



**MANAGEMENT DISCUSSION & ANALYSIS
FORM 51-102F1**

**JUNE 30, 2008
SECOND QUARTER**

INTRODUCTION

This discussion and analysis of operations and financial position is prepared as of August 21, 2008 and should be read in conjunction with the financial statements for the six months ended June 30, 2008 of SilverCrest Mines Inc. (the "Company") Those financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). All dollar figures included therein and in the following discussion and analysis ("MD&A") are quoted in Canadian dollars, unless specifically noted. 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 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. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.silvercrestmines.com. The Company is listed on the TSX Venture Exchange with the trading symbol SVL.

OVERALL PERFORMANCE

The focus of SilverCrest's efforts for Q2 2008 has been on completing the ongoing Santa Elena Pre-Feasibility Study (PFS) with independent qualified persons, permitting the Santa Elena Project, and continued drilling for resource expansion. All work to date has been successful in moving the Company into near-term junior silver-gold producer status.

SANTA ELENA PROJECT

- All data required for the PFS has been collected and compiled and final review by qualified persons has been completed. The study contemplates a 2,500 tonne per day open pit heap leach operation that will produce approximately 35,000 to 50,000 ounces of gold and gold equivalent or 2 to 3 million ounces of silver and silver equivalents (see Results of Operations for details).
- An EPCM contract (engineering, procurement, construction, management) for the project is being negotiated.
- A Land Use Change application was submitted in January and approved in April 2008.
- A full Environmental Impact Study (MIA) and Risk Analysis was submitted to the governmental authorities in April 2008 and approval was received in August 2008.
- Gold and silver mineralization of the Main Zone is relatively consistent over a minimum strike length of about 1,000 metres. The average width of the zone is 15 metres and it 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 greater than 50 gram – metre gold and 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.
- Resources are currently being 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.
- 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.

CRUZ de MAYO PROJECT

- No activity was carried out at Cruz de Mayo during this period. A reverse circulation drill program to expand the current silver resource started in late June 2008 and was completed in early August 2008.

OVERALL PERFORMANCE (continued)

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 Mexico with interests in El Salvador 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. Indicated and inferred resources of 15.8 million ounces of silver and 78.9 million pounds of zinc have been established at El Zapote project 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. The Company has been exploring its Silver Angel property and the Cruz de Mayo and Santa Elena properties in Sonora, Northern Mexico. Probable reserves of 339,600 contained ounces of gold and 11.9 million contained ounces of silver have been established at Santa Elena. Indicated and inferred resources of 15.2 million ounces of silver have been reported at Cruz de Mayo. 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

In the three months ended June 30, 2008 the Company issued 825,600 common shares on the exercise of warrants for proceeds of \$828,100 and issued 800,000 common shares on the exercise of stock options for proceeds of \$360,000.

In the three months ended June 30, 2008 the Company issued 5,562,214 common shares pursuant to a private placement for gross proceeds of \$6,118,435 and issued 3,214,000 common shares on the exercise of warrants for proceeds of \$3,259,750.

The Company realized \$10,009,189 after cash share issuance costs and finders fees on the forgoing financings. The private placement, warrant exercises and stock option exercises were the reason for the increase in working capital since December 31, 2007 of \$5,583,602 to \$8,346,176.

During the six months ended June 30, 2008 the Company incurred \$3,200,717 of mineral property expenditures on a cash basis compared to \$1,018,965 in the comparative period. The Company also advanced \$1,138,384 as a deposit on the acquisition of mining equipment.

The Company incurred a net loss of \$1,158,362 for the six months ended June 30, 2008 (2007 - \$380,348).

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 (B) (iii) for further details of the option terms.

