



MANAGEMENT DISCUSSION & ANALYSIS
FORM 51-102F1

JUNE 30, 2006
(TSX-V: SVL)

SILVERCREST MINES INC.
MANAGEMENT DISCUSSION & ANALYSIS – FORM 51-102F1
For the three month period ended June 30, 2006

DATE

The Management Discussion and Analysis (MDA) is an overview of the activities of **SilverCrest Mines Inc.** (the “Company”) for the three month period ended June 30, 2006. The MDA should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2005 and the notes attached thereto. The effective date of this Management Discussion & Analysis is August 24, 2006.

OVERALL PERFORMANCE

2nd Quarter Highlights

- **Completed a 19 hole core drill program at Santa Elena Project in Sonora, Mexico;**
- **Completed a 20 hole core drill program at Cruz de Mayo Project in Sonora, Mexico;**
- **Received the Terms of Reference from regulators, allowing completion of the Environmental Impact Study at the El Zapote Project in El Salvador;**
- **Completed a private placement of 1,475,000 common shares for gross proceeds of \$1,180,000.**

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, Mexico and Chile and has a substantial reported silver resource base. 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. See “Results of Operations” for disclosure title issues related to the Honduras properties and resources.

LIQUIDITY AND CAPITAL RESOURCES

The Company is in a strong financial position with working capital of \$4,112,541 including cash and short-term investments of \$4,192,330. Mineral property expenditures for the first six months were \$1,395,335 and for the balance of the fiscal year are estimated at approximately \$1,060,000 which management believes can be met from existing cash resources.

The Company raised \$4,160,000 by the issuance of share capital pursuant to a private placement during the first two quarters (\$2,980,000 in the first quarter and \$1,180,000 in the second quarter) and raised an additional \$346,300 in the second quarter by the issuance of share capital pursuant to the exercise of warrants and stock options.

PLANNED RESOURCE EXPENDITURES FOR 2006

El Zapote Project, El Salvador	\$ 340,000
Silver Angel Project, Mexico	960,000
Santa Elena Project, Mexico	1,090,000
General exploration	65,000
Total	\$2,455,000

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LIQUIDITY AND CAPITAL RESOURCES (continued)

The planned amounts may not all be incurred in the current fiscal year, are subject to management discretion and may change depending on the circumstances encountered.

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.

FINANCIAL SUMMARY

The loss for the three months ended June 30, 2006 was \$137,257 comprised of general and administrative expenses of \$170,320 a foreign exchange loss of \$3,285 less interest income of \$36,348. This compares to a loss of \$401,115 comprised of general and administrative expenses of \$160,094, stock-based compensation of \$256,514, foreign exchange loss of \$2,275, less interest income of \$15,693 for the three month period ended June 30, 2005.

The most notable changes in general and administrative expenses were the decrease in shareholder communications of \$10,730 attributable to less design, layout and production services and an increase in trade shows and conferences expense of \$17,753 attributable to the Company attending and presenting at two trade shows in Vancouver, one in Calgary and one in Frankfurt, Germany during the period.

The foreign exchange gain of \$3,285 is attributable to currency fluctuations between the Canadian, United States and Mexican currencies. Interest income increased by \$20,655 during the period reflecting the increase in short term investments as a result of the private placement financings that closed in March and April, 2006 for gross proceeds of \$4,160,000.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments, approximate their carrying values unless otherwise noted.

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.

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SUMMARY OF QUARTERLY RESULTS (continued)

Summary Financial Information for the eight Quarters ended June 30, 2006:

Period	Revenues	Net Loss	Net Loss per Share ⁽¹⁾
2 nd Quarter 2006	-	(\$137,257)	(\$0.00)
1 st Quarter 2006	-	(\$130,268)	(\$0.01)
4 th Quarter 2005	-	(\$151,997)	(\$0.00)
3 rd Quarter 2005	-	(\$148,288)	(\$0.01)
2 nd Quarter 2005	-	(\$401,115)	(\$0.01)
1 st Quarter 2005	-	(\$193,002)	(\$0.01)
4 th Quarter 2004	-	(\$832,733)	(\$0.04)
3 rd Quarter 2004	-	(\$233,206)	(\$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 charges and the fourth quarter 2004 write down of mineral properties of \$300,367.

