scenarios of further exploration success				
Full proved up	14.4	89.7	78.0	2.21
Optimistic outlook	11.8	72.0	63.7	1.80
Pessimistic outlook	5.0	26.2	25.6	0.72
Value with no further exploration success				
Current resource estimate	3.2	13.5	14.2	0.40

Notes:

- *'fully proven up' scenario assumes that current mineable resource estimates are upgraded to 'Proven' status*
- *for further details see Santa Elena property section*

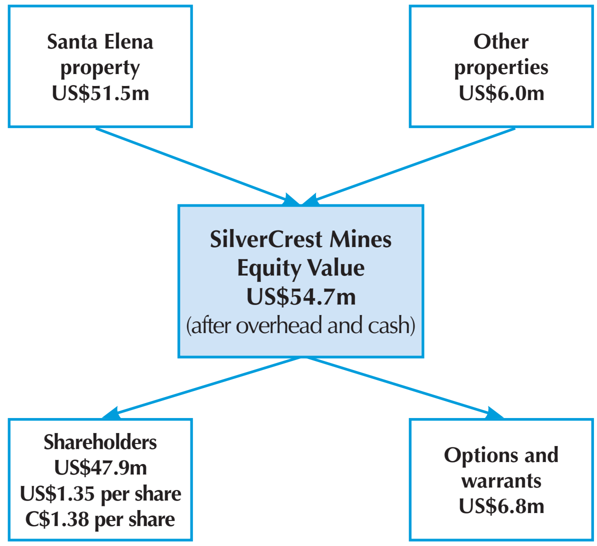
Sensitivity to market assumptions ...

Long run real silver price (US$/oz)	6.45	6.60	**6.75**	6.90	7.05
Value (C$/share)	1.36	1.37	**1.38**	1.39	1.40
Change in value (%)	*-1%*	*-1%*		*+1%*	*+1%*
Time for silver price to revert to mean (years)	6	7	**8**	9	10
Value (C$/share)	1.33	1.35	**1.38**	1.40	1.43
Change in value (%)	*-4%*	*-2%*		*+2%*	*+4%*
Volatility of silver price (%)	*20%*	***25%***	*30%*	*35%*	*40%*
Value (C$/share)	1.36	**1.38**	1.40	1.43	1.46
Change in value (%)	*-1%*		*+2%*	*+3%*	*+6%*
Interest rate (%)	*+3.7%*	*+3.8%*	***+3.9%***	*+4.0%*	*+4.1%*
Value (C$/share)	1.40	1.39	**1.38**	1.37	1.36
Change in value (%)	*+2%*	*+1%*		*-1%*	*-1%*
Sovereign risk premium (%)	***0.00%***	*1.00%*	*2.00%*	*3.00%*	*4.00%*
Value (C$/share)	**1.38**	1.28	1.19	1.11	1.04
Change in value (%)		*-7%*	*-14%*	*-19%*	*-25%*

Sensitivity to operating assumptions ...

Recovery rate (%)	*55%*	*60%*	***65%***	*70%*	*75%*
Value (C$/share)	1.01	1.20	**1.38**	1.56	1.74
Change in value (%)	*-26%*	*-13%*		*+13%*	*+26%*
Operating Costs (US$ per milled tonne)	6.65	**7.00**	7.35	7.70	8.05
Value (C$/share)	1.42	**1.38**	1.33	1.29	1.24
Change in value (%)	*+3%*		*-3%*	*-7%*	*-10%*
Increase in Capital Cost (%)	***+0%***	*+10%*	*+20%*	*+30%*	*+40%*
Value (C$/share)	**1.38**	1.36	1.34	1.32	1.30
Change in value (%)		*-1%*	*-3%*	*-4%*	*-6%*

Components of SilverCrest Mines entity value



Santa Elena valuation (US$m)

Scenarios for exploration success	Base	Optimistic	Pessimistic
Net value of production	**158.7**	158.7	158.7
Expected mining success*	***55%***	*74%*	*32%*
Expected net value of production	**87.0**	117.0	50.0
Add: tax shield on depreciation charge	**7.5**	7.5	7.5
Less: development & operational capex	**17.0**	17.0	17.0
Value of mining operations	**77.5**	107.5	40.5
Probability of reaching mine development	***68%***	*68%*	*68%*
Expected value of deposit	**53.0**	73.5	27.7
Less:			
- expect pre-development costs**	**0.5**	0.5	0.5
- further exploration costs ***	**1.0**	1.0	1.0
Expected value of project	**51.5**	72.0	26.2
effective risk haircut	***64%***	*51%*	*81%*
Ownership	***100%***	*100%*	*100%*
SilverCrest Mines' share	**51.5**	72.0	26.2

* portion of reserve/resource expected to be converted to a mineable resource, probability-weighted for our confidence they will be proven-up

** shown as expected value of being incurred after allowing for likelihood of reaching each development stage

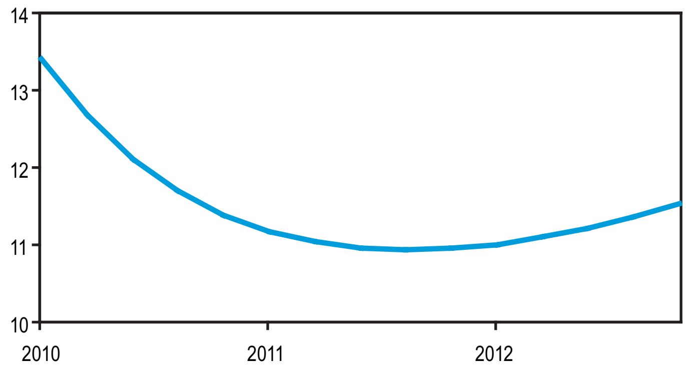
*** present value

Commodity assumptions

Silver prices are mean reverting

Long run level	6.75 US$/oz
Avg time to revert	8 years
Volatility	*25%*
Inflationary price growth	*2.4%*

Expected silver price



Our key assumptions

We model SilverCrest's Santa Elena project based on the following key assumptions:

- the property currently has an NI 43-101 indicated and inferred resource of ten million tonnes. We hypothesize a further ten million tonnes in theoretical mineral potential. Our analysis assumes that further exploration will convert this combined amount to a mineable resource of some 15.99 million tonnes – or, after allowing for the confidence level of each resource category, 10.9 million tonnes on a risk adjusted basis.
- assuming exploration success we have modelled that mining will commence in 2010, targeting an eventual capacity of 3,000 tonnes per day. We assume capital expenditures will begin late in 2008 with a total cost of approximately US$20m.
- we assume initial operating costs of US$7 per tonne and US$15 commencing in year four, rising at a nominal rate of inflation thereafter. We assume a tax rate of thirty percent.
- although SilverCrest has nearly completed a prefeasibility study, it has yet to complete exploration and even if it does there is a chance that it will not be able to complete successfully its pre-feasibility and feasibility studies, or permitting. We have assumed success probabilities of 80 percent, 90 percent and 95 percent at these stages respectively.

Our results

After allowing for likely economics, exploration potential and development risk our analysis suggests an expected value of US$51.5m for Santa Elena. We ascribe current nominal values of US$1.2m for Cru de Mayo, US$1.0m for Silver Angel and US$3.8m for El Zapote. After allowing for corporate overhead and outstanding warrants, our assessment of SilverCrest's ordinary equity results in a base-case valuation of US$47.9m, or C$1.38 per share, with an optimistic valuation of C$1.80 per share, assuming higher probabilities of exploration success.

Our analysis suggests that SilverCrest's current value is based largely on exploration potential and should there be no further exploration success, then the current level of risked resources may not be sufficient to justify extraction. Alternately, if all available potential resources in the company's Santa Elena project were ultimately proven, they could yield up to C$3.19 per share. Our base-case and optimistic outlooks, assuming success at all stages through permitting, result in valuations of C$1.94 and C$2.62 per share respectively. Success at any of the company's other key projects could add further value.

Benchmarks

Benchmark comparisons with other companies can offer only a rough guide to what might occur as SilverCrest develops Santa Elena and continues exploration at Cruz de Mayo and El Zapote, in that the company is a junior, exploring properties prior to the prefeasibility stage.

As shown in the table below, we have compared other companies with significant silver and gold projects at early and intermediate stages of exploration, and a few now in production. In general terms, they show the increase in value attaching to a resource as exploration advances.

For current or imminent producers, the market is ascribing values between C$2.00 and C$4.00 per ounce of silver equivalent in established resources. Companies with defined formal resources but still without feasibility studies carry market capitalisations between C$0.20 and C$2.00 per ounce of silver equivalent, a range generally dependent upon the stage of exploration, the size of the deposit and the likely method of mining.

At present, SilverCrest has an equivalent silver content of roughly 85 million ounces and the company's current market capitalisation translates to C$0.57 per ounce of silver. This result falls within the lower range of expected values, given Santa Elena's imminent prefeasibility status.

Comparatives

Company Name	Ticker	Recent Market Value	Mln Oz Ag Equiv	Project Status	Mining Method	Project Locations	Mkt Cap per Oz Ag Equivalent
SilverCrest Mines Ltd	SVL.V	$40.3	84.7	Defined Resource	Open pit	Mexico	$0.48
Yale Resources Ltd	YLL.V	$5.0	13.9	Exploration	n/a	Mexico	$0.36
Kimber Resources Ltd	KBR.TO	$45.4	105.6	Defined Resource	n/a	Mexico	$0.43
Palmarejo Silver & Gold*	PJO.V	$1,046.4	244.4	Development	Open pit	Mexico	$4.28
Great Panther Resources	GPR.T	$98.9	50.0	Production	UG	Mexico	$1.98
Silver Eagle Mines Ltd	GWY.V	$48.3	30.0	Defined Resource	UG	Mexico	$1.61
Oromex Resources Inc	ORM.V	$11.5	50.8	Defined Resource	Open pit	Mexico	$0.23
Metallica Resources Inc**	MR.TO	$528.5	332.8	Production/Feas.	Open Pit	Mexico/Chile	$1.59
Silver Wheaton Corp	SLW.TO	$3,753.7	948.9	Production	OP/UG	Mexico/Peru/Eur.	$3.96

* Market value based on takeover bid by Coeur d'Alene Mines Corp.
**Silver equivalent resource includes share of El Morro copper/gold project in Peru

Source: Objective Capital

Key Risks

Santa Elena hosts a significant mineral resource and a prefeasibility study is nearly complete, but its other projects are at an earlier stage and all will benefit from further exploration. As a result, most of the company's value depends on the ability of the company to advance Santa Elena to production. Two other projects have formal resource estimates, but SilverCrest requires further exploration success to show economic viability. Although all of the company's mineral prospects offer varying potential for success, each carries significant risk.

SilverCrest's success depends on…

…the company delineating sufficient resources to support mining

SilverCrest has a significant resource delineated at Santa Elena. In our view, this is sufficient to support a 3,000 tonne per day operation for at least ten years. NI 43-101 compliant mineral resources exist at Cruz de Mayo and El Zapote, but these appear insufficient to support a mine unless there is a material increase in tonnage and/or grade. The properties show potential for the required increases, but there is significant risk that further exploration will fail to expand the resource sufficiently to warrant development.

…the company's ability to control capital and operating costs

Development and mining success at Santa Elena will require careful planning and execution. The scale of the mid-sized project creates the risk that future cash flow will be insufficient to repay the required initial capital investment. Further, there is the risk that revenues will be insufficient to cover the operating costs. Mining developments and operations continue to face significant inflationary pressures, due to shortages of equipment, supplies and labour.

…precious metal prices remaining robust

Gold and silver prices continue to rise, but we believe they will revert toward their long-term, inflation adjusted prices over the next several years, and in the case of silver, we expect the price to revert to a real value in keeping with the diminishing demand from the photography sector. Although we do not expect the price of either gold or silver to drop below their long-term means, there is the risk of materially lower prices occurring once Santa Elena is in production."

…the company's ability to raise further funds for exploration and development

Although SilverCrest faces modest capital costs to develop the Santa Elena project, the company will also need a steady supply of exploration cash for its other projects. We believe that SilverCrest will be able to utilise debt financing to cover much of the capital cost of Santa Elena, using equity financing for the remainder. There is the risk that the company will have to satisfy most of its financing requirement through the sale of common shares at unfavourable prices, diluting existing shareholders considerably.