On February 29, 2008, the Company announced an agreement for \$3.0 million Feasibility Finance Facility ("Finance Facility") with Macquarie Bank Limited. The Finance Facility is to fund expenditures in relation to the completion of feasibility studies at the Company's Santa Elena Project in Mexico. The Finance Facility will bear interest at the Canadian dollar LIBOR rate plus 2.75% per annum. Outstanding amounts under the Finance Facility will be repayable by the earlier of May 28, 2010 and when financing arrangements are made for the development of the Santa Elena Project. Security for the Finance Facility will include a general security agreement and guarantees from the Company's subsidiaries holding the Santa Elena Project. Draw-downs under the facility will be subject to the terms and conditions of a definitive feasibility finance facility agreement to be entered into, including various due diligence conditions and other customary lending conditions.

LIQUIDITY AND CAPITAL RESOURCES (continued)

In consideration for the provision of the Finance Facility, the Company has agreed to pay Macquarie certain fees customary for such a facility and to issue 2,307,692 warrants on closing, each warrant exercisable to purchase one common share of the Company for a period of three years at a price of C\$1.30. The proceeds of any warrant exercise are to be firstly applied to repay any outstanding amounts under the Finance Facility. The warrants will vest pro rata with draw downs under the Finance Facility and will expire May 28, 2010. In addition, the Company has agreed to grant Macquarie the exclusive mandate (the "Macquarie Mandate") for an initial six-month period (subject to extension) to provide a financing package for mine development at Santa Elena on commercial terms.

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.

	June 30, 2008	June 30, 2007
Cash and cash equivalents	\$8,086,927	\$4,757,679
Working capital	\$8,346,176	\$4,877,735

FINANCIAL SUMMARY

For the three months ended June 30, 2008 the Company had a net and comprehensive loss of \$250,941 (YTD - \$1,158,362) (2007 - \$278,684; 6 months \$380,348).

The principal differences during the three months ended June 30, 2008 compared to 2007 were:

- Investor relations and travel of \$31,032 (YTD - \$82,484) (2007 - \$137,031; 6 months - \$150,810) due to the Company decreasing the amount of presentations and advertising.
- Management fees of \$87,500 (YTD - \$138,500) (2007 - \$51,000; 6 months - \$102,000) as management contracts were updated to reflect current market remuneration and the advancement of the Santa Elena Project from the exploration to the development stage.
- Professional fees of \$63,476 (YTD - \$ 79,105) (2007 - \$23,554; 6 months - \$25,088) due to increased activity related to the Company's financings, the Feasibility Finance Credit Facility with Macquarie Bank Limited and the Shareholder Rights Plan.
- Stock based compensation of \$42,000 (YTD - \$716,500) (2007 - \$10,000; 6 months - \$20,000) as the Company granted 1,375,000 stock options to directors, officers, employees and consultants.

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 commitment to make a \$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. 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.

FINANCIAL INSTRUMENTS

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

The Company has adopted effective January 1, 2008 several accounting policy changes that are detailed under "Adoption of New Accounting Standards".

The Company's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, value added tax 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.

Summary Financial Information for the eight Quarters ended June 30, 2008:

Period	Revenues	Net Loss	Net Loss per Share ⁽¹⁾
2 nd Quarter 2008	Nil	(250,941)	(\$0.01)
1 st Quarter 2008	Nil	(\$907,421)	(\$0.02)
4 th Quarter 2007	Nil	(\$385,537)	(\$0.00)
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)
4 th Quarter 2006	Nil	(\$141,002)	(\$0.01)
3 rd Quarter 2006	Nil	(\$424,244)	(\$0.01)

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

(2) The fluctuations in Net Losses are primarily due to fluctuations in stock-based compensation charges.

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	(8,910)	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 for cash	-	(144,072)	-	(144,072)
Share issuance costs	-	(133,315)	37,215	(96,100)
Stock options exercised	800,000	578,400	(218,400)	360,000
Stock-based compensation	-	-	716,500	716,500
Balance at June 30, 2008	45,499,489	\$ 25,250,963	\$ 2,605,260	\$ 27,856,223

SHARE CAPITAL (continued)

