



MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2008

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2008

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, 2008. The MDA should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2008 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 7, 2009.

OVERALL PERFORMANCE

SANTA ELENA PROJECT HIGHLIGHTS

- Phase II drill program completed with over 20,000 metres drilled since inception of the project in November 2005.
- Construction and operations permits were granted in April and August of 2008.
- A Pre-feasibility study was completed in the summer of 2008. The study showed robust economics for a 2500 tonne per day, heap leach operation that would produce approximately 35,000 ounces of gold and 500,000 ounces of silver per year at a cash cost of approximately US\$360 per ounce of gold equivalent. Capital cost was estimated at US\$20 million. Reserves are stated below.
- Tasks related to Feasibility are completed and include: Capital and operating costs estimates, further metallurgical test work, pit slopes and hydrology studies. The additional studies have in general improved most of the parameters in the Pre-feasibility. Basic and detailed engineering have been completed.
- Sonoran Resources LLC of Yuma, Arizona is being considered PCM contractor for construction of the Santa Elena heap leach project.
- Additional gold and silver resources outside the current pit limits have been defined in the Main Zone that may be amenable to underground mining. This would potentially enable the proposed open pit heap leach operation to transition into an underground mining operation with a conventional mill. There is also a potential to recover considerable gold and silver from the depleted heaps by using a conventional mill.
- Reconnaissance work and geophysical surveys have defined several nearby exploration targets that have good potential for the discovery of mineralized zones similar to the Main Zone. Two new mineralized zones have been identified and will be explored in 2009.
- Deposits and payments totaling CDN \$4.3 million have been placed for construction of the crusher system and long lead time processing equipment.

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2008

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2008 the Company issued 5,562,214 common shares pursuant to a private placement for gross proceeds of \$6,118,435 and issued 4,066,600 common shares on the exercise of warrants for proceeds of \$4,087,850. The Company realized \$9,966,113 after cash share issuance costs and finders fees on the forgoing financings. In addition stock options were exercised to purchase 800,000 common shares for proceeds of \$360,000.

During the year for the year 2008 the Company incurred \$7,250,579 in mineral property expenditures compared to \$3,080,829 in 2007. The Company also paid \$3,721,779 for the construction of a three staged crusher system and has paid \$563,374 so far for construction of a processing plant. The Company will incur another \$751,441 US to complete the plant.

The Company incurred a net loss of \$6,955,007 for the year which includes non-cash provisions of \$1,172,955 for stock based compensation, \$3,966,743 for write-off of mineral property expenditures and \$900,000 of transactions costs

In December 2005, the Company 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 A.1 for further details of the option terms.

By agreement dated for reference July 3, 2008 the Company entered into a \$3,000,000 Credit Agreement with Macquarie Bank Limited ("MBL"). The loan is secured by the assets of the Company, bears interest at LIBOR ("London Interbank Offered Rate) plus 2.75% and is due May 28, 2010. MBL was paid a facility fee of \$120,000 and was issued 2,307,692 warrants to purchase common shares at \$1.30 per share expiring on May 28, 2010.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate	2.56%
Expected dividend yield	-
Expected volatility	75.32%
Expected life	2 years

The fair value amount of \$900,000 has been allocated to Transaction Costs. Proceeds received from any exercise of the warrants will be applied towards repayment of the bank loan.

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

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

	December 31, 2008	December 31, 2007	December 31, 2006
Cash and cash equivalents	\$ 3,868,799	\$ 3,008,558	\$ 230,724
Short-term investments	\$ -	\$ -	\$ 6,052,625
Working capital	\$ 3,642,712	\$ 2,762,574	\$ 6,296,634

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2008

FINANCIAL SUMMARY

Year ended December 31, 2008

For the three months ended December 31, 2008 the Company had a net loss of \$4,939,692 compared to a net loss of \$385,537 for the three month ended December 31, 2007.