The transformation from predecessor companies to SilverCrest occurred in the fall of 2002, when the current management group, led by Scott Drever, Eric Fier and Barney Magnusson engineered a reverse takeover of Strathclair. The transaction, which involved four silver properties in Honduras, closed in the spring of 2003 with the company's new management receiving five million SilverCrest shares, bringing the company's total of issued and outstanding shares to 11.3 million.

SilverCrest no longer maintains the Honduran properties, but the company retains its focus on silver and Latin America. In 2004, the company acquired a 100-percent interest in the El Zapote project in El Salvador. El Zapote is an advanced silver prospect with a NI 43-101-compliant, indicated and inferred resource that contains 14.5 million ounces of silver and 79 million pounds of zinc. The bulk of the resource resides in two deposits along the Cerro Colorado III – San Casimiro trend, which offers potential for new discoveries.

Concurrently, SilverCrest purchased a 100-percent interest in the Cruz de Mayo project, mineral concessions located within the Northern Sierra Madre mountain range in Mexico. Cruz de Mayo is another advanced silver prospect that contains a NI 43-101-compliant indicated and inferred resource totalling 15.3 million ounces of silver.

Also in 2004, SilverCrest applied for and now holds a 100-percent interest in the Silver Angel mineral concession, also within the Northern Sierra Madre mountain range district. This early-stage project covers over 18,000 hectares of ground within an area hosting several past high-grade silver producers.

Late in the following year, SilverCrest acquired the Santa Elena project, its most advanced silver prospect. Santa Elena also lies in the Northern Sierra Madre district, west-southwest of Cruz de Mayo and south-southwest of Silver Angel. The project contains a recently calculated, NI 43-101-compliant, indicated and inferred resource of 10.0 million tonnes, which contains 23.7 million ounces of silver and 544,000 ounces of gold.

Santa Elena is now SilverCrest's top project and a comprehensive prefeasibility study is under way. The company expects to make a production decision before the end of 2008 on what could be a significant open pit silver and gold mine. Additional drilling is planned in 2008 on Cruz de Mayo to advance further the deposit, which is also amenable to open pit mining. The goal of future drilling is a material expansion of the existing resource base, both along strike and down-dip. El Zapote is also a prime candidate for further exploration in 2008, but work is contingent upon the company receiving an exploitation licence and environmental permits.

SilverCrest currently has 35.07 million shares issued and outstanding. As well, the company has 2.8 million stock options outstanding with exercise prices ranging from C$0.45 to C$1.41 per share and averaging C$0.82 per share. If fully exercised, these options would add C$2.9m to the company's treasury.

Further, SilverCrest has 6.7 million warrants outstanding with exercise prices ranging from C$1.00 to C$1.25 per share, and averaging C$1.06 per share. If fully exercised, the warrants would add C$7.0m to SilverCrest's treasury. If all options and warrants currently outstanding are exercised, SilverCrest would have 44.5 million shares outstanding and its cash on hand would increase by C$9.2m.

At the end of 2003, SilverCrest had 18.8 million shares outstanding, but the company's cash requirements for exploration and acquisition programmes have resulted in a steady increase in its total number of issued common shares. During 2004, the company issued 6.78 million shares for net proceeds of C$3.92m and 0.25 million shares in 2005, for C$132,916. During 2006, the company issued 8.87 million shares for net proceeds of C$6.94m.

SilverCrest's expenditures on exploration and acquisitions have been consistent over the past three years. During 2004, the company spent C$2.0m on its mineral properties, followed by expenditures of C$1.7m in 2005 and C$1.8m in 2006. Through the first three quarters of 2007, SilverCrest spent C$1.57m on its mineral properties.

As the company reaches more advanced stages of exploration and development on its key projects, it will need increasing amounts of cash. At October 1, 2007, SilverCrest had C$4.4m in current assets, with net current assets of C$4.0m. We believe the company has sufficient financial resources to carry its programmes well into 2008, but we expect it to complete further private placements later in the year.

Mr. Drever, Mr. Fier and Mr. Magnusson gained control of SilverCrest early in 2003 and they remain the company's major shareholders. Mr. Drever owns 1.57 million shares and Mr. Magnusson holds 1.55 million, each accounting for approximately 4.5 percent of the company's total shares outstanding. Mr. Fier owns 1.14 million shares, or 3.3 percent of the total. SilverCrest's board of directors and officers currently hold in excess of 4.27 million shares, accounting for approximately twelve percent of the total issued and outstanding. In addition, they hold 2.55 million share purchase options. SilverCrest management estimates the company principals hold or control approximately sixteen percent of the company's fully diluted shares and institutional investors own a somewhat higher proportion of the company.

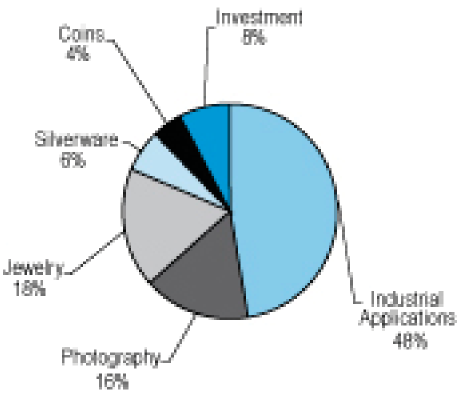
Mr Drever acts as President of SilverCrest and Mr Magnusson serves as Chief Financial Officer. Both are directors on the company's four-man board, joined by Graham Thody and George Sanders. Mr Fier is the company's Chief Operating Officer and Bernard Poznanski serves as Corporate Secretary.

SilverCrest holds its 100-percent interest in El Zapote through a wholly-owned Salvadoran company, Minera Atlas SA de CV. A wholly-owned Mexican subsidiary, Nusantara de Mexico SA de CV, holds 100-percent interests in Silver Angel, Cruz de Mayo and the Santa Elena option.

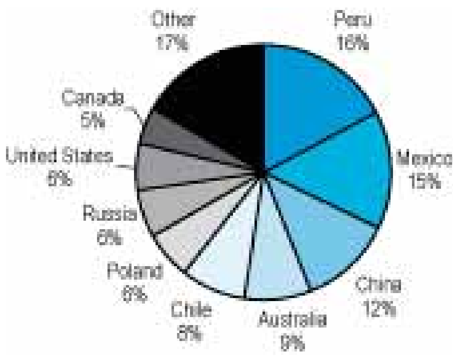
Like many junior exploration companies listed on the TSX Venture Exchange, SilverCrest maintains a head office in Vancouver, Canada.

Operating Environment

Silver demand - 2006

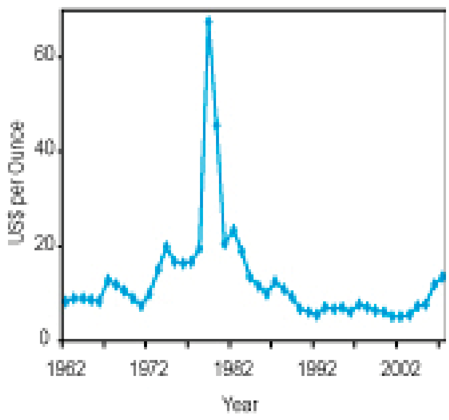


Silver mining production - 2006



Source: Silver Institute

45-year inflation-adjusted silver price



Source: USGS, Kitco and Objective Capital

The silver market

Pure silver mines are uncommon and nearly three-quarters of the primary world silver supply comes as a by-product of gold or base metal mines. The metal is typically found associated with sulfide ores, containing zinc, lead and copper.

Mining accounts for about seventy percent of the annual silver supply, with recycling accounting for nearly all the rest. This secondary supply comes largely from recoveries of scrap, including photographic recycling, silver coinage and jewellery. Government sales of inventory typically account for just a few percentage points of the annual silver supply. Nearly one-half of the silver mined during 2006 came from Central and South America, led by Peru's seventeen-percent contribution and Mexico's 14.9 percent.

Silver has a variety of uses, including the traditional demand from makers of jewellery and silverware. According to the Silver Institute, demand for silver has been surprisingly stable over the past decade, increasing by an average of 1.0 percent annually. Within this seemingly consistent trend, some marked shifts in consumption are evident.

Demand for fabrication of silverware continues to decline, dropping at an annual rate of 7.4 percent over the past decade. Silverware now accounts for about 6.5 percent of the annual consumption of the metal. The use of silver in the photography sector is also shrinking steadily at a rate of 4.3 percent yearly, but still accounts for about sixteen percent of annual demand last year.

There are several new industrial and domestic end uses of silver which are beginning to emerge as commercially viable. These end uses include medical applications, food hygiene, textiles and radio frequency identification devices (RFIDs), and are unlikely to become a source of large amounts of future recycling of silver.

Demand for silver from jewellers shows a modest 1.1-percent growth over the past decade and accounts for about eighteen percent of silver consumption in 2006. Coins and medals take up about 4.4 percent of the annual demand, representing an average annual increase of 3.1 percent over the past ten years.

Industrial users of the metal are countering the decreased demand elsewhere and they now account for about 47 percent of annual silver consumption, reflecting an average growth rate of 3.4 percent. As well, silver appears to be coming into vogue as an investment commodity, accounting for nearly eight percent of the annual supply last year.

As with gold, mining production failed to keep pace with silver demand. Although demand began outstripping supply during the 1990s, primary producers failed to catch up. A key reason for this was the low price of gold and base metals, which curtailed production of these metals, thereby limiting the amount of silver production in polymetallic mines.

The price of silver rose to dizzying heights in 1980 (US$54/ ounce), spurred by a gold surge and the Bunker-Hunts ill-fated attempt to control the silver market. It then promptly crashed earthward, and from the mid-1980s through the end of 2002, the metal remained in a range near US$5 per ounce. Several years of tightening supply finally led to rising prices in 2003, a resurgence that sharpened during 2005 to reach its recent price of US$17 per ounce.

Over the past decade, mining production of silver increased at a rate of approximately 2.4 percent annually and now accounts for about 71 percent of the annual supply, according to the Silver Institute. Sales of scrap account for 21 percent of the supply and have been increasing at about 1.2 percent yearly. Sales of silver investments were a significant source of supply in the late 1990s and early 2000s, but that is no longer the case.

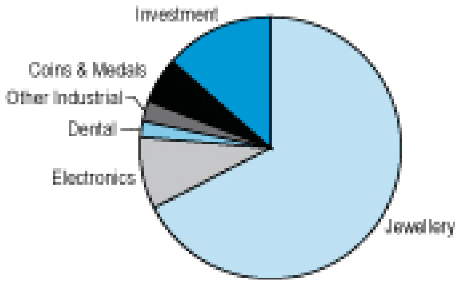
There is little consensus on the long-term price of silver, but its price does tend to track that of gold and other precious metals. The current price of just over US$16 per ounce is above the long-term, inflation-adjusted average of US$12.20 per ounce, but the metal has averaged only US$6.75 per ounce since 1990, largely the result of decreases in demand from the photographic and coinage sectors. As a result, we expect the price of silver will gradually revert toward this lower value, with higher annual adjustments to account for inflation.

The gold market

Gold is a unique metal that has limited industrial and chemical uses, but is in demand because of its colour, brilliance and rarity. As a result, most of the gold ever produced remains intact and available for resale under the right economic conditions. The jewellery and investment sectors dominate the demand for gold, as they have throughout history. Through the ages, the world's mines yielded a total of 160,000 tonnes of the metal, with two-thirds of the production occurring since the Second World War.

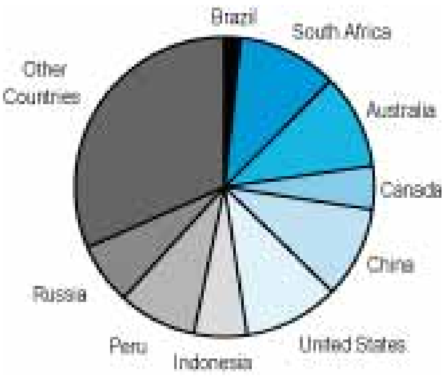
Gold production lags its price curve, and world production crested in the last cycle at about 2,600 tonnes in 2001, five years into a bear gold market. Production slipped slightly since then despite gold's price nearly tripling over the past five years. Mining accounts for over sixty percent of supply and most gold companies scaled back their exploration programmes during the lean years, and have since

World silver demand - 2006



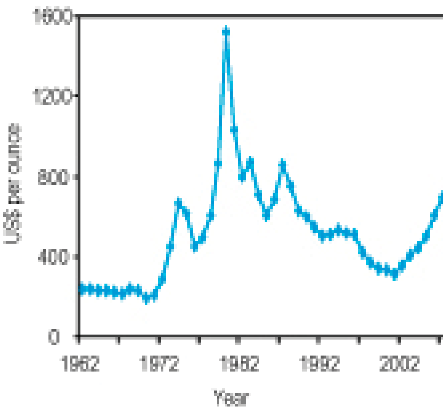
Source: World Gold Council

Primary gold production - 2006



Source: GMFS

45-year inflation-adjusted gold price



Source: USGS, Kitco and Objective Capital

been slow to renew their efforts. Recycled gold accounted for about one-quarter of the annual supply over the past five years, with sales by central banks providing the remaining supply.