Stock Options

At June 30, 2008, stock options were outstanding, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
625,000	\$1.41	March 24, 2009
505,000	\$0.75	June 1, 2010
100,000	\$0.96	August 15, 2011
725,000	\$0.70	September 28, 2011
225,000	\$1.39	January 7, 2013
850,000	\$1.27	March 27, 2013
300,000	\$1.27	March 27, 2010
<hr/>		
3,330,000		

Warrants

At June 30, 2008, the Company had share purchase warrants outstanding enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,415,000	\$1.25	December 12, 2008
168,000	\$1.09	December 12, 2008
1,690,144	\$1.40	September 12, 2009
1,221,937	\$1.40	September 19, 2009
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4,495,081		

Fully Diluted Share Capital, as of the date of this report

Common shares issued	45,499,489
Stock options outstanding	4,180,000
<u>Warrants outstanding</u>	<u>6,802,773</u>
	56,482,262

By Ordinary Resolution of the shareholders on June 26, 2008 the shareholders ratified a shareholder rights plan adopted by the Board of Directors May 21, 2008. The Rights Plan has the following main objectives:

- To provide the Board of Directors time to consider value-enhancing alternatives to a take-over bid and to allow competing bids to emerge;
- To ensure that shareholders of the Company are provided equal treatment under a take-over bid; and
- To give adequate time for shareholders to properly assess a take-over bid without undue pressure.

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 completed the following transactions with related parties during the six months ended June 30, 2008:

- a) Paid or accrued \$138,500 (2007 - \$102,000) for management fees to two companies each of which is controlled by an officer and director of the Company.
- b) Paid or accrued \$69,250 (2007 - \$51,000) for project management fees to a company controlled by an officer of the Company which are included in deferred exploration costs.

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

INVESTOR RELATIONS

On March 28, 2008 the Company engaged StrataStar Marketing Group LLP ("SMG") a Colorado incorporated consulting company specializing in strategic marketing and communications. SMG will review the Company's investor relations materials and methods of communicating with its shareholders, analysts, brokers and other professionals in the financial services industry as well as markets not generally considered by the junior resource industry. SMG will prepare a comprehensive marketing plan incorporating newly developed promotional materials including the Company's website and presentation materials for various industry meetings, conferences and trade shows. SMG's engagement is for a 6-month period, subject to renewal by mutual agreement of the parties. The Company will pay SMG a monthly fee of \$5,000 and reimburse SMG for all reasonable expenses incurred in connection with the fulfillment of its obligations up to \$2500 per month, with any expenses in excess thereof being subject to the Company's prior approval. In addition, the Company granted SMG an incentive stock option to acquire up to 300,000 common shares of the Company at an exercise price of \$1.27 per share for a term of two years subject to the terms of the Company's option plan.

Prior to March 28, 2008 management performed investor relation services. 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. Management also makes presentations on an ongoing basis 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 increase 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.

Refer to Liquidity and Capital Resources for a description of the \$3.0 million Feasibility Finance Facility with Macquarie Bank Limited.

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 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 combined reserves and resources are double from previous expectations. As of late June 2008 the Company continued the expanded drill program of +90 holes to upgrade and expand the currently stated resources. The program is currently drill hole SE08-93.

Based on the results of a total 41 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 Category¹	Million Metric Tonnes	Au gpt	Ag gpt	Million Short Tons	Au opt	Ag opt	Contained Gold Ounces²	Contained Silver Ounces
Probable	6.54	1.61	56.70	7.21	0.047	1.68	339,600	11,927,100

RESULTS OF OPERATIONS (continued)

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

As part of the calculation of the reserves for the Pre-Feasibility Study, the Indicated and Inferred Resources were re-stated and the revised resources are shown in the following table.

Santa Elena Indicated and Inferred Resources

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.

Significant parts of the PFS 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\$3 million. Sustaining capital costs are estimated at US\$3.7 million over the 8 years mine life.
- Cash operating costs are approximately US\$328 per ounce of gold equivalent. Cash operating costs for 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.