The principal differences for the three months ended December 31, 2008 compared to 2007 are as follows:

- General and administrative expenses increased by \$49,445 with investor relation expenses declining by \$35,125 and management fees increasing by \$124,000. The increase in management fees included \$87,500 of bonuses paid based upon the Company receiving its environmental permit from SEMARNAT, a Mexican federal agency.
- A foreign exchange gain of \$405,817 was recorded in the fourth quarter due to the change in value of the Company's holdings of US dollars compared to a foreign exchange loss of \$72,132 in 2007.
- In the fourth quarter the Company expensed transaction costs incurred on its long-term debt. The costs amounted to \$1,070,414, which includes the fair value calculation of the warrants issued of \$900,000.
- In the fourth quarter the Company wrote-off mineral property expenditures of \$3,966,743. The write-off consists of the expenditures incurred to date on the El Zapote Project located in El Salvador and is due to delays encountered in the permitting process and the political risk in the country.

For the year ended December 31, 2008 the Company incurred a net loss of \$6,955,007 compared to \$815,297 for 2007.

The principal differences for the year ended December 31, 2008 compared to 2007 are as follows:

- General and administrative expenses increased by \$1,553,002 mainly due to:
 - Stock-based compensation having increased by \$1,142,955 due to the granting of stock options to purchase 2,225,000 common shares.
 - Management fees having increased by \$197,000 during the year as a result of bonuses of \$87,500 for reaching the milestone of receiving the environmental permit for the Santa Elena Project from SEMARNAT and from fee increases of \$109,500 to more accurately reflect industry remuneration standards.
- Foreign exchange income increased to \$397,906 from a loss of \$52,670 in 2007 as a result of recorded gains on the Company's holdings of US dollars.
- Transaction costs of \$1,070,414 and write-off of mineral property costs of \$3,966,743 which were expensed in the fourth quarter and are described above.

On March 13, 2008, the Company completed a first closing on a non-brokered private placement for gross proceeds of \$3,489,838. The Company issued 3,172,580 Units at a price of \$1.10 per Unit, each Unit consisting of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of \$1.40 per share until September 12, 2009.

On March 20, 2008, the Company completed a second and final closing of the Private Placement for gross proceeds of \$2,628,597. In the second closing, the Company issued 2,389,634 Units, of which 1,818,180 Units were issued to Macquarie Bank Limited ("Macquarie") in connection with its \$1.99 million equity investment in the Company. Each Unit consisted of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant is exercisable for one common share of the Company at a price of \$1.40 per share until September 19, 2009.

The Company paid finders' fees on a portion of the Private Placement of 6% payable in cash plus share purchase warrants equal to 6% of Units purchased (valued at \$37,215). Each finder's warrant is exercisable to purchase one common share of the Company at a price of \$1.40 for a period of 18 months.

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2008

FINANCIAL SUMMARY (continued)

Finders' fees of \$144,072 were paid and \$130,974 finder's warrants were issued by the Company in connection with the private placement.

Year ended December 31, 2008

By agreement dated July 3, 2008 the Company entered into a \$3,000,000 Credit Agreement with Macquarie Bank Limited ("MBL"). The loan is secured by the assets of the Company, bears interest at LIBOR ("London Interbank Offered Rate) plus 2.75% and is due May 28, 2010. MBL was paid a facility fee of \$120,000 and was issued 2,307,692 warrants to purchase common shares at \$1.30 per share expiring on May 28, 2010.

SELECTED ANNUAL INFORMATION

	2008	2007	2006
Total revenues	Nil	Nil	Nil
Loss for the year and on a per-share and per-share basis	(\$6,955,007) (\$0.16)	(\$815,297) (\$0.02)	(\$832,771) (\$0.03)
Total assets	\$20,616,162	\$12,018,455	\$12,063,676
Long-term financial liabilities	\$3,000,000	Nil	Nil
Cash dividends declared per-share for each class of share	Nil	Nil	Nil

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, 2008:

Period	Revenues	Net Loss	Net Loss per Share ⁽¹⁾
4 th Quarter 2008	Nil	(\$4,939,692)	(\$0.11)
3 rd Quarter 2008	Nil	(\$856,953)	(\$0.02)
2 nd Quarter 2008	Nil	(\$250,941)	(\$0.01)
4 th Quarter 2007	Nil	(\$907,421)	(\$0.02)
1 st Quarter 2007	Nil	(\$385,537)	(\$0.01)
3 rd Quarter 2007	Nil	(\$49,412)	(\$0.00)
2 nd Quarter 2007	Nil	(\$278,684)	(\$0.01)
1 st Quarter 2007	Nil	(\$101,664)	(\$0.00)

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

The fluctuations in the Net Losses per quarter are generally a result of stock-based compensation expenses. For the fourth quarter of 2008 the difference is also due to transaction costs and the write-off of a mineral property.