Jewellers consumed about three-quarters of the available gold each year since 2000, while investors and speculators took up just over ten percent of the supply, matching the amount of gold consumed in industrial and chemical applications. The demand for gold is more stable than most commodities, as most users have no real alternatives during periods of high prices or supply shortages.

Investors view gold as an excellent hedge against inflation, despite the metal no longer being a primary international currency. This perception helps keep the metal in its traditional pattern of tracking the price of oil and the United States dollar. Dramatic events and political shifts occasionally exert powerful short-term influences on the price of gold, but this response is overrated. For instance, Al Qaeda's embassy bombings and the destruction of the World Trade Centre did nothing to lessen gold's slide through the late 1990s and early 2000s.

Oil and a (weak) US dollar offer the strongest correlations with gold and both contribute to the inflation rate in the US. It is no surprise therefore that the US inflation rate is a prime indicator of the price of gold. As well, rapid growth in Asia, especially India and China, is contributing to increased demand. We expect this will continue, keeping demand for gold buoyant in the medium term.

New production will come on stream in the coming years, but hefty cost increases, notably of oil, steel and other commodities used in building and running mines will slow increases in supply. Based on data from worldwide producers, the real average cost to produce an ounce of gold in 2005 was US$375 per ounce and initial data suggest the average cost rose to over US$420 per ounce last year.

Gold has a reputation for volatility because of a surge nearly thirty years ago, but the metal has experienced extended periods of price stability, notably from 1983 through 1996. Despite lingering memories of gold at sub US$300 prices, we believe the long-term, inflation-adjusted average of US$550 represents a realistic floor going forward. Most indicators remain neutral to positive. The US dollar continues to slip and oil is showing no signs of weakness, helping to push the current price of gold to well over US$700 per ounce. This supports the lofty price in the shorter term, but we expect the price of gold will gradually revert to its long-term average price, adjusted upward for inflation.

Mexico – the economic environment

Mexico reported an estimated US$1.15 trillion GDP in 2006, based on purchasing power parity, ranking it thirteenth: behind Canada and just ahead of Spain. The country compares less favourably on a per capita basis, ranking just behind Bulgaria and marginally ahead of Kazakhstan in 67th place, with a purchasing power parity GDP of US$10,700. Mineral resources contribute heavily to Mexico's GDP and the country's industrial sector benefits from outsourcing by North American companies, but Mexico's poor per capita performance is largely the result of unemployment and underemployment issues.

Mexico enjoyed several decades of growth and was once deemed an economic miracle. But a booming oil industry and huge government loans heavily supported its economy. The inevitable collapse led to a series of devaluations of the peso and a lengthy recession. The slump reached crisis proportions in 1994, following a further steep devaluation of the peso, which led to an international bailout, through currency swaps, loan guarantees and new lines of credit.

The crisis brought about political change. Mexico's move toward an interventionist and nationalistic economy halted abruptly. The country joined the North American Free Trade Agreement in 1994, which resulted in the country's trade with the U.S. and Canada tripling in value. Mexico also has trade arrangements with many other countries, including Japan and Europe.

Mexico made considerable progress during the term of President Vincente Fox. Mr Fox's government took steps to upgrade the country's infrastructure and it began modernising its taxation system and labour laws. As a result, Mexico began encouraging investment in the energy and mining sectors.

Felipe Calderón succeeded Mr Fox as President late in 2006. He was Secretary of Energy in Mr Fox's cabinet and Mr Calderón had the enthusiastic support of Mr Fox in last year's election, suggesting he will continue with many of Mr Fox's pro-market economic moves.

Petroleum production provides a major benefit to Mexico's economy. The country ranked sixth in the world among oil producers in 2006, with an annual production of 3.7 million barrels, placing it ahead of Canada's 3.29 million barrels. Mexico exported 1.68 million barrels of oil last year, putting it in tenth place among oil exporting nations.

Metals and mineral mining are key contributors to Mexico's economy. The country has huge reserves of a variety of commodities, especially silver and bismuth. Mexico is also a major producer of molybdenum, cadmium, fluorspar, arsenic and graphite and its reserves of these minerals rank among the largest in the world.

The North American Free Trade Agreement gave Mexico's mining sector a needed boost, helped by the country's continued pro-mining policies. The country is now a choice destination for foreign investment, and many Canadian and U.S-based companies are exploring and developing Mexican projects, with an emphasis on silver and gold since the precious metals bull market began in 2002.

The Fraser Institute ranks Mexico highly as an exploration destination in its annual survey of mining companies. The perception of the country's policies slipped somewhat in the 2006/07 assessment, but Mexico still places well ahead of Nunavut and the Northwest Territories in Canada, many US states, and most European and African nations.

Mexico offers a moderate taxation rate of 34 percent to miners with no government royalty charges, but the rate of depreciation is low, putting a greater tax burden in the initial years of production.

Significant miners in Mexico include Grupo Mexico, one of the world's largest copper producers, and Industrias Peñoles, a major silver-zinc producer. Some of the larger foreign miners and explorers in Mexico include, Goldcorp, Hecla Mining Company, Pan American Silver Corp, Silver Standard Resources Inc, Gammon Gold Inc, Great Panther Resources Ltd and Apex Silver Mines Ltd.

El Salvador – the economic environment

El Salvador had an estimated US$33.7 billion GDP in 2006, based on purchasing power parity, ranking it 97th behind Luxembourg and just ahead of Paraguay. The country slips farther on the list on a per capita basis, at US$4,900, which puts it in 133rd place, between the Philippines and Paraguay.

Although this ranks as the third-largest economy in the region, El Salvador ranks among the 10 poorest countries in Latin America, and growth has been minimal over the past several years. As a result of its sluggish economy, El Salvador's government has been working to open new export markets and encourage foreign investment, while modernising its tax regime and social programmes.

The government's economic diversification initiatives are having some success in promoting textile production, international port services, and tourism. Further, in its effort to encourage investment, the government has been privatising public institutions in the telecommunications, electricity distribution, banking, and investment sectors.

El Salvador was the first to ratify the 2006 Central America-Dominican Republic Free Trade Agreement, which is helping to improve the country's acute trade imbalance. Notably, this trade imbalance is mitigated by annual remittances from Salvadorans living abroad, which account for as much as one-sixth of the country's gross domestic product. Not surprisingly, the country dropped its own currency, the colon, in 2001 and adopted the US dollar. The move deprives the country of control of its monetary policy and the government must maintain a disciplined fiscal policy as a result.

Like many Latin American nations, El Salvador experienced bouts of civil unrest in its recent history. The twelve-year-long Salvadoran civil war ended in 1992 with the signing of peace accords. Since then, the conservative governing party, Nationalist Republican Alliance, managed to win every election, but the opposition party, led by the former guerilla factions, has been closing the gap. In the 2004 election, Elias Antonio Saca Gonzales won 57.7 percent of the vote. The next election is due in 2009.

Although most of El Salvador is of volcanic origin, the country is not noted as a prolific source of minerals. Mineral production contributes only a small fraction of the nation's gross domestic product but in recent years, mineral exploration has been increasing. Historically, the country supported a few mines that produced gold and silver.

Santa Elena

Introduction

SilverCrest's Santa Elena property hosts an advanced silver and gold project with a substantial, largely indicated mineral resource containing in excess of fifty million ounces of silver and silver equivalent. The company places its highest priority on developing Santa Elena and a prefeasibility study is nearing completion.

Project description

The Santa Elena property lies approximately 150 kilometres north-east of Hermosillo, the state capital city of Sonora which is a state in north-western Mexico. The property covers 3,159 hectares across six concessions that are located on community land. The concessions are valid for a fifty-year period according to the Mexican mining regulations, which were revised in 2005. Late in 2007, SilverCrest successfully negotiated a twenty-year lease covering surface rights to an 841-hectare area.

The property has easy access. Paved main and secondary roads connect the community of Banamichi with Ures and Hermosillo, and a maintained gravel road runs the seven kilometres east from Banamichi to the Santa Elena concessions.

Santa Elena lies on the western edge of the north-trending Sierra Madre Occidental mountain range, adjacent to the Sonora River valley. The property lies at elevations varying from 800 metres to 1,000 metres on the lower portions of the mountains, which crest at much higher elevations just to the east.

A dry season typically occurs from October to May, with most of the annual 300 millimetres of rain falling from June through September, much of it attributed to afternoon thunderstorms, which can be locally severe. Vegetation is sparse during the dry season, but cactus, trees and grasses are abundant during the summer, especially along drainage basins.

Water for drilling is readily available on the property from accessible underground workings. Several options for water access in a mining scenario exist, including local groundwater sources, a pre-constructed reservoir, or from the Sonora River near Banamichi. Electrical power is readily available from nearby sources that currently supply municipalities, agriculture, and mines in the region.

Sufficient area is available for a processing plant, waste dumps and leach pad or tailings disposal on the property.

The region has a significant exploration and mining sector and there is a good base of skilled and semi-skilled workers for SilverCrest to draw upon. All services and supplies are available in Hermosillo, 150 kilometres to the south-west. The only other significant community with significant services available is Cananea, a town of 30,000 population, about 100 kilometres to the north of Santa Elena. Tucson, Arizona, is approximately four hours to the north by road.

SilverCrest entered into an option agreement late in 2005 to acquire a 100-percent interest in the Santa Elena project. The company must make payments totalling US$4.0m over a five-year period, of which US$0.3m has already been paid. The company is required to make payments of US$0.5m in June and December of 2008, and US$0.6m in each of June of 2009 and June 2010. A further payment of US$0.5m is due in December 2010. The final US$1.0m is due following the completion of a feasibility study and receipt of all operating and environmental permits. Approximately forty percent of the payments may be made in SilverCrest common shares.

Geology

Regional geology

The property is located in the Basin and Range province, to the west of the Sierra Madre Occidental mountain range. The oldest rocks are a thick succession of shallow marine sediments of the Jurassic period, which were deposited in the northwest trending rift-basin. Late Cretaceous to mid-Tertiary intermediate to felsic rock overlies the Jurassic sediments.

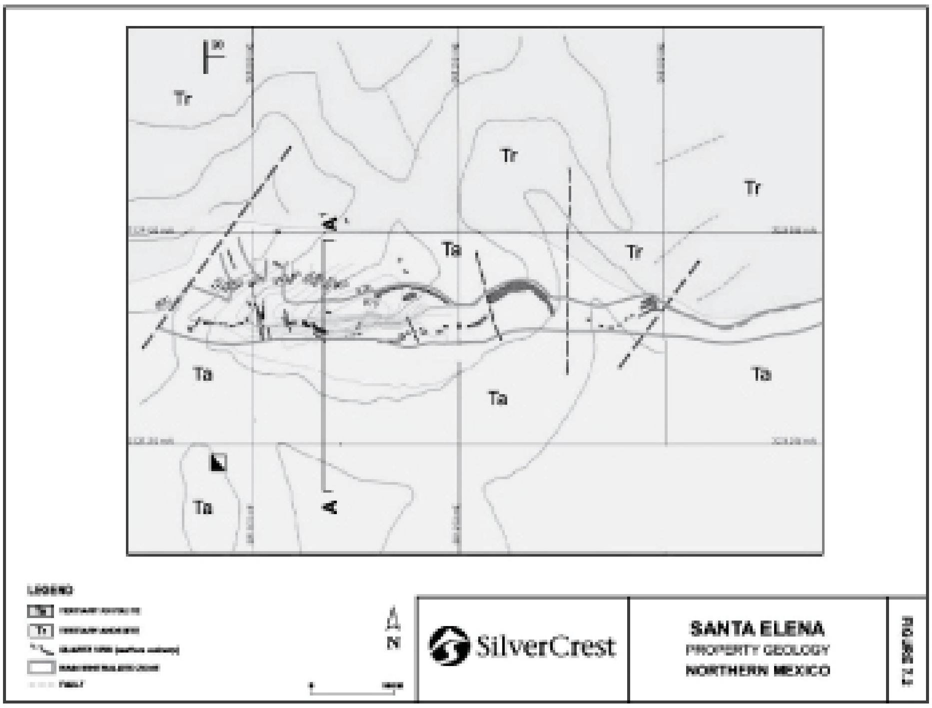
A major north-west trending shear zone and associated faults appear to be an important control of mineralisation in the region and act as conduits for mineral bearing fluids. The heat source is thought to come from the plutonic rocks common to the Sonora region, which also host several major copper porphyries.