Project Economics & Metal Price Sensitivities

Case	Average Gold Price (US\$)	Average Silver Price (US\$)	Pre-Tax Cash Flow (US\$ millions)	Pre-Tax IRR %	Pre-Tax NPV @ 8% Discount (US\$ millions)
Low	600	10.00	56.3	62.0	34.7
Base	765	11.95	103.7	100.5	67.0
Current Prices	900	17.00	156.9	138.3	102.7
High	1,000	20.00	193.2	163.4	127.2

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 \$11.5 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 3.5:1. 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 60 degrees.

RESULTS OF OPERATIONS (continued)

Highlights at the Santa Elena Project for Q2 2008 consist of:

- The Pre-Feasibility Study has been successfully completed and shows robust economics.
- Work to upgrade the Pres-Feasibility to Feasibility levels has begun on geotechnical, hydrology and metallurgical aspects of the project. Work is being independently completed by Vector Engineering, Tetra Tech, and Metcon, respectively.
- Optimization of the production schedule to Feasibility level is underway.
- Basic engineering has been completed and detailed engineering is underway by Sol & Adobe Ing. Assoc.
- Further environmental baseline work is underway to study the environment during the wet season.
- The main Environmental Impact Statement has been filed and approval received in August from the Mexican government.
- EPCM (Engineering, Procurement, Construction, Management work is underway.
- A Land Use Change application was submitted and was approved in April 2008.
- Purchase of a three stage crusher, the Merrill-Crowe recovery plant and diesel genset power plants has been committed to for the project in anticipation of commencement of construction in the 3rd Q 2008.

In addition to the work related to the Feasibility and commercial production, the Company has one core drill and one RC drill operating to continue expanding the established resources of the Main zone, to begin testing newly defined adjacent exploration targets, and to establish monitoring wells for operations. Conclusions and inferences from the continued 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.

A2. 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 totalling 2,907 metres.

The Phase II drill program was designed to re-confirm the widths and grades of the silver mineralized zone previously encountered in the first phase core drill program as well as to test the overall dimensions of the zone along strike and down dip. The information derived from the two phases of drilling provided the basis for a Technical Report and NI 43-101 resource estimate the results of which were announced on November 15, 2007 and are shown in the following table:

RESULTS OF OPERATIONS (continued)

A2. CRUZ DE MAYO PROJECT - Sonora, Mexico (continued)

Cruz de Mayo Indicated and Inferred Resources

Property	Resource Category ¹	Million Metric Tonnes	Au gpt	Ag gpt	Million Short Tons	Au opt	Ag opt	Contained Gold Ounces	Contained Silver Ounces	Contained Silver Equiv. Ounces ³
Cruz de Mayo ²	Indicated	1.14	RP	64.15	1.25	RP	1.87	RP	2,353,400	2,353,400
	Inferred	6.06	RP	66.50	6.70	RP	1.94	RP	12,967,100	12,967,100

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

² Cutoff for Cruz de Mayo is 30gpt Ag. RP=Results Pending

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

The resource estimate for Cruz de Mayo was completed N. Eric Fier, CPG, P.Eng and reviewed by C. Stewart Wallis, P.Geo., independent qualified person (QP) from Scott Wilson Roscoe Postle and Associates of Toronto, Ontario. A Technical Report adhering to the disclosure requirements of NI 43-101 will be filed on SEDAR, by December 30, 2007. Mr. Fier is the Chief Operating Officer and QP for the Company.

The oxidized stockwork zone that contains the silver mineralization at Cruz de Mayo has been drill delineated over a minimum strike length of 1,700 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 800 metres of strike length that requires initial drilling.

2008 RVC drilling has begun during the period and a totaling of 10 holes totaling approximately 2,000 metres are expected to be drilled to test Cruz de Mayo mineralization trending to the north-northwest.

A.3 SILVER ANGEL PROJECT - Sonora, Mexico

These concessions encompass approximately 18,000 hectares. The Silver Angel Project contains an area of intense alteration that is approximately 35 kilometers long by 3 kilometers wide with major structural features that host six past producing, high grade silver-gold deposits.