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2008

SHARE CAPITAL

	Number of Shares	Capital Stock	Contributed Surplus	Total
Authorized				
Unlimited number of common shares without par value				
Unlimited number of preferred shares without par value (none outstanding)				
Balance at December 31, 2006	34,723,675	\$ 14,353,399	\$ 2,090,711	\$ 16,444,110
Warrants exercised	322,000	330,190	(8,190)	322,000
Stock options exercised	25,000	23,000	(5,500)	17,500
Stock-based compensation	-	-	30,000	30,000
Balance at December 31, 2007	35,070,675	\$ 14,706,589	\$ 2,107,021	\$ 16,813,610
Warrants exercised	4,066,600	4,124,926	(37,076)	4,087,850
Private placement	5,562,214	6,118,435	-	6,118,435
Finder's fees	-	(144,072)	-	(144,072)
Share issuance costs and finders' warrants	-	(133,315)	37,215	(96,100)
Stock options exercised	800,000	578,400	(218,400)	360,000
Stock-based compensation	-	-	1,172,955	1,172,955
Fair value of warrants	-	-	900,000	900,000
Balance at December 31, 2008	45,499,489	\$ 25,250,963	\$ 3,961,715	\$ 29,212,678

OUTSTANDING SHARE CAPITAL

Stock options

Stock option transactions for the year ended December 31, 2008 and 2007 are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2006	2,930,000	\$0.81
Exercised	(25,000)	\$0.70
Expired	(150,000)	\$0.87
As at December 31, 2007	2,755,000	\$0.81
Issued	2,225,000	\$1.19
Exercised	(800,000)	\$0.45
Balance December 31, 2008	4,180,000	\$1.08
Exercisable as at December 31, 2008	3,992,500	\$1.07

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2008

OUTSTANDING SHARE CAPITAL (continued)

Warrants

Warrant transactions for the year ended December 31, 2008 and 2007 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2006	7,116,755	\$1.06
Exercised	(322,000)	\$1.00
Expired	(95,555)	\$1.20
As at December 31, 2007	6,699,200	\$1.06
Issued	5,219,773	\$1.36
Exercised	(4,066,600)	\$1.01
Expired	(2,632,600)	\$1.14
As at December 31, 2008	5,219,773	\$1.36

Fully Diluted Share Capital at the date of this report.

	2008
Common shares issued	45,499,489
Stock options outstanding	3,755,000
Warrants outstanding	5,219,773
	<hr/>
	54,474,262

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:

- Paid or accrued \$401,000 (2007 - \$204,000) for management fees to companies controlled by two directors.
- Paid or accrued \$244,250 (2007 - \$102,000) for project management fees to an officer of the Company which are included in deferred exploration costs.
- Paid or accrued \$52,672 (2007 - \$68,902) to a company controlled by an officer for general expenses in deferred exploration expenditures.
- Paid or accrued \$91,495 (2007 - \$23,626) for legal fees which were included in professional fees and \$61,116 (2007 - \$Nil) for share issuance costs paid to a law firm of which an officer of the Company is a partner.

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2008

RELATED PARTY TRANSACTIONS (continued)

Included in accounts payable and accrued liabilities at December 31, 2008 is \$2,462 (2007 - \$1,640) due to a law firm of which an officer of the Company is a partner and \$64,169 (2007 - \$48,902) to officers, directors and companies controlled by officers and directors 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 all 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 five trade shows: Vancouver (2), Toronto, Coeur 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.

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2008

RISK FACTORS AND UNCERTAINTIES (continued)

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.

RESULTS OF OPERATIONS

A.1 SANTA ELENA PROJECT - Sonora, Mexico

The Company has significantly exceeded its initial target for the Santa Elena Project of developing a 500,000 ounce gold equivalent resource by increasing the strike length and depth of the deposit and developing resources in a previously untested footwall zone and defining mineralization to depth and to the east in the main zone. As of December 31, 2008, the Company has completed a total of 98 core holes (15,8791 m), four geotechnical core holes (1,163 metres) and 21 reverse circulation drill holes (4,308 metres) to upgrade and expand the resources.