Property geology

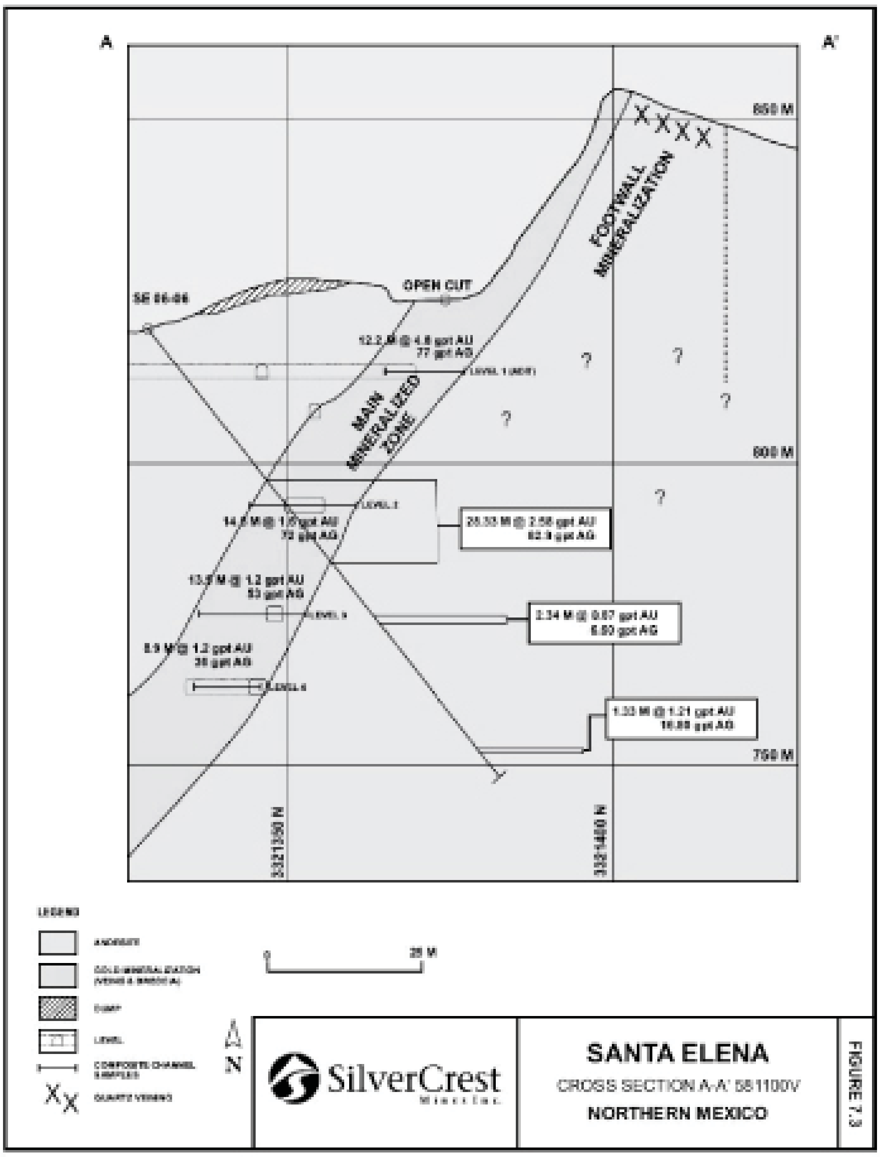
The primary rock types observed on the property are Tertiary andesites and rhyolite flows. These units have been uplifted and strike north-south, with an easterly dip of ten to 45 degrees. The main mineralised zone is associated with an east-west structure cross-cutting the volcanic units. The mineralised structure extends over 1.2 kilometres in length and ranges from one to 35 metres in width. Average width is approximately fifteen metres. The structure dips from forty to sixty degrees to the south. Mineralisation has been drill-tested to a depth of 600 metres down-dip. Within the main mineralised zone, mineralisation appears to be further controlled by cross-cuts and splays at intersections and along a north-west trend.

No intrusive rocks have been observed within the Santa Elena property, although intrusives at depth are thought to be the heat source for the mineralising fluids, and there is a large intrusive approximately ten kilometres to the east, which may be associated with the mineralisation.

Property geology map



Cross-section



Source: SilverCrest Mines Inc

The main mineralised structure is infilled with quartz veins and stockwork, banded quartz, vuggy quartz and black calcite. Breccia is found locally at areas of fault intersections.

Bonanza ore shoots (greater than 500 grams per tonne of silver and 30 grams per tonne of gold) have been identified and are likely to be associated with fault intersections, although more work is required to better define the extent of these high-grade shoots.

Mineralisation at Santa Elena is characterised by the following suite of minerals: silver, gold, antimony, lead, zinc, barite, calcium and manganese. This assemblage is consistent with a high-level low-sulphidation system.

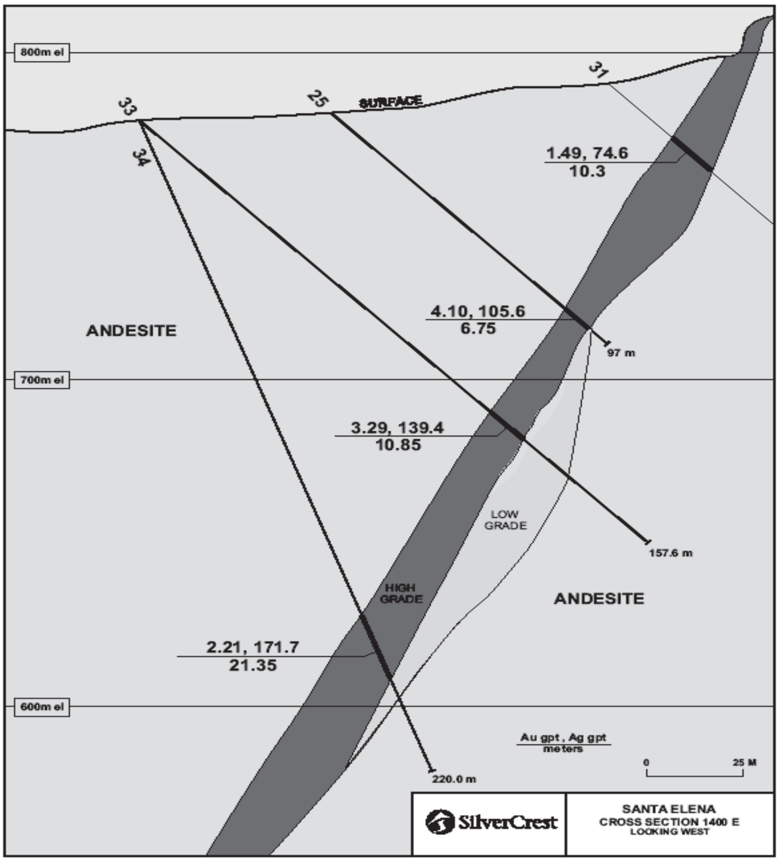
The silver-gold ratio is approximately 1:20, with minor lead, zinc and copper. Metal zoning appears to be related to:

a) proximity to the epithermal boiling zone, giving rise to thicker intersections and higher grades;

b) north-west trending cross-cutting structures, giving rise to high-grade ore shoots; and

c) depth zonation, showing gold content decreasing with depth and silver grades increasing.

Main zone typical cross section



Source: SilverCrest Mines Inc

Alteration in the form of silicification, kaolinisation and chloritisation is widespread and pervasive. Kaolin and alunite form along structures and contacts.

The ore is oxidised to more than 400 metres vertical depth due to deep weathering around fracture zones. Limonite occurs after pyrite, goethite and jarosite. Small amounts of sulphide minerals are present at this depth, which suggests that the ore type is approaching the transition zone into sulphide ore. The bulk of the resource however is oxide ore and therefore amenable to heap leach processing methods.

Deposit type and comparisons

The Santa Elena deposit is a low sulphidation, epithermal, silver-gold deposit. Mineralisation is a result of low sulphidation silica-rich fluids ascending through structural conduits into a cooler, near-surface environment, where the minerals precipitate out of solution.

Other similar such deposits in the Sierra Madres include La Colorado gold-silver mine, Sonora, owned by Pediment Exploration Ltd. Elsewhere, the El Peñón deposit, Chile, and the Midas and Oatman districts of Nevada and Arizona host similar type deposits. Grade at these deposits are considerably higher than at Santa Elena; gold and silver grades at El Peñón are typically six to eight grams per tonne and 200 to 300 grams per tonne respectively. Typical head grades in the Midas camp are over ten grams per tonne gold and 300 grams per tonne silver.

History

The Santa Elena property is a historic high-grade producer of gold and silver. During the late 1800s and early 1990s, an English company operated the Santa Elena mine, abandoning the operation in 1910 because of the Mexican Revolution. The company completed extensive underground development during this period, including a 140-metre, two-compartment shaft, a 100-metre single-compartment shaft and nine working levels spaced fifteen to 20 metres apart, with many crosscuts and raises.

Mining again took place on a small scale at Santa Elena after the Second World War, as local companies intermittently produced limited quantities of precious metals. From the late 1940s into the 1980s, tailings from the original mine were shipped to the Asarco smelter in Arizona.

During the 1960s, Industrias Peñoles S.A de C.V. drilled two or three holes on the property, but no data exists.

During the early 1980s, Tungsteno de Baviacora mined approximately 45,000 tonnes of ore grading 3.5 grams of gold per tonne and sixty grams of silver per tonne from an open cut at Santa Elena, sending the material to a nearby flotation mill near Baviacora. The fifty-tonne-per-day mill was built specifically to process tungsten ore from a nearby deposit from 1977 to 1983. The ore from Santa Elena was supplemental to the tungsten production.

Since 2003, Tungsteno periodically surface mined high silica, low fluorine material from Santa Elena and shipped it to the Grupo Mexico smelter in El Tajo. In late 2003, Nevada Pacific Gold Inc. completed a brief surface and underground sampling programme. Early the following year, Fronteer Development Group completed an extensive surface and underground mapping and sampling programme on the property.

No official records exist, but historic production from the open-cut and underground mining operations has been estimated at 100,000 tonnes of ore averaging between six and eight grams of gold per tonne and seventy to 100 grams of silver per tonne.

Drilling and exploration

SilverCrest completed a core drill programme in early 2006, completing nineteen NQ holes for a total of 2,572 metres. The company drilled the holes on 100-metre sections along the east-to-west trending strike of the mineralised zone. Seventeen of the holes were drilled northward at angles ranging from -45 degrees to -70 degrees. SilverCrest also completed a surface-sampling programme during 2006 and 2007, collecting 289 samples, focusing on the footwall north of the Main Zone.

The company commenced a second phase of drilling in mid-2007. The latest resource estimate was based on 4,000 metres of drilling spread over 40 holes. SilverCrest currently has two drills operating and is currently drilling hole 68. Again, all these holes were drilled northward, perpendicular to the mineralised zone, at angles between -45 and -70 degrees.

The company is attempting to expand the current resource estimate to the east and at depth. The programme will also test the near-surface footwall silver zone, and is enabling the company to reclassify much of the inferred resource into the measured and indicated categories. SilverCrest will also be completing condemnation drilling at the site of its proposed operating facilities.

Mineralisation in core

Source: SilverCrest Mines Inc

Resources

Santa Elena contains a NI 43-101 compliant mineral resource based on historical information and recent drilling by SilverCrest. The most significant information results from 40 drill holes and 71 surface trenching and underground channel samples.