SHARE CAPITAL

	Number of Shares	Capital Stock	Contributed Surplus	Total
Authorized 100,000,000 common shares without par value				
Balance at December 31, 2003	18,813,853	\$ 3,162,200	\$ 1,022,584	\$ 4,184,784
Warrants exercised	3,160,605	1,275,323	(195,452)	1,079,871
Stock options exercised	117,500	89,973	(34,298)	55,675
Stock-based compensation	-	-	583,283	583,283
Private placements	3,500,000	3,150,000	-	3,150,000
Finders' fees for cash	-	(214,200)	-	(214,200)
Share issuance costs	-	(318,537)	93,548	(224,989)
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 placement	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	324,000	417,348	(93,548)	323,800
Stock options exercised	50,000	22,500	-	22,500
Stock-based compensation	-	-	28,301	28,301
Private placement	5,200,000	4,160,000	-	4,160,000
Finders' fees for cash	-	(255,360)	-	(255,360)
Share issuance costs	-	(183,594)	60,632	(122,962)
Balance at June 30, 2006	31,418,675	\$ 11,526,205	\$ 1,748,731	\$ 13,274,936

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OUTSTANDING SHARE DATA

Fully Diluted Share Capital, at the date of this report

Common shares issued	31,428,675
Stock options outstanding	2,440,000
Warrants outstanding	<u>7,158,755</u>
	<u>41,027,430</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

Two separate companies owned respectively, by the President and Chief Financial Officer of the Company each receive management fees for executive and financial management services rendered pursuant to management services agreements. During the six month period ended June 30, 2006 each company was paid \$45,000. The management of the Company's exploration activities is conducted by a company, owned by the Chief Operating Officer pursuant to a management services agreement and was paid \$45,000 during the six month period for services rendered. This latter amount has been capitalized as deferred exploration expenditures. These transactions are in the normal course of operations and the consideration has been 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 period. Investor relations activities consist 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 and during the second quarter attended two trade shows in Vancouver and one each in Calgary and Frankfurt, Germany.

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.

RISK FACTORS AND UNCERTAINTIES

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.

RESULTS OF OPERATIONS

The Company currently holds mineral property interests in El Salvador and Mexico.

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.

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RESULTS OF OPERATIONS (continued)

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 resources set out in the above table are based on the results obtained by SilverCrest and previous operators which include 87 drill holes totaling 8,662.2 metres and 23 trenches totaling 446.9 metres. The El Zapote resources are contained 65% in the main Cerro Colorado III deposit, 7% in the San Casimiro satellite deposit, and 29% the Tajado satellite deposit. The Tajado deposit is located within the El Zapote Concession and is approximately 2.5 kilometres southeast of the Cerro Colorado III deposit.

Indicated Resources at El Zapote are estimated at 2.11 million tonnes grading 177.7 g/t Ag, 0.19 g/t Au, 1.17% Zn, and contain 10.9 million ounces of silver based on a 34 g/t silver cut-off grade. Inferred Resources are estimated at 1.19 million tonnes grading 101.6 g/t Ag, 0.18 g/t Au, 1.22% Zn and contain 3.55 million ounces of silver. N. Eric Fier, CPG, P.Eng. and QP and Chief Operating Officer for the Company completed the El Zapote resource estimation.

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 Company retained SRK Consulting (Canada) Inc. ("SRK") in 2004 to complete a Feasibility Study on the El Zapote Project. SRK work was completed to a pre-feasibility level by January 2006. Further feasibility work will be completed by the Company and its consultants. The Feasibility Study is intended, among other things, to establish mineable reserves, optimize process design, verify capital and operating costs and evaluate the economic viability of the project.

The Feasibility Study continued during the period and focused on continued environmental baseline work, detailed surveying, metallurgical test work and collection of data to support the evaluation of the economic viability of the project. Internal scoping studies have been submitted to the El Salvador Department of Mines as part of the application for a mining concession. Terms of reference for completing the Environmental Impact Study have been received from the government and are currently under review. The final Feasibility Study and Environmental Impact Assessment are projected to be completed by late 2006 with the incorporation of the Tajado resources and metallurgical test work on heap leachability.

RESULTS OF OPERATIONS (continued)

A. EL SALVADOR - EL ZAPOTE PROJECT

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. A budget of approximately \$340,000 for metallurgical work, surface work and final feasibility is anticipated for 2006.

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, SVL 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.

A reconnaissance program for field review of targets will be implemented in the 3rd quarter 2006.

ii) Cruz de Mayo Prospect (Silver Angel Project - Sonora, Mexico)

The Cruz de Mayo concession was acquired in 2004 as part of the Silver Angel concession. The acquisition came with extensive exploration data. 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 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, 20 hole core drill program. A total of 1,813 metres were drilled. Assay results as of June 30, 2006 were pending. Expenditures for the Cruz de Mayo are included as Silver Angel project expenditures due to proximity of the properties.

