



SILVERCREST MINES INC.
MANAGEMENT DISCUSSION & ANALYSIS
FORM 51-102F1

DECEMBER 31, 2006

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION & ANALYSIS – FORM 51-102F1
For the year ended December 31, 2006

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results and performance of achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which are relevant only as of the date the statements were made.

PRELIMINARY INFORMATION

The Management Discussion and Analysis (MDA) is an overview of the activities of **SilverCrest Mines Inc.** (the “Company”) for the year ended December 31, 2006. The MDA should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2006 and the notes attached thereto which are available on the Company’s website www.silvercrestmines.com and on SEDAR at www.sedar.com.

The effective date of this Management Discussion & Analysis is April 18, 2007.

OVERALL PERFORMANCE

SilverCrest Mines Inc. is an active exploration and development company with its prime focus on the acquisition of high grade, low cost silver resources with expansion potential and properties with substantial exploration potential. The Company’s immediate initiative is to become a significant silver asset based company by acquiring and developing substantial silver resources and ultimately to operate high grade silver mines throughout North, Central and South America. The Company is currently active in El Salvador and Mexico and has a substantial reported silver resource base.

Since the reactivation of the Company in May, 2003 there has been considerable progress towards the stated goals of the Company. Through the acquisition of Minera Atlas S.A. de C.V. the Company has established a significant silver resource base and acquired properties with substantial exploration potential in El Salvador. Through its wholly owned subsidiary, Nusantara de Mexico S.A. de C.V., the Company has assembled a substantial land position in Mexico. A feasibility study was commenced in June of 2004 at the El Zapote property in El Salvador and is nearing completion. In Mexico the Company has been exploring its Silver Angel property and has acquired the Cruz de Mayo and Santa Elena properties in Sonora, Northern Mexico. Silver and silver equivalent indicated and inferred resources of 33,114,000 million ounces have been established at Santa Elena. Several equity financings have provided sufficient working capital to advance the Company’s projects to their next respective stage of exploration.

LIQUIDITY AND CAPITAL RESOURCES

The Company raised \$7,010,000 through private placements of capital stock in 2006. In addition the Company received proceeds of \$333,800 by the exercise of warrants and \$208,750 by the exercise of stock options during the year.

The Company has entered into an option agreement with respect to the Santa Elena project that involves cash and/or shares of the Company. Refer to Results of Operations (B) (iii) for further details of the option terms.

As a junior mineral exploration company the Company is reliant upon equity financings to fund its exploration activities. There can be no assurance that the Company will be successful in obtaining additional future financing

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LIQUIDITY AND CAPITAL RESOURCES (continued)

The following table contains selected financial information of the Company's liquidity:

	December 31, 2006	December 31, 2005
Cash and cash equivalents	\$ 230,724	\$ 170,336
Short-term investments	\$ 6,052,625	\$ 1,472,828
Working capital	\$ 6,296,634	\$ 1,592,320

The Company estimates it may spend approximately \$1.9 million on its exploration projects in 2007. The planned amounts for 2007 may not all be incurred, and are subject to management discretion and may change depending on the circumstances encountered.

FINANCIAL SUMMARY

Year ended December 31, 2006

General and administrative expenses, net of stock-based compensation, declined approximately \$78,000 in 2006 compared to 2005. The largest decline was in general exploration expenses as the Company focused on its Mexico and El Salvador projects. Administrative services also declined during the year as the Company shared certain services with another company. Shareholder communication costs also declined as web site development and trade show booth development costs declined. Partially offsetting these declines in expenses were increases in trade show attendance expenses and office expenses. Office expenses increased due to the Company purchasing a director and officer liability insurance policy.

Stock-based compensation, which includes the granting of new stock options and also the vesting of previously granted stock options, increased in 2006 mainly due to the grant of 750,000 stock options to directors, officers and consultants in September, 2006.

Interest income increased during the year reflecting the higher cash and short-term investment balances during the year.

Quarter ended December 31, 2006

General and administrative expenses, net of stock-based compensation, declined by approximately \$33,000 in 2006 compared to 2005. The Company incurred significantly less general exploration expenses for property valuation of potential acquisitions in the fourth quarter as the focus was on existing projects in Mexico and El Salvador. Partially offsetting the foregoing decline in expenses was an increase in office and general expenses attributable to the cost of a directors and officers insurance policy and the renewal of a geological modeling software program.