Santa Elena Silver and Gold Resources

Property	Resource Category[1]	Tonnes	Ag gpt	Au gpt	Tons	Ag opt	Au opt	Contained Silver Ounces	Contained Gold Ounces	Contained Silver & Silver Equiv. Ounces[3]
Santa Elena[2]	Indicated	7,378,300	74.20	1.81	8,133,200	2.16	0.053	17,600,900	428,700	43,327,100
	Inferred	2,608,000	73.06	1.37	2,874,800	2.13	0.040	6,125,700	114,800	13,016,700

[1] Conforms to NI 43-101, 43101CP and current CIM definitions for resources. All numbers are rounded. Measured resources included in Indicated.

[2] Cutoff grade for Santa Elena is 30 gpt Ag equivalent (0.5 gpt Au equivalent).

[3] Conversion of gold to silver based on 60:1 silver to gold ratio, Assumes 100% metal recovery.

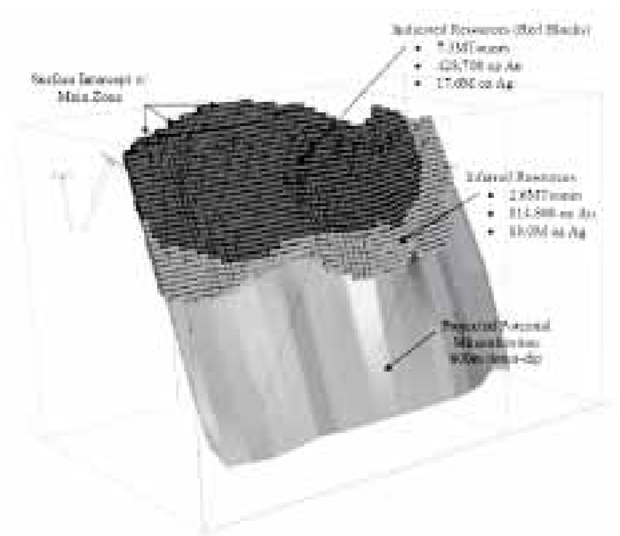
Source: SilverCrest Mines Inc

The current estimate includes an indicated resource of 7.38 million tonnes of ore, grading 1.81 grams of gold and 74.20 grams of silver per tonne, which equates to a silver and silver equivalent resource of 43.3 million ounces. Santa Elena also contains an inferred resource of 2.61 million tonnes, grading 1.37 grams of gold and 73.06 grams of silver per tonne and containing 13.0 million ounces of silver and silver equivalent.

The resource calculation assumed a cut-off of thirty grams of silver equivalent and silver grades exceeding 300 grams per tonne were cut to 300 grams per tonne. Gold grades exceeding twenty grams per tonne were cut to 20 grams per tonne. The resource estimate was carried out using block modelling and ordinary kriging methods and in our view, follows usual practices for resource estimation.

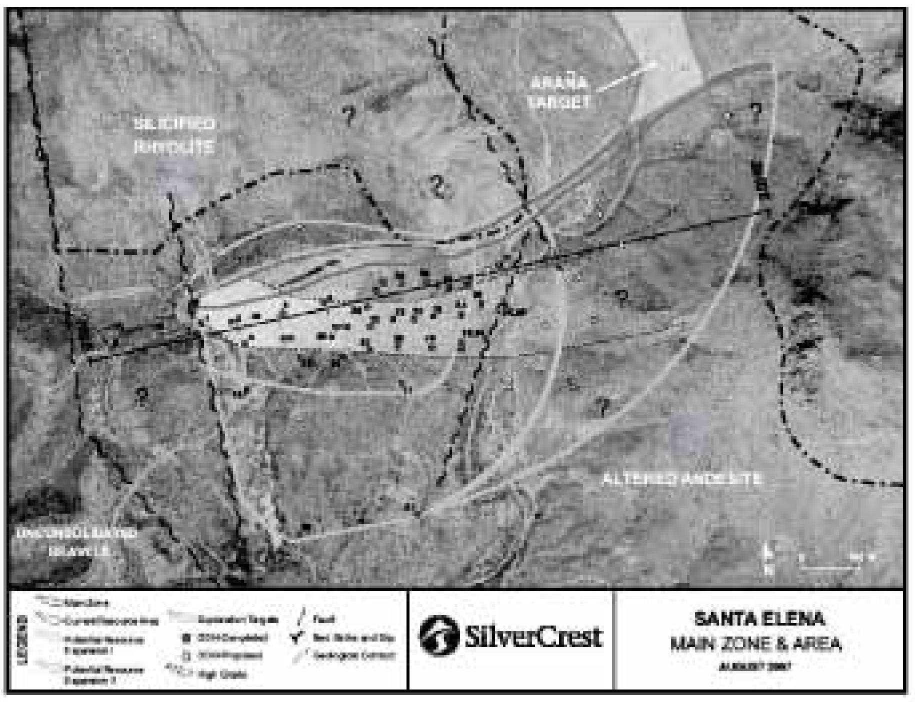
The indicated and inferred resources at Santa Elena occur within an 800-metre zone of the Main Zone, which has a known strike length of approximately 1,200 metres.

SilverCrest Santa Elena resource classification map



Source: SilverCrest Mines Inc

SilverCrest Santa Elena main zone and area



Source: SilverCrest Mines Inc

Exploration potential

Continuing work at Santa Elena offers opportunities to expand the resource along the eastern strike and down-dip of the Main Zone, where sampling indicates high-grade silver mineralisation. Furthermore, the company has identified higher-grade mineralisation at structural intersections within the ore body. More detailed work in these areas may lead to an increase in resource estimate in the immediate vicinity of the current resource.

Geophysics surveys have identified several parallel zones with a similar geophysical signature to the main ore body. These are considered future exploration targets.

Future exploration

The company is partway through phase II exploration. Further drilling is designed to expand and upgrade the current resources. It is intended that the drill density will be sufficient to satisfy the requirements on ongoing pre-feasibility studies and potential feasibility of the project. The specific work programme planned is outlined below:

- 4,000 metres of core drilling;
- underground sampling;
- investigation into deposit mineralogy and petrography;
- further specific gravity measurements;

- resource modeling;
- environmental baseline studies;
- sampling of tailings and volume estimate;
- test geophysical targets.

In our view, the company is making good progress in developing the project. SilverCrest has a sizeable resource base, which it needs to progress towards feasibilty this year in order to meet the projected date for open pit mining.

In addition the company plans to test additional targets that it identified through its early geophysical exploration surveys. Should this prove successful and further deposits are identified, this may increase the scope for open pit mining and enable the company to mine from several open pits at relatively low cost, before commencing underground operations.

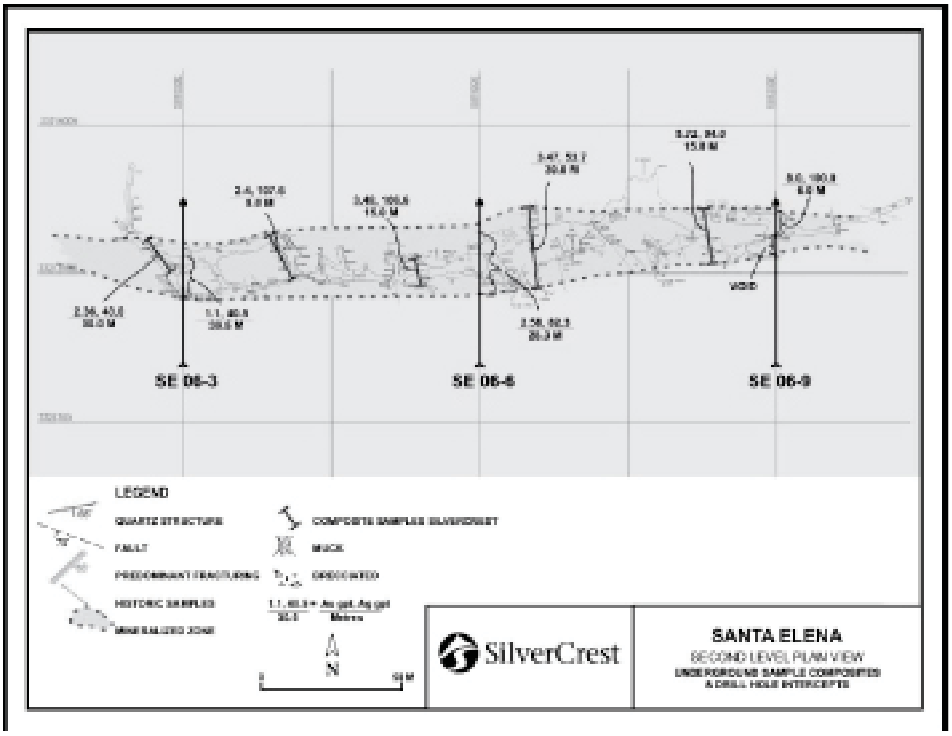
Production plan

With the recent increase in resource estimate, we expect that open pit operations may be feasible for the first five years of operation, before initiating underground operations. Initial costs for open pit mining are expected to be in the region of US$6 to $8 per tonne, increasing to around $12 to $15 per tonne when underground mining commences. The increase is largely due to a stripping layback that is expected to occur in year five.

Most, if not all, of the resource is in the oxide zone, which lends itself to heap leach operations. Metallurgical testwork confirms this, although more work needs to be done to establish optimal conditions. Initial capital costs are expected to be $18m to $20m; we take this to include the open pit and heap leach operations. Underground development will require further capital expenditure. The company believes that a portion of the additional capital required could potentially be derived from reprocessing, through a conventional mill, the higher-grade portions of segregated heaps to recover residual gold and silver material.

SilverCrest is part way through phase II exploration and is considered to be at the pre-feasibility stage. The company expects to have the project permitted by mid-2008, presumably coincident with a full feasibility study. We believe the company's expectation to start mining in late 2008 is optimistic, and we project a more conservative timing of mid 2009 for initiating open pit operations, with first silver production from heap leach operations in 2010.

UG drill hole comparison



Source: SilverCrest Mines Inc

Mineral processing and metallurgy

Considerable metallurgical testwork has been carried out on ore from Santa Elena since 1980. Results vary as methods differ with respect to crush size and leach time. In 2003, column percolation, cyanide leach tests carried out on two samples returned poor recoveries; eleven and thirteen percent for silver and 57 and 61 percent for gold.

Subsequent bottle roll tests were conducted in 2006 and 2007 on representative material from surface, underground and core samples. In addition three bulk samples were taken from surface and underground for column-percolation tests over a period of ninety days.

Recoveries ranged from 30 to 42 percent for silver and 58 to 73 percent for gold over a 58 day continuous leach period. 3/8 inches is considered to be the optimal crush size. The results indicate the ore is amenable to standard heap leaching methods, although we consider these recoveries to be at the low end. We have taken the mid-point of these recoveries in our modelling, although it is predicted that gold recoveries may reach seventy percent or higher for seventy-day continuous leaching.

Permitting and environmental status

Mining concessions in Mexico are issued for fifty-year periods, subject to annual tax payments, which are due twice yearly and based on the surface area of the concession. SilverCrest is up to date with its tax payments.

SilverCrest recently secured surface rights for exploration and exploitation for a twenty-year period. Lease payments are dependent on the number of hectares required for a given year and will range from approximately US$55,000 to $160,000

The company will be required to submit an environmental assessment report for exploitation permitting. The report requires a plan of operations and reclamation plan to World Bank standards. Baseline environmental assessment has been completed and the application to land-use change has been filed. The full environmental impact study (EIS) is expected to be filed in late February.

The company expects to have permits in place later in 2008.

Infrastructure

The project is easily accessible from Hermosillo, approximately 150 kilometres away, via paved highways and secondary roads, and a short, seven-kilometre stretch of well-maintained gravel road. Water is readily available from the underground workings, and there are options available for future water supply. Electrical power is available locally although the company may have to consider self power generation in order to ensure reliable supply for mine operations. Sufficient area is available for mine infrastructure subject to surface rights agreements for the land required.

Social licence

The company maintains good relations with the local communities associated with the exploration, development and operations of its projects.

Project issues

Grade variability

Epithermal deposits typically exhibit high nugget effect, particularly with respect to gold mineralisation. In the resource calculation grade for silver and gold was interpolated using ordinary kriging methods and variogram analysis. The search was configured to use the ranges for gold as they were less than for silver, and would therefore give a more conservative estimate.