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RESULTS OF OPERATIONS (continued)

C. MEXICO

iii) Santa Elena Project - Sonora, Mexico

The Company has the right to acquire a 100% interest in the Santa Elena property by making staged option payments of US\$4,000,000 over a period of 5 years as follows: on signing \$10,000 (paid), sixty days \$60,000 (paid), six months \$60,000 (paid), twelve months \$60,000, eighteen months \$60,000, twenty-four months \$50,000, thirty months \$500,000, thirty-six months \$500,000, forty-two months \$600,000, fifty-four months \$600,000, sixty months \$500,000 and the final \$1,000,000 payment is conditional upon receipt of a Feasibility Study and all operating and environmental permits. Approximately 40% of the acquisition costs are payable in common shares at the Company's option. There are no applicable work commitments or underlying royalties to the property owners.

The Company's target for the Santa Elena Project is 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 approximately 19 core holes (2,579 metres) during the first half of 2006 as a first step towards defining the target resource. Drill results are presented in the following table;

Drill Hole Number (Angle)	From (metres)	To (metres)	Interval (metres)	Interval (feet)	Weighted Average Grades			
					Au (g/t)	Au (opt)	Ag (g/t)	Ag (opt)
SE06-01 (-45°)	37.44	43.34	5.90	19.1	0.64	0.018	85.1	2.48
SE06-02 (-90°)	81.08	89.53	8.45	27.3	1.00	0.029	73.8	2.15
SE06-03 (-45°)	26.88	57.42	30.54	96.6	1.10	0.032	40.5	1.18
SE06-04 (-70°)	80.95	117.08	36.13	116.7	0.29	0.008	29.8	0.86
SE06-05 (-70°)	114.38	131.94	17.56	56.7	4.33	0.126	151.0	4.40
includes	128.09	130.38	2.29	7.4	30.50	0.889	866.0	25.25
SE06-06*(-50°)	35.71	64.04	28.33	91.5	2.58	0.075	82.9	2.41
includes	37.11	58.65	21.58	69.7	3.21	0.093	85.4	2.49
SE06-07** (-45°)	19.51	20.53	1.02	3.29	0.07	36.8	trace	1.07
SE06-10 (-70°)	139.7	165.4	25.7	83.0	0.64	0.018	63.3	1.84
SE06-11 (-45°)	38.5	42.7	4.2	13.5	1.64	0.047	36.5	1.06
SE06-12 (-70°)	85.7	99.46	13.7	44.4	1.15	0.033	107.5	3.13
SE06-13 (-45°)	52.55	54.65	2.1	6.7	1.59	0.046	182.0	5.30
SE06-16 (-70°)	205.3	217.3	12.0	38.7	0.47	0.013	43.9	1.28
including	212.2	214.4	2.2	7.1	1.6	0.046	120.0	3.50
SE06-17 (-70°)	192.7	209.6	16.9	54.5	0.48	0.013	65.9	1.92
including	198.9	203.6	4.7	15.1	1.00	0.029	243.0	7.08
SE06-18 (-45°)	69.7	85.0	15.3	49.4	3.51	0.102	107.4	3.13
including	79.0	82.4	3.4	11.0	10.8	0.315	313.4	9.14

* all values are rounded

** intersected underground workings

RESULTS OF OPERATIONS (continued)

C. MEXICO

iii) Santa Elena Project - Sonora, Mexico

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

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 \$1.0 million for follow-up surface work and drilling for 2006.

C. HONDURAS PROJECTS

Title Issues

The Company previously 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 June 30, 2006:

- (a) 10,000 common shares were issued on the exercise of stock options for proceeds of \$7,500.
- (b) A Director was granted stock options to purchase 100,000 common shares at a price of \$0.96 per share for a period of five years expiring August 15, 2011.
- (c) Resource model for Santa Elena is near completion with subsequent NI 43-101 Technical Report.
- (d) Drill hole results for the Cruz de Mayo project were reported in a news release dated August 24, 2006.

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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.

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: silver exploration and development costs and results, fluctuations of silver prices, foreign operations and foreign government regulations, competition, uninsured risks, recovery of reserves, capitalization and commercial viability and requirement for obtaining permits and licences.

Certain data included in this document may be historical in nature and as such may not conform to the requirements of NI- 43-101, may not have been verified by the Company's qualified person and therefore should not be relied upon.

ADDITIONAL INFORMATION

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