Based on the results of a total 41 Phase 1 drill holes and extensive underground sampling, the results of resource estimate were released on June 26, 2008. The Santa Elena Pre-Feasibility Study was completed on the basis of the Reserves shown in the following table:

Santa Elena Mineable Reserves

Reserve Category ¹	Million Metric Tonnes	Au gpt	Ag gpt	Million Short Tons	Au opt	Ag opt	Contained Gold Ounces ²	Contained Silver Ounces
Probable	6.54	1.61	56.70	7.21	0.047	1.68	339,600	11,927,100

As part of the calculation of the Reserves for the Pre-Feasibility Study, the Indicated and Inferred Resources which lie outside the current open pit plan, were re-stated. The revised resources are shown in the following table:

Santa Elena Indicated and Inferred Resources (excludes Reserves)

Resource Category ¹	Million Metric Tonnes	Au gpt	Ag gpt	Million Short Tons	Au opt	Ag opt	Contained Gold Ounces ²	Contained Silver Ounces
Indicated	1.80	1.32	75.00	1.98	0.039	2.19	76,300	4,334,000
Inferred	2.27	1.67	104.10	2.50	0.049	3.04	121,900	7,596,000

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).

The Pre-Feasibility Study (PFS) was completed with the statement of reserves and revised resources. Details of the study and drill results are available in press releases on the Company's web site at www.silvercrestmines.com and the NI43-101 Technical Report is filed on SEDAR @ www.sedar.com.

In January 2009, a new indicated and inferred resource was completed, (press release January 15, 2009) and are shown in the following table:

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2008

RESULTS OF OPERATIONS (continued)

A.1 SANTA ELENA PROJECT - Sonora, Mexico (continued)

Indicated and Inferred Mineral Resources ⁽¹⁾
(Exclusive of Mineral Reserves)

	<u>Category</u>	<u>Tonnes</u> (000s)	<u>Gold Grade</u> (Au g/t)	<u>Contained Gold</u> (ounces)
Santa Elena ⁽²⁾⁽³⁾⁽⁴⁾ (Overall)	Indicated	2,161	2.75	190,666
	Inferred	3,259	1.11	116,235
Santa Elena ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ (Underground)	Indicated	1,084	2.10	73,235
	Inferred	1,350	1.94	84,057

- (1) The mineral resource estimates for the Santa Elena Project set out in the table above have been prepared by Nathan Eric Fier, C.P.G., P.Eng., Chief Operating Officer of SilverCrest, who is a qualified person under NI 43-101. The mineral resources are classified as indicated and inferred and are based on the CIM Standards.
- (2) Composites capped at 12 grams of gold per tonne and 300grams of silver per tonne.
- (3) Cut-off grade of 0.5 grams of gold equivalent per
- (4) Numbers have been rounded.
- (5) Mineral Resources are estimated at a cut-off grade of 1.75 g/t Au equivalent at a ratio of 83:1 (Ag:Au) using a 94% Au recovery and 80% Ag recovery and are inclusive of Overall resources
- (6) Mineral Resources are estimated using a long-term gold price of US\$850 per ounce, a silver price of US\$12 per ounce, and a US\$/peso exchange rate of 1:10.58.
- (7) Minimum mining width of 2 metres.

The estimated Underground Indicated and Inferred Resources have been extracted from the Indicated and Inferred (Overall) Resources by applying a cut-off grade of 1.75 g/t. The potential Underground resources are not additive to those determined using a 0.5 g/t cut-off. Reserve estimation remained the same as stated in the Pre-Feasibility Study dated August 11, 2008 and filed on SEDAR.

Significant elements of the Pre-Feasibility Study are as follows:

Capital & Operating Costs

Initial capital costs are estimated at US\$20.0 million, including a 15% contingency and, working capital of US\$4.4 million. Sustaining capital costs are estimated at US\$3.7 million over the 8 years mine life including expanded leach pad construction.

Cash operating costs are approximately US\$360 per ounce of gold equivalent. Cash operating costs for each of the first two years of production average less than US\$250 per ounce of gold equivalent. Silver to gold conversion is based on an Ag-Au ratio of 64:1 for the Base Case using a gold price of US\$765 and a silver price of US\$11.95.