SELECTED ANNUAL INFORMATION

	2006	2005	2004
(a) Total revenues	Nil	Nil	Nil
(b) Loss before discontinued operations and extraordinary items in total and on a per-share and diluted per-share basis	(\$832,771) per share (\$0.03)	(\$894,402) per share (\$0.03)	(\$1,737,657) per share (\$0.08)
(c) Net loss in total and on a per-share and diluted per-share basis	(\$832,771) per share (\$0.03)	(\$894,402) per share (\$0.03)	(\$1,737,657) per share (\$0.08)
(d) Total assets	\$12,063,676	\$5,585,084	\$6,378,504
(e) Long-term financial liabilities	Nil	Nil	Nil
(f) Cash dividends declared per-share for each class of share	Nil	Nil	Nil

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SELECTED ANNUAL INFORMATION (continued)

The loss in 2004 is attributable to relatively larger expenses for general exploration, stock-based compensation and the write-off of the Company's Honduran exploration properties. Total assets increased in 2006 because the Company raised \$7,010,000 through private placements of capital stock in 2006 and received proceeds of \$333,800 by the exercise of warrants and \$208,750 by the exercise of stock options during the year.

SUMMARY OF QUARTERLY RESULTS

The Company is an exploration company and has no operations from which to derive revenues. It raises equity capital through the sale of its common shares and receives minor income from interest on cash balances.

Summary Financial Information for the eight Quarters ended December 31, 2006:

Period	Revenues	Net Loss	Net Loss per Share ⁽¹⁾
4 th Quarter 2006	Nil	(\$141,002)	(\$0.01)
3 rd Quarter 2006	Nil	(\$424,244)	(\$0.01)
2 nd Quarter 2006	Nil	(\$137,257)	(\$0.00)
1 st Quarter 2006	Nil	(\$130,268)	(\$0.01)
4 th Quarter 2005	Nil	(\$151,997)	(\$0.00)
3 rd Quarter 2005	Nil	(\$148,288)	(\$0.01)
2 nd Quarter 2005	Nil	(\$401,115)	(\$0.01)
1 st Quarter 2005	Nil	(\$193,002)	(\$0.01)

(1) Calculated on a basic and fully diluted per share basis.

The fluctuations in the Net Losses per quarter are due mainly to stock-based compensation expenses.

SHARE CAPITAL

	Number of Shares	Capital Stock	Contributed Surplus	Total
Authorized unlimited common shares without par value				
Balance at December 31, 2004	25,591,958	\$ 7,144,759	\$ 1,469,665	\$ 8,614,424
Warrants exercised	36,606	34,433	(8,810)	25,623
Stock options exercised	25,000	18,076	(6,826)	11,250
Stock-based compensation	-	-	299,317	299,317
Private placements	191,111	172,000	-	172,000
Share issuance costs	-	(3,957)	-	(3,957)
Balance at December 31, 2005	25,844,675	\$ 7,365,311	\$ 1,753,346	\$ 9,118,657
Warrants exercised	334,000	427,348	(93,548)	333,800
Stock options exercised	345,000	311,950	(103,200)	208,750
Stock-based compensation	-	-	387,801	387,801
Private placements	8,200,000	7,010,000	-	7,010,000
Finder's fees for cash	-	(414,960)	-	(414,960)
Share issuance costs	-	(346,250)	146,312	(199,938)
Balance at December 31, 2006	34,723,675	\$ 14,353,399	\$ 2,090,711	\$ 16,444,110

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OUTSTANDING SHARE CAPITAL

Stock options

Stock option transactions for the years financials ended December 31, 2006 and 2005 are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2004	1,795,000	\$ 0.86
Granted	650,000	0.75
Exercised	(25,000)	0.45
Expired	(20,000)	1.02
As at December 31, 2005	2,400,000	0.83
Granted	950,000	0.73
Exercised	(345,000)	0.61
Cancelled	(75,000)	1.41
Balance, December 31, 2006	2,930,000	\$ 0.81
Options currently exercisable	2,805,000	\$ 0.81

Warrants

Warrant transactions for the years financials ended December 31, 2006 and 2005 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price Per Warrant
As at December 31, 2004	3,968,377	\$ 1.19
Issued	95,555	1.20
Exercised	(36,606)	0.70
Expired	(1,977,771)	1.22
As at December 31, 2005	2,049,555	1.18
Issued	7,101,200	1.05
Exercised	(334,000)	1.00
Expired	(1,700,000)	1.20
As at December 31, 2006	7,116,755	\$ 1.06