B.1 EL ZAPOTE PROJECT – El Salvador

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***	Million Metric Tonnes	Au gpt	Ag gpt	Million Short Tons	Ag opt	Zn %	Contained Ag Ounces	Contained Zn Pounds
Indicated*	1.92	0.19	177.7	2.11	5.2	1.17	11,036,000	49,660,000
Inferred **	1.09	0.18	101.6	1.20	3.0	1.22	3,593,000	29,220,000

* 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

RESULTS OF OPERATIONS (continued)

B.1 EL ZAPOTE PROJECT – El Salvador (continued)

The deposits contain a significant amount of zinc. The Indicated Resources contain 49.6 million pounds of zinc and Inferred Resources contain 29.2 million pounds of zinc.

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. Any substantial programs will be contingent upon the permitting process with respect to the application for an exploitation concession and the issue of environmental permits for exploration. Work in 2008 will consist of continued discussions with the government on project permitting.

C. SUMMARY TABLE OF RESERVES AND RESOURCES

The Company currently holds mineral property interests in Mexico and El Salvador. The Company's current NI43-101 compliant reserves and resources are shown below. The Qualified Person, as defined by National 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., P.Eng. Mr. Fier is also the Chief Operating Officer for the Company.

Property	Reserve Category	Million Metric Tonnes	Au gpt	Ag gpt	Million Short Tons	Au opt	Ag opt	Contained Gold Ounces ²	Contained Silver Ounces
Santa Elena	Probable	6.54	1.61	56.7	7.21	0.047	1.68	339,600	11,927,100

¹ Conforms to NI 43-101, 43101CP and current CIM definitions for resources. All numbers are rounded.

² Cutoff grade is 0.5 gpt Au equivalent. These reserves are diluted and mine recoverable

Property	Resource Category ¹	Million Metric Tonnes	Au gpt	Ag gpt	Million Short Tons	Au opt	Ag opt	Contained Gold Ounces	Contained Silver Ounces
Santa Elena ²	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
Cruz de Mayo ²	Indicated	1.14	0.10	64.15	1.26	0.003	1.87	3,700	2,353,400
	Inferred	6.06	0.10	66.50	6.69	0.003	1.94	20,000	12,967,100
El Zapote ²	Indicated	1.92	0.19	177.70	2.12	0.006	5.20	13,000	11,036,000
	Inferred	1.09	0.18	101.60	1.19	0.005	3.00	6,000	3,593,000
Total Indicated Resources								93,000	17,723,400
Total Inferred Resources								147,900	24,156,100

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 and El Zapote is 30 gpt Ag equivalent (0.5 gpt Au equivalent). Cutoff for Cruz de Mayo is 30 gpt Ag.

This table does not include zinc resources at El Zapote

SUBSEQUENT EVENTS

On July 10, 2008 the Company executed the definitive credit facility agreement with Macquarie Bank Limited (“Macquarie”) for the \$3.0 million feasibility finance credit facility to fund expenditures in relation to the completion of feasibility studies at the Company’s Santa Elena Project in Mexico. In connection with the facility the Company issued 2,307,692 common share purchase warrants to Macquarie with each warrant entitling Macquarie to purchase one common share of the Company at an exercise price of \$1.30. The warrants will vest pro-rata with draw-downs under the facility and will expire on July 3, 2010. On August 8, 2008 the Company received a draw-down of \$1,500,000 and accordingly 1,153,846 warrants vested.

On July 14, 2008 the Company granted stock options to directors and officers under its Stock Option Plan to purchase up to an aggregate 850,000 common shares of the Company at an exercise price of \$1.03 per share for a term of five years.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2008 the Company is required to adopt 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.
- (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.
- (iii) Financial Instruments – Sections 3862 & 3863 – Disclosures and Presentation
These new sections 3862 (on disclosures) and 3863 (on presentation) replace Section 3861, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 complements the principles recognizing measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

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

- (i) Goodwill and intangible assets (Section 3064)
In February 2008, 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. We are currently assessing the impact of this new accounting standard on our consolidated financial statements.

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.

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.