It is thought that there are areas of higher-grade mineralisation that have not yet been adequately explored and delineated. These areas are in the vicinity of structural intersections, usually along the north-west trending structures. More work is required to get a better handle on the deposit and assist in the resource modelling.

QA/QC

Sampling procedures have been reviewed by qualified personnel and appear to follow industry standard practices for logging, handling and sampling. The company used accredited laboratories for the assaying. The laboratories completed typical internal standards and checks on the labs. SilverCrest did not insert their own standard and blank check samples in the field, although it is not clear why. It is common practice to send check samples in the form of standards, blanks and duplicates to the laboratory for quality control and quality assurance. SilverCrest have carried out data verification programmes in the form of duplicate sampling on underground continuous channel samples and quarter splits of drill core samples. In addition to the duplicate sampling, SilverCrest sent the samples for assaying using fire assay with atomic adsorption (AA) finish and gravimetric analysis. Results showed a twenty- percent increase in grade using the gravimetric finish. As a conservative approach, the AA results were used in the resource calculation.

Specific gravity measurements

In 2006, SilverCrest sent ten core samples for specific gravity analysis and obtained an average of 2.67. This value was used in the initial resource estimation. The company reports that extensive additional sampling was carried out during 2007, which are representative of the deposit.

Cost forecasts

Mining costs currently tend to rise at above average inflation rates, as a consequence of unprecedented demand across the mining industry for products and services. This may lead to project slippage or failure, if costs prove prohibitive in bringing the mine into production.

It is our view that initial capital cost estimates are on the low side. Additional capital will likely be required for underground development.

Timeline

We view the two-year timeline to production as on the ambitious side considering the company is currently at pre-feasibility stage. Furthermore, the mining industry is currently experiencing project slippage due to the unprecedented demand on suppliers and service providers. Assuming successful completion of full feasibility and permitting, the company needs to secure contracts with suppliers and engineering, procurement and construction management (EPCM). The company is currently negotiating EPCM contracts. In the company's favour, Mexico has a long history of mining and is generally considered a favourable place to operate, with good support services to the mining industry.

Santa Elena risked mineable resource assumptions

Reserves		Probability	Tonnes (m)
Proven		*90%*	0.0
Probable		*50%*	0.0
Total		***0%***	**0.0**
Resources	**Conversion**	**Probability**	**Tonnes (m)**
Measured	*80%*	*90%*	0.0
Indicated	*80%*	*50%*	7.4
Inferred	*80%*	*10%*	2.6
Hypothesised	*80%*	*0%*	10.0
Total	***80%***	***20%***	**20.0**
Mineable resource			**Tonnes (m)**
Mineable resource			**16.0**
Risked mineable resource			**Tonnes (m)**
Current classification			3.2
Scenarios for exploration success			
- base case			8.8
- optimistic case			11.8
- pessimistic case			5.0

Notes:

- *mineable resource have been estimated as reserves plus the portion of resources that would be expected to convert to reserves considering deposit type and likely grade variability*
- *risked mineable resource refers to the various classes of resource/reserve weighted by their assumed confidence level*

Source: Objective Capital

Proforma Santa Elena property profit and loss

	Year ending December									
Proforma P&L (US$m)	**'10**	**'11**	**'12**	**'13**	**'14**	**'15**	**'16**	**'17**	**'18**	**'19**
Gross revenues	**30.8**	**41.1**	**40.0**	**39.3**	**38.9**	**38.6**	**38.5**	**38.6**	**38.8**	**39.1**
Operating costs	5.6	7.9	8.1	8.3	16.5	16.9	17.3	17.8	18.2	18.7
Operating profit	**25.2**	**33.2**	**32.0**	**31.0**	**22.4**	**21.7**	**21.2**	**20.9**	**20.6**	**20.5**
Depreciation	2.4	2.5	2.5	2.5	3.1	3.1	3.1	3.2	3.2	3.2
Administrative costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**22.9**	**30.6**	**29.4**	**28.5**	**19.3**	**18.6**	**18.1**	**17.7**	**17.4**	**17.3**
Assumptions										
Capital costs (US$m)	12.4	0.5	0.5	0.5	1.1	1.1	1.1	1.2	1.2	1.2
Tonnes ore mined (millions)	0.8	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Production										
- Silver (000 oz)	616	847	847	847	847	847	847	847	847	847
- Gold (000 oz)	26	35	35	35	35	35	35	35	35	35

Source: Objective Capital

Of SilverCrest's other properties, Cruz De Mayo and Silver Angel are part of the same structure and in the same district as Santa Elena. Both are at much earlier stages of development. El Zapote is located in El Salvador.

Cruz De Mayo

Introduction

SilverCrest's Cruz de Mayo property hosts an advanced silver project with a substantial, largely inferred mineral resource containing in excess of fifteen million ounces of silver. The Cruz de Mayo property also has a high priority and the company plans additional drilling this year to expand the resource and further advance the project.

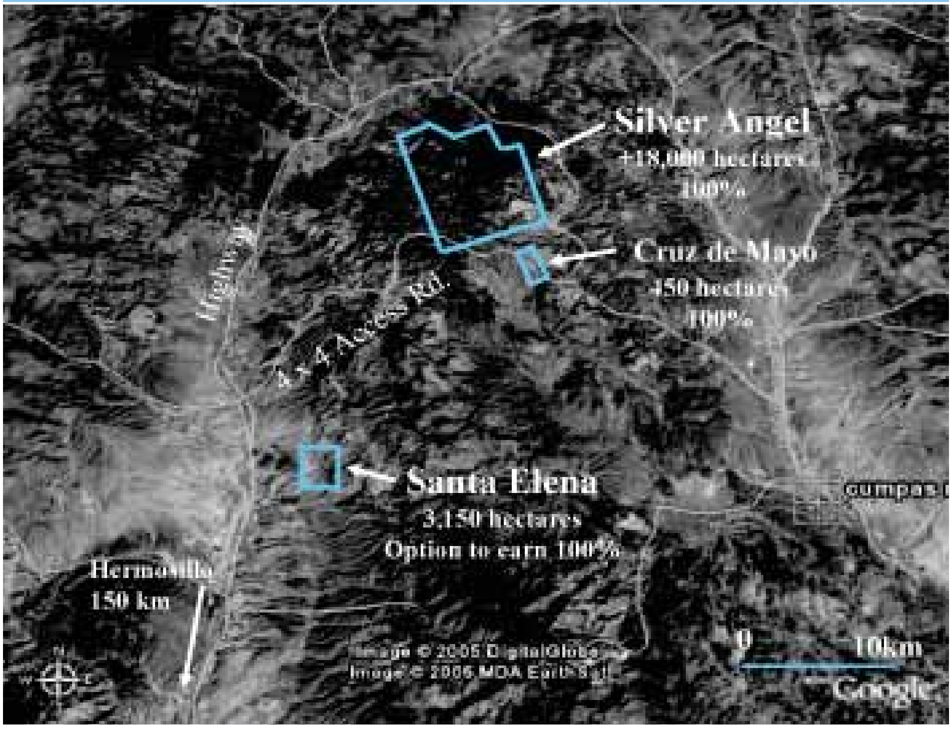
Project description

The Cruz de Mayo property lies 150 kilometres north-east of Hermosillo, Sonora, in north-western Mexico, immediately north-east of the Santa Elena property. Cruz de Mayo spans 452 hectares in two contiguous concessions.

The property has easy year-round access. Paved main and secondary roads connect the community of Cumpas with Ures and Hermosillo, and a maintained gravel road runs the twelve kilometres northwest from Cumpas to the Cruz de Mayo concessions.

Like the Santa Elena property it lies on the western edge of the north-trending Sierra Madre Occidental mountain range, adjacent to the Cumpas valley. The property lies at elevations varying from 800 metres to 1,600 metres on the lower portions of the range front. Much higher elevations lie immediately west of the property.

Northern Mexico concessions



Source: SilverCrest Mines Inc

The climate is comparable with the Santa Elena project, with a dry season from October to May and a wetter summer period from June through September. Much of the annual average 300 millimetres of rain falls during afternoon thunderstorms, which can be locally severe. Vegetation is sparse during the dry season, but cactus, trees and grasses are abundant during the summer along drainage basins.

Water for drilling is readily available on the property from nearby spring and local water wells, while water for a production facility could come from a local groundwater source, a pre-constructed reservoir or a river seven kilometres east of the property. Electrical power is readily available from nearby sources that currently supply municipalities, agriculture, and mines in the region.

Sufficient surface land is available to host a processing plant, waste dumps and leach pad or tailings disposal on the property, provided the surface rights can be obtained from the current owners.

The region has a significant exploration and mining sector and there is a good base of skilled and semi-skilled workers for SilverCrest to draw upon. All services and supplies are available in Hermosillo, 150 kilometres to the south-west. The only other significant communities with significant services available are Cananea, a town of 30,000 about eighty kilometres to the north of Cruz de Mayo and Nacozari, a town of 10,000 about thirty kilometres to the north. Tucson, Arizona, is approximately four hours to the north by road.

SilverCrest acquired the 434-hectare Cruz de Mayo 2 concession in 2005 for US$10,000 and no further royalties or obligations apply. Late in 2006, SilverCrest acquired an option on the eighteen-hectare El Gueriguito concession. To earn a 100-percent interest, the company must make staged payments totalling US$120,000 over three years. There is a 2.5 percent NSR royalty on the concession, with a US$1m buyout provision for one percent of the NSR.

Geology

Regional and property geology is similar to the Santa Elena property. The primary rock types are Tertiary andesite and rhyolite flows, which have been subjected to uplift and strike north-south with a dip of ten to 45 degrees to the south-west. This fractured zone is approximately 2.5 kilometres in length and 200 metres in width. The thickness of the silver mineralisation is one to 87 metres and averages thirty metres. The mineralised zone dips from ten to thirty degrees to the south-west and has been tested to 200 metres depth.

The main mineralised zone consists of quartz veins and stockwork, banded quartz and vuggy quartz associated with the north-west trending cross-cutting structures. Minor breccia is found at fault intersections. Iron oxides include limonite, jarosite, goethite and hematite, and an unidentified yellow-green mineral, though to be a sulphosalt is associated with silver mineralisation.

Alteration within the volcanic units in the immediate area of the deposit takes the form of propylitic to silicic alteration. Widespread silicification proximal to quartz veining occurs within the main mineralised zone. Chloritic alteration increases away from the mineralised zone, within the andesite beds.

Oxidation is known to occur to over 150 metres depth. This suggests the bulk of the deposit may be amenable to heap leach operations. Metallurgical testwork has been carried out on six representative samples and recoveries averaged 55.7 percent for silver.

Cruz de Mayo looking NW

Source: SilverCrest Mines Inc

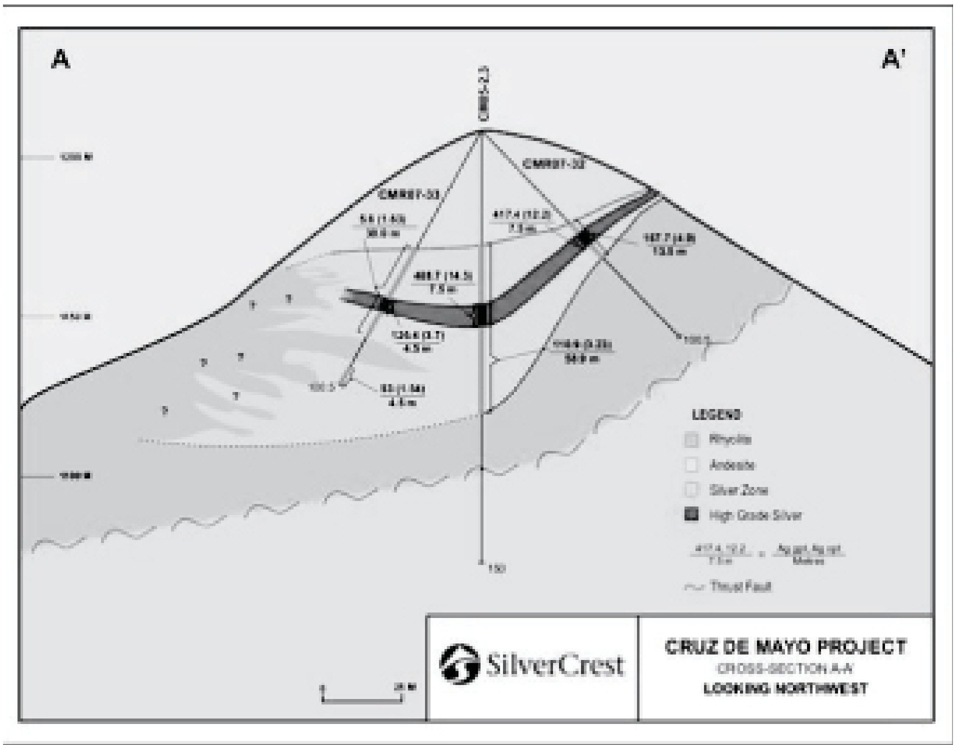
Deposit type and mineralisation

The Cruz de Mayo deposit is an example of a high level, low sulphidation epithermal deposit. La Pitarrilla deposit, owned by Silver Standard, is another such deposit. These deposits typically form in felsic sub-aerial volcanic complexes in extensional and strike-slip regimes. As at La Pitarrilla, mineralisation at Cruz de Mayo is predominantly silver mineralisation. There are two types of mineralisation at Pitarrilla; higher-grade silver mineralisation, grading 120 to 180 grams per tonne, and a lower grade zone of massive sulphide mineralisation with around eighty grams per tonne of silver and up to 1.5 percent of combined zinc lead and copper. Samples collected from Cruz de Mayo show a geochemical signature of silver, lead, zinc, copper, gold, calcite and manganese. This is consistent with a high level, low sulphidation system. Grades are in the region of 65 grams per tonne of silver, the company reports that gold results are pending, but the silver to gold ratio is estimated to be around 1:800 with minor lead zinc and copper.