Fully Diluted Share Capital at December 31, 2006

	2006	2005
Common shares issued	34,723,675	25,844,675
Stock options outstanding	2,930,000	2,400,000
Warrants outstanding	7,116,755	2,049,555
	44,770,430	30,294,230

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OUTSTANDING SHARE CAPITAL (continued)

Fully Diluted Share Capital at April 18, 2007

	2007
Common shares issued	34,736,175
Stock options outstanding	2,917,500
Warrants outstanding	7,021,200
	<u>44,674,875</u>

PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates property acquisition transactions and, in some cases, makes proposals to acquire such properties. These proposals, which are usually subject to Board, regulatory and, sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction. As of this date, the Company has a number of possible transactions that it is examining. Management is uncertain whether any of these proposals will ultimately be completed.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$180,000 (2005 - \$180,000) for management fees to companies controlled by two directors.
- b) Paid or accrued \$90,000 (2005 - \$90,000) for project management fees to an officer of the Company which are included in deferred exploration costs.
- c) Paid or accrued \$14,130 (2005 - \$Nil) to a company controlled by an officer for deferred exploration expenditures.
- d) Recorded \$349,500 (2005 - \$256,515) for stock-based compensation expense on stock options granted to directors and officers.
- e) Paid or accrued \$19,888 (2005 - \$19,186) for legal fees which were included in professional fees and \$40,147 (2005 - \$3,957) for share issuance costs paid to a law firm of which an officer of the Company is a partner.

Included in accounts payable and accrued liabilities at December 31, 2006 is \$18,214 (2005-\$Nil) due to a law firm of which an officer of the Company is a partner and \$7,444 (2005-\$Nil) to a company controlled by an officer of the Company.

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

INVESTOR RELATIONS

Management currently performs investor relation services and there were no external investor relation contracts or commitments during the year. Investor relations activities consist mainly of web-site and print advertising. Shareholder communications comprises communicating with existing shareholders, broadcasting news releases, printing, production work for the Company's website, and direct website expenses. The Company also attends trade shows on a regular basis to present the affairs and merits of the Company to potential investors. During the year the Company presented at six trade shows: Vancouver (2), Calgary, Frankfurt, Couer d'Alene, and San Francisco. Management also makes presentations to certain brokers and fund managers in the investment industry throughout Canada, USA and Europe.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Certain factors affect the Company's ability to finance and to carry on normal business. These include precious metal prices, competition amongst exploration firms for attractive mineral properties, the interest of investors in providing high-risk equity capital to exploration companies, and the availability of qualified staff and drilling equipment to conduct exploration. For the Company, which is focused almost exclusively on exploration and development of silver resources, silver prices and the availability of equity funds are important factors.

RISK FACTORS AND UNCERTAINTIES

Mineral exploration and development involves a high degree of risk and few properties are ultimately developed into producing mines. Several of the Company's properties have silver resources; however, substantial expenditures will be required to confirm sufficient reserves required to commercially mine its current properties and to obtain the environmental approvals and permitting required to commence commercial operations. Should any resource be defined on other properties there can be no assurance that the mineral resources can be commercially mined or that the metallurgical processing will produce economically viable, saleable products.

Future operations, if any, of the Company, including development activities and commencement of production on its properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the construction of any mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

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RESULTS OF OPERATIONS

The Company currently holds mineral property interests in El Salvador and Mexico. The Company's current NI43-101 compliant resources are stated as follows:

SilverCrest Resources											
Property	Resource Category*	Tonnes	Ag gpt	Au gpt	Tons	Ag opt	Au opt	Contained Silver Ounces	Contained Gold Ounces	Contained Silver Equiv. Ounces	Contained Zinc Pounds
Santa Elena	Indicated	2,458,900	55.7	2.164	2,710,473	1.62	0.063	4,403,000	171,000	14,663,000	-
	Inferred	3,510,000	78.3	1.42	3,869,113	2.28	0.041	8,851,000	160,000	18,451,000	-
El Zapote	Indicated	1,925,251	177.7	0.19	2,122,226	5.20	0.006	10,941,000	10,000	11,541,000	44,995,650
	Inferred	1,086,420	101.6	0.18	1,197,573	3.00	0.005	3,550,000	6,000	3,910,000	26,542,279
Total Indicated Resources								15,344,000	181,000	26,204,000	44,995,650
Total Inferred Resources								12,401,000	166,000	22,361,000	26,542,274

*conforms to NI 43-101, 43-101CP, and current CIM definitions for resources, all figures are rounded.