Project Economics & Metal Price Sensitivities

<u>Case</u>	<u>Average Gold Price</u> (US\$)	<u>Average Silver Price</u> (US\$)	<u>Pre-Tax Cash Flow</u> (US\$ millions)	<u>Pre-Tax IRR</u> %	<u>Pre-Tax NPV @ 8% Discount</u> (US\$ millions)
Low	600	10.00	56.3	62.0	34.7
Base	765	11.95	103.7	100.5	67.0
High	900	17.00	156.9	138.3	102.7

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2008

RESULTS OF OPERATIONS (continued)

A.1 SANTA ELENA PROJECT - Sonora, Mexico (continued)

Metal prices for the Base Case were established by Scott Wilson Roscoe Postle Associates Inc. (SWRPA) and assume \$800 per ounce of gold and between \$12 and \$14 per ounce of silver for the first three years and \$750 per ounce of gold and \$11.50 per ounce of silver thereafter for the life of mine. The Company has also run project sensitivity analyses using variations of capital and operating costs as well as metal recoveries. These analyses indicate that the project is relatively insensitive to capital and operating cost but more sensitive to metal recoveries and pricing. Other defining parameters of the study are:

- The strip ratio for this reserve is estimated at an average of 4.85:1 over a mine life of 8 years. The first two years have an average strip ratio of less than 3:1. Minimal pre-stripping is required to access the reserves.
- Average predicted heap leach recoveries are 67% for gold and 34% for silver.
- Overall pit slopes are estimated at 42 to 55 degrees.

Highlights at the Santa Elena Project for 2008

Completion of the expanded Phase II drill program added an additional 200,000 gold and gold equivalent ounces to all categories of resources for an overall increase of 25%. Conclusions and inferences from the exploration work are as follows:

- Gold and silver mineralization of the Main Zone is relatively consistent over a minimum strike length of about 1000 metres with an average width of 15 metres. The mineralization extends to a depth of more than 500 metres down dip. The surface trace of the Main Zone is now approximately 1300 metres.
- A high grade zone which is greater than 50 gram-metres gold equivalent within the broader Main Zone mineralization has been identified that is at least 800 metres long, approximately 150 metres high and averages approximately 25 metres wide in recent intercepts.
- Additional resources that are currently being defined in the Main Zone may be amenable to underground mining. This would potentially enable the proposed open pit heap leach operation to transition into an underground mining operation with a conventional mill.
- Reconnaissance work and geophysical surveys have defined several nearby exploration targets that have good potential to result in the discovery of mineralized zones similar to the Main Zone. Two new mineralized zones have been identified and will be explored in 2009.
- A new resource estimation was completed in Q1, 2009.
- Total number of drill holes and metres drilled at Santa Elena are presented below:

Drill Hole Type	Number of Holes	Metres Drilled
Core	98	15,791.7
Reverse Circulation (RC)*	21	4,308.0
Geotechnical (Core)	4	1,163.1
Monitoring Wells (RC)	3	266.5
Total	126	21,529.3

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2008

RESULTS OF OPERATIONS (continued)

A.1 SANTA ELENA PROJECT - Sonora, Mexico (continued)

- Work completed to upgrade the Pre-Feasibility to Feasibility levels was completed on geotechnical, hydrology and metallurgical aspects of the project. Work is being independently completed by Vector Engineering, Tetra Tech, and Metcon, respectively. Public disclosure of these results will be made in the 1st half of 2009.
- Optimization of the production schedule to Feasibility level is underway.
- Basic engineering and detailed engineering is completed.
- Sonoran Resources LLC of Yuma, Arizona has been contracted as owner's representative for construction of Santa Elena heap leach facility. A draft agreement for construction management is pending.
- Wet season environmental baseline work was completed and reported.
- Preservation of over 3,000 plants from the proposed facility footprints was completed as part of the commitments for the SEMARNAT environmental permit.
- Contractor bid process is underway for construction as is the selection of a mining contractor.
- Blasting permit, municipality license for operation and water use permission are all in late stage negotiations.
- Construction of a Cedar Rapids three stage crusher by Excel Machinery was completed in November 2008.
- The Merrill-Crowe recovery plant is under construction with completion anticipated in Q2, 2009.