A key difference between the Santa Elena and Cruz de Mayo projects is the silver and gold grades. Historic production is reported to amount to 10,000 tonnes at 0.5 grams per tonne of gold and 150 grams per tonne of silver. This is unusually low for historic mining, which typically focused on higher-grade narrow ore shoots.

As at Santa Elena, metal zonation appears to correspond to the north-west trending lineaments and intersections with cross-cutting structures and form higher grade ore shoots. No vertical zonation is apparent. These ore shoots merit further investigation with respect to higher grades and presence of base metal and gold mineralisation.

Cruz de Mayo cross section



Source: SilverCrest Mines Inc

History

During the late 1800s and early 1990s, an unnamed company operated the Cruz de Mayo mine. The company abandoned the operation in 1910 with the onset of the Mexican Revolution. Underground development at the mine included four adits totalling 600 metres of excavation. Three of the adits, Uno, Tres and Cuarto, subsequently caved in, but the fourth, Dos, remains accessible.

Local companies carried out small-scale mining intermittently after the Second World War, but no records exist for this production. Local residents suggest that these operations shipped approximately 5,000 tonnes of ore to the nearby La Caridad smelter for flux, at a grade of 0.5 grams of gold per tonne and 150 grams of silver per tonne. No old tailings remain at the site.

During the 1970s and 1980s, Toronto-based Tormex Development Inc. drilled sixteen core holes on the property. Detailed core logs are available for the first five holes with only cross-sectional information, with composite assay results available for the remaining 11 holes.

Minera Looker completed underground channel sampling in the early 1990s, testing approximately sixty samples from Adit Dos. The average grade of these samples was estimated at 0.45 grams of gold per tonne and 159 grams of silver per tonne. The property has been dormant since the early 1990s.

Despite the lack of official records, historic mining at the Cruz de Mayo project is estimated at 10,000 tonnes averaging 0.5 grams of gold per tonne and 150 grams of silver per tonne.

Drilling and exploration

Tormex's historic drilling consisted of two programmes totalling 16 holes and 872 metres. No further drilling took place until early 2005, when SilverCrest began its exploration programme, drilling three holes totalling 379.4 metres. The NQ-sized holes tested the down-dip projection of surface mineralisation. The first two holes were vertical and the third hole was angled from the second drill pad.

SilverCrest completed a second core-drill programme in 2006 consisting of 20 holes totalling 1,812.9 metres. The NQ holes were drilled on 100-to-150-metre sections along the north-west-trending strike of the mineralised zone. Nineteen of the holes were nearly vertical, designed to intersect the mineralised zone perpendicularly.

In the spring of 2007, SilverCrest completed a reverse-circulation drilling programme consisting of 24 holes totalling 2,828 metres drilled at various angles.

Resources

Cruz de Mayo contains a NI 43-101 compliant mineral resource based on historical information and recent drilling by SilverCrest. The key data used in the resource calculation derives from 50 holes drilled by the company. SilverCrest did not use the information from the 16 Tormex holes in the resource estimates.

The current estimate includes an indicated resource of 1.14 million tonnes of ore, grading 64.15 grams of silver per tonne, for a total silver content of 2.35 million ounces. Cruz de Mayo also contains an inferred resource of 6.06 million tonnes, grading 66.5 grams of silver per tonne for a total of 12.97 million ounces of silver.

Cruz de Mayo Silver Resources

Property	Resource Category[1]	Tonnes	Ag gpt	Tons	Ag opt	Contained Silver Ounces
Cruz de Mayo[2]	Indicated	1,141,000	64.15	1,257,700	1.87	2,353,400
	Inferred	6,065,000	66.50	6,685,500	1.94	12,967,100

1 Conforms to NI 43-101 and current CIM definitions for resources. All numbers are rounded. Measured resources included in Indicated.
2 Cutoff for Cruz de Mayo is 30gpt Ag.
3 Conversion of gold to silver based on 60:1 silver to gold ratio, Assumes 100% metal recovery.

Source: SilverCrest Mines Inc

The resource calculation assumed a cut-off of thirty grams of silver equivalent and silver grades exceeding 300 grams per tonne were cut to 300 grams per tonne.

The mineralised zone has the potential to host additional resources within the immediate area. Additional drilling is required to delineate the extent of the mineralisation to the north and down-dip. There also is potential for higher-grade mineralisation at structural intersections.

Sampling methodology and QA/QC

Standard sample preparation procedures were followed. The samples were assayed for gold using standard 30-gram fire assay for gold and ICP (Inductively Coupled Plasma) analysis for multiple geochemical analyses including silver. Gravimetric analysis was completed for overlimit assays on gold and silver. Samples were re-analysed for silver using a four-acid digest analytical method. The gold values have not yet been calculated for the resources but are not expected to be significant (less than 0.1 grams per tonne) The laboratories used completed typical internal standards and checks. SilverCrest did not insert standard and blank samples in the field. Duplicate sample checks were performed by the company.

Twin holes were drilled to check the Tormex drill data and inconsistencies were found in both grade and thickness, the Tormex data typically displaying higher grades than SilverCrest. This suggests mineralisation is variable, as one would expect in epithermal deposit, however, it may also be possible that analytical procedures account for the differences, and for this reason the Tormex data has been excluded from the resource calculation.

Specific gravity measurements

Specific gravity measurements were taken from four core samples from proximal to, but outside of, the mineralised zone, and is therefore not a true representation of the specific gravity of the deposit. It is difficult to determine whether this may lead to an over- or under-estimation, but it is possible that the vuggy, friable textures associated with veining, alteration and oxidation may result in a lower specific gravity, thereby giving a lower tonnage estimate. In any case, sampling to date is minimal and the company plans to undertake more specific gravity sampling, from within the mineralised zone, to be used in future resource calculations.

Exploration potential

There is potential for extension of mineralisation to the north and down-dip. As at Santa Elena, the company believes higher-grade zones of mineralisation may exist at structural intersections within the deposit. The company believes the mineralised zone has potential to host additional resources within the immediate area.

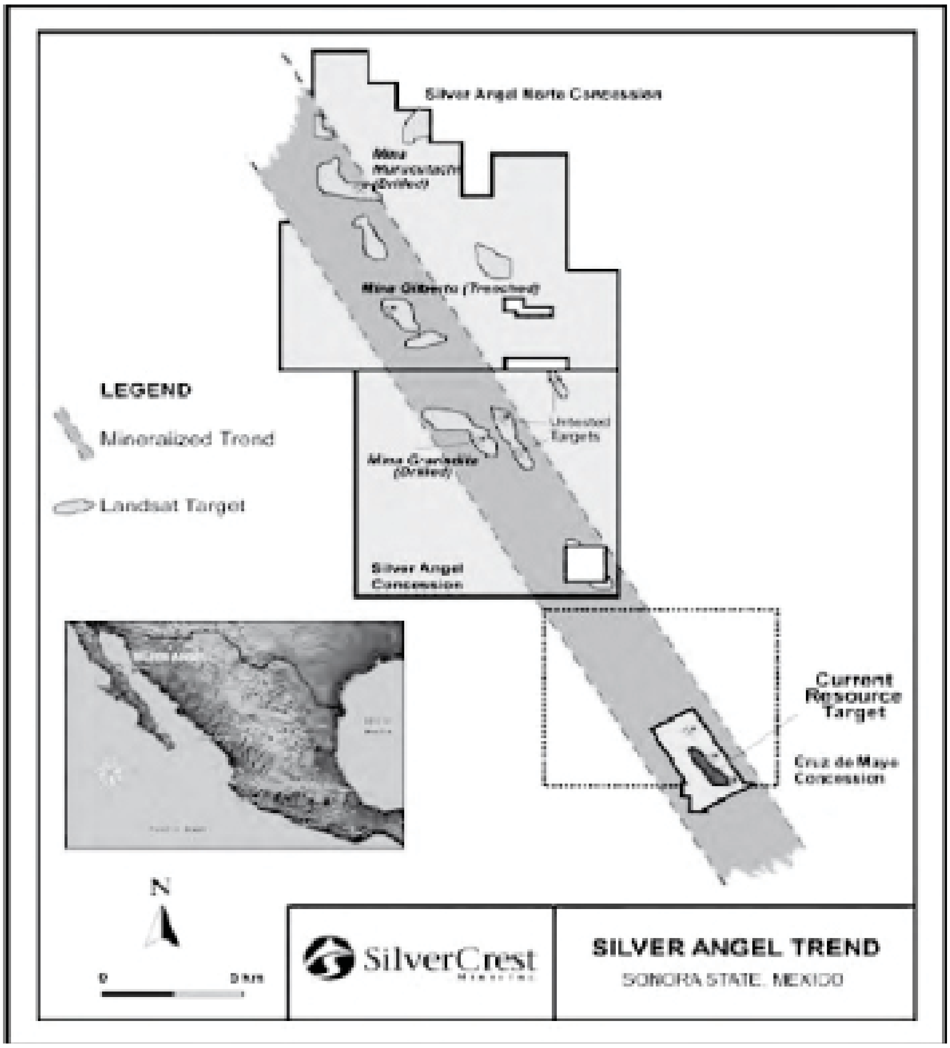
Permitting and surface rights

The two concessions covering the Cruz de Mayo project are valid for fifty years under the Mexican mining legislation. Surface rights will have to be negotiated with the landowner as the concessions are located on private land. Environmental permits are required for exploration work, with follow up inspection of required reclamation.

Silver Angel Project

The company has a 100 percent interest in 18,000 hectares located in the northern Sierra Madre Range in the State of Sonora, Mexico. The Silver Angel Concession contains an area of intense alteration that is approximately 20 kilometres long by 3 kilometres wide with structural features that host seven past producing, high grade silver gold mines, including the Cruz de Mayo Prospect.