The Qualified Person, as defined by Material Policy 43-101, responsible for the preparation of the technical information included in this MDA and for supervision of field activities related to the Company's projects is N. Eric Fier, CPG. Mr. Fier is also the Chief Operating Officer for the Company.

A. EL SALVADOR - EL ZAPOTE PROJECT

Detailed drilling has identified 3 silver-zinc deposits, Cerro Colorado III, San Casimiro and Tajado. These three deposits are the most advanced of several known deposits on the El Zapote concession.

The Company currently has reported resource estimate for the El Zapote Project as follows:

Resource Category***	Tonnes metric	Tons short	Ag G/t	Ag oz/t	Au g/t	Zn %	Contained Ag Ounces	Contained Zn Pounds
Indicated*	1,925,251	2,111,182	177.7	5.2	0.19	1.17	10,941,333	44,995,650
Inferred **	1,086,420	1,197,561	101.6	3.0	0.18	1.22	3,550,565	26,542,274

* Indicated includes Measured resources which represents a majority of this category, figures are rounded

** The Tajado resource is currently considered all inferred, figures are rounded

*** Conforms to NI 43-101, 43-101CP, and current CIM definitions for resources, cut off grade at 34 g/t Ag, numbers are rounded

The deposits also contain a significant amount of zinc. The Indicated Resources contain 45 million pounds of zinc and Inferred Resources contain 26.5 million pounds of zinc.

The Feasibility Study continued during the period and focused on continued environmental baseline work, metallurgical test work and collection of data to support the evaluation of the economic viability of the project. A revised Technical Study and EIS are being completed for submission in 2007 to the El Salvador Department of Mines as part of the application for a mining concession.

RESULTS OF OPERATIONS (continued)

A. EL SALVADOR - EL ZAPOTE PROJECT (continued)

Future Developments

Considerable potential for new discoveries exists along the Cerro Colorado III – San Casimiro trend. Several exploration targets of known mineralization, in addition to the Tajado deposit, exist within the concession boundaries. The Company expects that there is potential to expand the current resource and to identify additional mineral deposits at El Zapote. The Company has implemented a surface reconnaissance program within the El Zapote Concession, which will provide initial data on several other exploration targets.

B. MEXICO

i. Silver Angel Project - Sonora, Mexico

The Company incorporated Nusantara de Mexico, S.A de C.V. on November 26, 2003 for the purpose of holding the Silver Angel Project located in the northern Sierra Madre Range in the State of Sonora, Mexico. The concession was granted by the Mexican government in February, 2004 and encompasses approximately 10,300 hectares. In December 2004, the Company expanded its Silver Angel concession to the north with the addition of the “Silver Angel North” concession. This concession encompasses approximately 7,750 hectares for a total concession coverage of over 18,000 hectares at Silver Angel.

The Silver Angel Project contains an area of intense alteration that is approximately 18 kilometers long by 3 kilometers wide with structural features that hosts six past producing, high grade silver-gold mines. The area of alteration includes major structural features that host the 2 past producing, high-grade silver-gold-lead-zinc mines.

Re-assaying of previous drilling at Murucutachi and Granititas was completed to review potential silver grade increases due to mineralogy as described under B. (ii). Preliminary results were mixed. Further reconnaissance work is anticipated for 2007.

ii. Cruz de Mayo Prospect - Sonora, Mexico

The Cruz de Mayo concession was acquired in 2004 and came with an extensive exploration data package. After compilation of the data, the information was used to drill three initial core holes for a total of 379.4 metres in the 4th quarter of 2005. Drill results are provided in MD&A annual 2005.

The Company’s initial drilling at Cruz de Mayo intercepted the mineralized unit approximately 300 metres along strike from previously defined mineralization at El Gueriguito nearly doubling the strike length of drill-defined silver-gold mineralization. The most significant drill intercept is 8.75 metres (28.7 feet) grading 343 gpt (10 opt) silver and 0.43 gpt (0.01 opt) gold in drill hole CM-02.