A.2. CRUZ DE MAYO PROJECT - Sonora, Mexico

The Cruz de Mayo concession was acquired in 2004 along 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 fourth quarter of 2005. Drill results are provided in MDA annual 2005. Subsequent to this initial drilling, a Phase I - 20 core hole program was completed totaling 1,813 metres (MDA December 31, 2006). The Company completed a Phase II drill program in the first quarter of 2007 which included a 27 reverse circulation (RC) drill hole program totaling 2,907 metres.

RC drilling was completed during the period and a total of 10 holes totaling measuring approximately 2,000 metres were drilled to test the Cruz de Mayo mineralization trending to the north-northwest. Compilation of results shows no significant change to current resources. Additional work is planned for 2009 which will include detailed surface mapping, underground mapping and sampling and recon.

SUBSEQUENT EVENTS

- (a) The Company granted 200,000 incentive stock options to directors of the Company exercisable at \$0.45 per share until January 8, 2014.
- (b) The Company entered into a letter of intent with Sandstorm Resources Ltd. ("Sandstorm") whereby Sandstorm has agreed to purchase 20% of the gold produced over the life of the Santa Elena mine for an upfront fee of US\$12,000,000. In addition to the upfront fee Sandstorm will pay for each ounce of gold produced the lesser of US\$350 per ounce and the prevailing spot gold market price, subject to an increase equal to 1% per annum beginning on the 3rd anniversary of the date the Santa Elena mine begins commercial production.
- (c) On March 24, 2009 stock options expired to purchase 625,000 common shares.

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2008

SUBSEQUENT EVENTS (continued)

In addition to the upfront payment, the Company at its option, can require Sandstorm to advance by way of a senior secured convertible loan US\$6,000,000 to be used to advance the Santa Elena mine. The convertible loan will be outstanding for a period of 3 years and will bear interest at 7% per annum. 50% of the convertible loan is convertible at any time at Sandstorm's option, into common shares of the Company at a price of \$0.80 per share. The remaining 50% of the convertible loan can be convertible at any time at Sandstorm's option, into ounces of gold at a price of US\$1,000 per ounce.

The letter of intent can be terminated if both parties mutually agree or if;

- (i) on May 15, 2009, if the gold purchase agreement and the convertible loan agreement are not executed on or before such date;
- (ii) on May 30, 2009, if closing has not occurred on or before such date;
- (iii) if Sandstorm does not provide the Due Diligence Notice to the Company on the Due Diligence date confirming that it is satisfied with the results of all due diligence investigations of the Company;
- (iv) if Sandstorm fails to complete a financing for a minimum of \$60,000,000 on or before April 30, 2009.

ADOPTION OF NEW ACCOUNTING POLICIES

New Accounting Pronouncements

Effective January 1, 2008 the Company adopted the following new Canadian accounting pronouncements:

i) Assessing Going Concern (Section 1400)

The Accounting Standards Board (AcSB) amended the Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern. The adoption of this standard did not have an impact on the financial statements.

ii) Capital Disclosures (Section 1535)

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences (See Note 4 to the financial statements).

iii) Financial Instruments – Disclosure (Sections 3862) and Presentation (Section 3863)

These new standards require additional disclosures to enable users to evaluate the significance of financial instruments for an entity's financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from financial instruments (See Note 13 to the financial statements).

iv) Determining whether a contract is routinely denominated in a single currency

This new standard considers 1) how the term "routinely denominated" in Section 3855.A34(d) should be interpreted, and 2) what factors can be used to determine whether a contract for the purchase or sale of a non-financial item such as a commodity is routinely denominated in a particular currency in commercial transactions around the world. The adoption of this standard did not have impact in these financial statements. The adoption of this standard did not have an impact on these financial statements.

Effective January 1, 2009, the Company is required to adopt the following accounting standards update issued by the CICA:

ADOPTION OF NEW ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

i) Goodwill and intangible assets (Section 3064)

The CICA issued Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”. This new standards provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC 27, “Revenue and Expenditures in the Pre-operating Period”, will be withdrawn. The impact of this new accounting standard on future financial statements is currently being assessed.

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company’s assets are safeguarded and to facilitate the preparation of relevant and timely information.

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.