Silver Angel regional trend



Source: SilverCrest Mines Inc

El Zapote Project

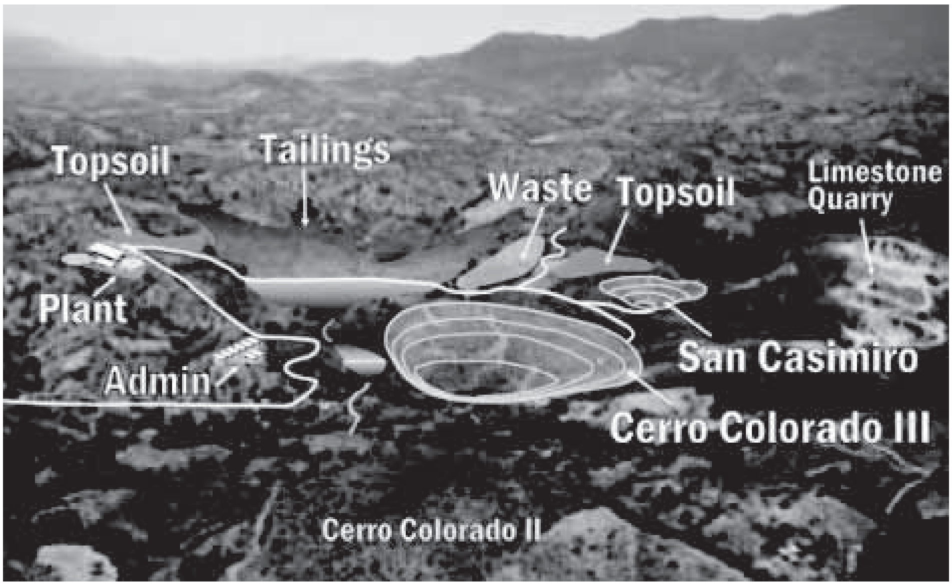
SilverCrest has a 100 percent interest in mineral concessions located in northern El Salvador. There are several known deposits within the property. Of these, SilverCrest is developing a resource on three deposits: the Cerro Colorado III, San Casimiro and Tajado deposits.

Feasibility work

During 2005, the company undertook a feasibility project which included resource calculations, mineral processing studies and estimates of capital and operating costs to asses the viability of the project.

El Zapote

El Zapote conception



Source: SilverCrest Mines Inc

El Zapote resources

Resource Category (revised)	Tonnes (metric)	Tons (short)	Ag g/t	Ag oz/t	Au g/t	Zn g/t	Contained Ag Ounces	Contained Zn Pounds
Indicated*	Indicated	2,111,182	177.7	5.2	0.19	1.17	10,941,333	49,401,658
Inferred**	Inferred	1,197,561	101.6	3.0	0.18	1.22	3,550,565	29,220,488

* Indicated includes Measured resources which represents a majority of this category. Cut-off grade equals 34.0gm/t Ag. Numbers are rounded

**The Tajado resource is all in the inferred resource category

Source: SilverCrest Mines Inc

Resources

The resources for the project, which includes resources for the Tajado deposit, are presented above.

These resources are based on the combined results of work programmes completed by the company and previous operators. Work includes 87 drill holes totaling 8,662 metres and 23 trenches totaling 446 metres. The revised El Zapote resources are contained 65 percent in the main Cerro Colorado III deposit, 7 percent in the San Casimiro satellite deposit, and 29 percent the Tajado satellite deposit. The revised resource estimation was prepared by N. Eric Fier, CPG, P. Eng., Qualified Person and Chief Operating Officer of the company.

Ore metallurgy and processing

The ore comprises both oxide and sulphide ore. Extensive metallurgical testwork was completed in 2006 to test the viability of a conventional mill circuit with cyanide vat leaching and flotation. Recoveries from the oxide and transition zone (oxide and sulphide) material were 87 percent. Zinc recovery from froth flotation was 75 percent with additional recovery of silver and gold at four to five percent.

Exploration potential

Potential for new discoveries exists along the Cerro Colorado III – San Casimiro trend. The company expects that there is potential to expand the current resource and to identify additional mineral deposits at El Zapote. Any substantial programmes will be contingent upon the permitting process with respect to the application for an exploitation concession and the issue of environmental permits for exploration. Permitting for an exploitation license is underway.

Financials

Profit and loss

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E
Revenues	**—**	**—**	**—**	**—**	**30.3**
COGS	—	—	—	—	(5.5)
Gross profits	—	—	—	—	24.8
Administrative Costs	(1.0)	(1.0)	(1.1)	(1.2)	(1.2)
EBITDA	**(1.0)**	**(1.0)**	**(1.1)**	**(1.2)**	**23.6**
Depreciation & amortisation	(0.0)	(0.2)	(0.2)	(0.4)	(2.3)
EBIT	(1.0)	(1.2)	(1.3)	(1.6)	21.3
Interest	0.1	0.2	0.2	(0.1)	(0.3)
EBT	(0.8)	(0.9)	(1.2)	(1.7)	21.0
Tax paid	—	—	0.4	0.6	(7.1)
Earnings	**(0.8)**	**(0.9)**	**(0.8)**	**(1.1)**	**13.8**
Dividends	—	—	—	—	—
Retained earnings	**(0.8)**	**(0.9)**	**(0.8)**	**(1.1)**	**13.8**

Cashflow statement

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E
EBIT	(1.0)	(1.2)	(1.3)	(1.6)	21.3
Depreciation	0.0	0.2	0.2	0.4	2.3
Stock-based Compensation	0.4	0.0	0.6	0.5	0.6
(Increase) decrease in receivables	0.0	(0.2)	—	—	(4.5)
(Increase) decrease in inventory	0.0	0.0	—	—	(0.8)
Increase (decrease) in payables	0.0	(0.1)	—	—	0.4
Net cash from Ops	**(0.6)**	**(1.2)**	**(0.5)**	**(0.7)**	**19.3**
Tax paid	—	—	0.4	0.6	(7.1)
Dividends	0.0	—	—	—	—
Net interest recieved (paid)	0.1	0.2	0.2	(0.1)	(0.3)
New equity	6.9	0.0	4.0	—	—
New (deposits) borrowings	0.0	—	—	5.0	(1.5)
Capital expenditure	(1.8)	(2.1)	(2.0)	(8.0)	(12.1)
Net cash from financing	**5.2**	**(1.9)**	**2.6**	**(2.5)**	**(21.1)**
Net increase (decrease) in cash	**4.6**	**(3.0)**	**2.1**	**(3.2)**	**(1.8)**

Balance sheet

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E
Fixed assets at NAV	5.6	7.6	9.3	16.9	26.7
Cash	6.3	3.2	5.3	2.1	0.3
Receivables	0.1	0.3	0.3	0.3	4.8
Inventory	0.0	0.0	0.0	0.0	0.9
Less Payables	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Net current assets	**6.3**	**3.5**	**5.5**	**2.4**	**5.5**
Less loans	—	—	—	(5.0)	(3.5)
Capital employed	**11.9**	**11.0**	**14.9**	**14.3**	**28.7**
Represented by	—	—	—	—	—
Shares in issue	14.4	14.4	19.0	19.5	20.1
Add retained profit	—	—	—	—	—
Prior periods	(1.6)	(2.4)	(3.4)	(4.1)	(5.2)
This period	(0.8)	(0.9)	(0.8)	(1.1)	13.8
Shareholders' funds	**11.9**	**11.0**	**14.9**	**14.3**	**28.7**

Source: Objective Capital

J. Scott Drever – President and Director

Scott Drever has 40 years of experience in mineral exploration, project development and mining operations in Canada and internationally. He has extensive experience with large international mining corporations in corporate management, strategic planning and corporate development. Mr Drever served as an executive officer or director of Dome Mines Group, Placer Dome Ltd, Blackdome Mining Corp, DiamondWorks Ltd and Antam Resources Ltd. He is currently a director and president of Goldsource Mines Inc, and is President of Nemesis Enterprises Ltd, a private management company.

N. Eric Fier, CPG, P.Eng. – Chief Operating Officer

Eric Fier has 20 years of experience in mineral exploration, project acquisition and development, and mineral production, primarily in Central and South America. His roles included project evaluation and management, reserve estimation and economic analysis, as well as operational management. Mr Fier served as chief geologist with Pegasus Gold Corp, senior engineer and manager with Newmont Mining Corp and he was project manager with Eldorado Gold Corp.

Barney Magnusson, CA – Chief Financial Officer and Director

Barney Magnusson has been a senior officer and director of three resource companies that developed producing mines; Dayton mines Inc, High River Gold Mines Ltd and Brohm Resources Inc. Mr Magnusson has extensive experience in corporate finance and public company management, including roles involving structuring and development of rapidly expanding companies. Mr Magnusson is president of Adapa Management Ltd, a private management and investment company. He is Chief Financial Officer of Minera Pacific Inc, a private exploration company.

Graham C. Thody, CA – Director

Graham Thody has been a partner of Vancouver-based Nemeth Thody Anderson, Chartered Accountants, since 1980. His practice focuses on corporate mergers and acquisitions as well as domestic and international tax matters. Mr Thody acted as auditor of several public companies and participated in the initial public offerings of several others. Mr Thody has been a director of Pioneer Metals Corp since 1989 and UEX Corp since 2001. He is also a director of Goldsource Mines Inc, Baja Mining Corp, Geologix Explorations Inc and Minterra Resources Corp.

George W. Sanders – Director

George Sanders is a resource sector entrepreneur with over 25 years of experience in mining and exploration finance. From 1987 until 2002, he worked as a stockbroker and precious metals specialist with Canaccord Capital Corp. and its predecessor companies. Mr Sanders held corporate development positions with Richmont Mines Ltd, Consolidated Cinola Mines and Shore Gold Inc. Since 2002, Mr Sanders has been a self-employed management consultant.

Bernard Poznanski, BSc, LLB, LLM – Corporate Secretary

Bernard Poznanski is a founding partner of law firm Koffman Kalef, which specialises in business matters. He is currently the head of the firm's securities group and has particular expertise with mining and technology companies and with international projects. Mr Poznanski is or has been an officer or director of many public resource companies, including DiamondWorks Ltd, Goldsource Mines Ltd, International Antam Resources Ltd and Peregrine Diamonds Ltd.

adit: an almost horizontal entrance to a mine.

andesite: a fine-grained volcanic igneous rock.

assay: a chemical test performed on a sample of ores or minerals to determine the amount of valuable metals contained.

breccia: a clastic (fragmented) rock composed of particles more than 2 millimetres in diameter and marked by the angularity of its component grains and rock fragments.

chlorite: a green coloured, platy silicate mineral, widely distributed, especially in low-grade metamorphic rocks, or as alteration products of ferro-magnesian minerals.

epithermal: low temperature (100-200°C) hydrothermal processes.

fault: a fracture in rock along which there has been an observable amount of displacement.

flotation: a milling process in which valuable mineral particles are induced to become attached to bubbles and float away from the waste particles in a solid/ solution pulp.

hydrothermal processes: the name given to any processes associated with igneous activity which involve heated or superheated water.

intrusion: a mass of igneous rock formed by the emplacement of magma into pre-existing rock.

jarosite: a hydrous sulphate of iron and potash.

leaching: a chemical process for the extraction of valuable minerals from ore.

limonite: the omnibus term used for a range of mixtures of hydrated iron oxides and iron hydroxides.

National Instrument 43-101 (NI 43-101): Canadian rule that governs how issuers disclose scientific and technical information about their mineral projects to the public.

oxide zone: the portion of the mineral deposit altered by water from sulphides to oxides and / or carbonates.

QA/QC: Quality Assurance/Quality Control; a programme of checks to determine the precision and accuracy of sampling and analytical exploration data.

reverse circulation (RC): a rotary percussive drilling method in which cuttings are raised to surface by a stream of compressed air inside the drill rods.

rhyolite: a fine grained to glassy volcanic rock, felsic in composition, i.e. contains a high proportion of quartz/silica.

sedimentary rock: a rock formed by the deposition and lithification of sediment.

shear: deformation resulting from stresses that cause rocks to slide over one another in a direction parallel to their plane of contact.

shear zone: a zone of rock that has been crushed and brecciated by many parallel fractures due to shear stain. Such areas are often mineralised.

silicification: the process of converting into, or replacing by silicate minerals.

specific gravity: the calculated density of minerals and rocks; often used to determine bulk density, a factor used to calculate tonnage of ore and waste from the volumes modelled during the estimation process.

stockwork: a large-scale mass of veins too thin and closely spaced to be worked individually; the veins are usually of several intersecting orientations.

strike: the direction or trend of a structural surface, such as a bedding plane or fault as it intersects the horizontal.

strike length: the distance and direction along which drilling results have established mineralisation.

sulphide: a mineral compound characterised by the linkage of sulfur with a metal such as lead to form galena, or iron to form pyrite.

supergene: meaning 'from above' it is used almost exclusively for processes involving water, with or without dissolved material, percolating down from the surface. Typical supergene processes are solution, hydration, oxidation, deposition from solution and chemical substitution.

Tertiary: the first period of the Cenozoic era (after the Cretaceous of the Mesozoic era, and before the Quaternary), thought to have covered a time span of between 65 and three to two million years ago.

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As always, I welcome your comments and feedback on our research!

Gabriel Didham, CFA
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