The Company completed significant surface work and drilling in the first half of 2006 including a Phase I, twenty hole core drill program. A total of 1,813 metres were drilled. The first 5 holes of the 20 hole drill program were designed to test the current historic resource area which was previously drilled by Tormex Mining Developers Ltd. (“Tormex”) in the 1970’s. Silver and gold mineralization was previously identified by drilling and underground workings in an area approximately 700 metres long, 150 metres wide and 10 metres wide. The most notable, near surface intercept in this series of holes was in hole CM06-07 which encountered 10.8 metres (34.9 feet) grading 55.8 g/t silver (1.6 opt) at a vertical depth of approximately 15 metres from surface. The drilling encountered an extensive zone of silver mineralization over intervals ranging from 1.0 to 22 metres in thickness and grading from 26.9 g/t to 234 g/t silver.

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RESULTS OF OPERATIONS (continued)

B. MEXICO (continued)

ii. Cruz de Mayo Prospect - Sonora, Mexico

The Company has reviewed the silver mineralogy at Cruz de Mayo which suggested that the current analytical technique of fire assay /AA finish shows conservative results with respect to silver values. ALS-Chemex recommended completing a four acid digest on select samples to evaluate the accuracy of current silver results. Test work was completed in September 2006 with the results showing a significant increase in silver values (45.5% to 200%) and mineralized thicknesses (25% to 387%) (refer to news release dated October 26, 2006). This requirement to customize the analytical process is not uncommon for Northern Mexico silver-enriched deposits with Minefinders' Dolores deposit being a recent example where re-assaying increased weighted average silver grades by 36.3% (see Minefinders press releases dated January 3, 2003 and October 23, 2001).

The specific reasons for the grade differences at Cruz de Mayo have not been identified at this time. However, it has been established that where silver halides are present in southwest US and Mexican silver deposits, silver grades are often understated when analysed using ICP analysis. The Company has undertaken mineralogical studies and metallurgical work to further determine the source of the variances.

For the year 2006, the following significant highlights for the Cruz de Mayo Project were;

1. 20 core holes for 1,813 metres of drilling were completed.
2. Detailed surface and underground mapping/sampling was completed.
3. A comprehensive program to evaluate ICP silver results with 4-acid digest results.

The oxidized stockwork zone that contains the silver mineralization has been delineated over a minimum strike length of 800 metres and 200 metres down dip. The zone ranges in thickness from 20 to 45 metres in the southeast to 40 to 60 metres in the central and northwest portion of the deposit. Within the much broader zone of lower grade silver mineralization is a narrower higher grade zone that is 3.0 to 10.5 metres thick which appears to grade between 106.2 g/t (3.1 oz/t) to 393 g/t (11.4 oz/t) silver. The favorable host for stockwork silver mineralization is a rhyolite bed which dips at about 25° to the southwest nearly parallel to the slope of the topography. This "dip slope" makes for potentially low strip ratios for the deposit. The deposit remains open to the north with an additional 1.7 kilometres of strike length that requires further testing. The Company expects to be able to complete a NI 43-101 resource estimate in this initial area of focus.

iii. Santa Elena Project - Sonora, Mexico

On December 8, 2005 the Company entered into an option agreement to acquire the Santa Elena Project located northeast of Hermosillo, Sonora State, Mexico. The Company has the right to acquire a 100% interest in the Santa Elena property by making the following staged option payments totaling U.S. \$3,000,000 over a period of 5 years and by making a final U.S. \$1,000,000 payment conditional upon receipt of a Feasibility Study and all operating and environmental permits relating to the project.

December 8, 2005	US \$	\$10,000 (paid)
February 8, 2006		\$60,000 (paid)
June 8, 2006		\$60,000 (paid)
December 8, 2006		\$60,000 (paid)
June 8, 2007		\$60,000
December 8, 2007		\$50,000
June 8, 2008		\$500,000
December 8, 2008		\$500,000
June 8, 2009		\$600,000
June 8, 2010		\$600,000
December 8, 2010		\$500,000
TOTAL	US \$	\$3,000,000

RESULTS OF OPERATIONS (continued)

B. MEXICO (continued)

iii). Santa Elena Project - Sonora, Mexico

The payments totaling US \$2.2 million due from December 8, 2008 through December 8, 2010 inclusive, as well as the U.S \$1,000,000 conditional payment are payable, at the Company's option, either wholly in cash or up to 50% of each payment in the common shares of the Company at the average price per share for the previous ten trading days.

There are no applicable work commitments or underlying royalties to the property owners.

The Company's target for the Santa Elena Project was to initially develop a 30 million ounce silver equivalent resource by increasing the strike length and depth of the deposit and developing resources in an untested footwall zone.

The Company completed a Phase I drill program consisting of 19 core holes (2,579 metres) during the first half of 2006 as a first step towards defining the target resource. Based on this drill program and extensive underground and surface sampling, an NI 43-101 compliant resource was completed in October 2006 and is stated in the following table. The full NI 43-101 technical report was filed on SEDAR on November 29, 2006.

Santa Elena Resources										
Property	Resource Category*	Tonnes	Ag gpt	Au gpt	Tons	Ag	Au	Contained Silver Ounces	Contained Gold Ounces	Contained Silver Equiv. Ounces
Santa Elena	Indicated	2,458,900	55.7	2.164	2,710,473	1.62	0.063	4,403,000	171,000	14,663,000
	Inferred	3,510,000	78.3	1.42	3,869,113	2.28	0.041	8,851,000	160,000	18,451,000

Holes SE06-8, 9, 14 and 15 showed no significant values due to lack of mineralization (#8 &15), intersection of underground workings (9) or loss of hole due to drilling problems (14).

The Company has plans to drill an additional 20 holes (2,500m) as soon as a rig is available to upgrade and expand the current stated resources.

Detailed surface and underground mapping/sampling was completed in the 4th quarter of 2006. Results confirm the estimated resource grade and volume. One hundred and eighty nine channel samples were collected from underground works on 4 different levels. The average grade of these samples were 2.38 gpt gold and 61 gpt silver.

A preliminary assessment with project economics, detailed metallurgical work and environmental baseline studies were implemented in the 4th quarter of 2006. These studies will be ongoing throughout 2007. A production decision on Santa Elena is anticipated for late 2007.

For the year 2006, the following significant highlights for the Santa Elena Project were;

1. 19 core holes totaling 2,579 metres of drilling were completed.
2. 10 surface trenches in the footwall zone were excavated with 270 channel samples collected.
3. Detailed surface and underground mapping/sampling was completed with the collection of 189 channel samples.
4. An NI 43-101 Technical Report was completed with an indicated resource estimation of 2.45MT grading 2.16 gpt gold and 55.7 gpt silver and an inferred resource of 3.51MT grading 1.42 gpt gold and 78.3 gpt silver.

RESULTS OF OPERATIONS (continued)

B. MEXICO (continued)

Future Developments - Mexican Projects

The initial results from the Mexican Projects are encouraging and management believes that the concession areas have considerable potential. The Company has budgeted approximately \$1.6 million for follow-up surface work, drilling, environmental baseline work, and a preliminary assessment for 2007.

C. HONDURAS PROJECTS

Title Issues

In 2004, the Company received an administrative resolution issued by La Dirección Ejecutiva de Fomento a la Minería (DEFOMIN) which purports to cancel the Metallic Mineral Concession "El INgenio" granted in January 2003 by DEFOMIN to the Company's Honduran wholly-owned subsidiary, Compañía Minera Maverick S.A. de C.V. ("Maverick").

The Company is pursuing all legal and political remedies available to protect the value of its shareholders assets. The Company is seeking reinstatement of its rights under the terms of the concession or in the alternative, restitution of its investments in Honduras plus the estimated value of the El Ocote deposit. The Company's property activities in Honduras have been put on hold until such time as the legal and political issues encountered can be resolved to the satisfaction of the Company.

SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2006:

During the 1st quarter of 2007, a total of 27 reverse circulation holes (2907.5m) were drilled at Cruz de Mayo Prospect. Most sample results are pending. Refer to news releases dated January 19, 2007 and March 7, 2007 for the results from the first 4 holes. Once all results are completed then the information will be compiled. A NI 43-101 Technical Report with a resource estimation is scheduled for mid-2007.

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them by others particularly during the period in which the annual filings are being prepared, and are disclosed in public documents as required.

As at December 31, 2006, the CEO and CFO, with participation of the Company's management, have concluded that the design and operation of the Company's disclosure controls and procedures were effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has designed appropriate internal controls over financial reporting for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Due to the limited number of management staff at the Company it is not feasible to achieve complete segregation of incompatible duties. This weakness in the Company's internal controls over financial reporting may result in a more than remote likelihood that a misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. It should be read in conjunction and in context with all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com and at the Company's website www.silvercrestmines.com.