MANAGEMENT DISCUSSION & ANALYSIS
FORM 51-102F1

SEPTEMBER 30, 2008
THIRD QUARTER

INTRODUCTION

This discussion and analysis of operations and financial position is prepared as of November 24, 2008 and should be read in conjunction with the financial statements for the nine months ended September 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 Q3 2008 has been on completing the Santa Elena Feasibility tasks with independent qualified persons, acquiring a blasting permit, agreements with the local municipality, purchase of long-lead time equipment, completion of detailed engineering and estimating a new resource. All work to date has been successful in moving the Company into near-term junior silver-gold producer status.

SANTA ELENA PROJECT

- Tasks related to Feasibility are ongoing and include: Capital and operating costs estimates, further metallurgical test work, pit slopes and hydrology studies.
- Basic engineering is complete and detailed engineering is near completion.
- Sonoran Resources LLC of Yuma, Arizona has been contracted as owners for construction of the Santa Elena heap leach project.
- Gold and Silver 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 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 totaling $2,490,083 have been placed for construction of long lead time processing equipment.

CRUZ de MAYO PROJECT

- Results from drilling in Q2 are being compiled.

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.

OVERALL PERFORMANCE (continued)

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 September 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 nine months ended September 30, 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 $10,003,189 after cash share issuance costs and finders fees on the forgoing financings. The private placement, warrant exercises, stock option exercises and long term debt proceeds of $3,000,000 were the reasons for the increase in working capital since December 31, 2007 of $5,087,150 to $7,849,724.

During the nine months ended September 30, 2008 the Company incurred $4,880,471 of mineral property expenditures compared to $1,943,547 in the comparative period. The Company also advanced $2,490,083 as deposits on the acquisition of mining equipment and incurred $170,414 in deferred finance charges, excluding a non-cash item in connection with long term debt.

The Company incurred a net loss of $2,015,315 for the nine months ended September 30, 2008 (2007 - $429,760) which included a non-cash provision of $1,261,625 for stock based compensation.

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.

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:

Dividend yield	-
Risk free rate	2.56%
Expected volatility	75.32%
Expected life	24 months

The fair value amount of $900,000 has been allocated to Deferred Finance Charges. 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.

FINANCIAL SUMMARY

For the three months ended September 30, 2008 the Company had a net and comprehensive loss of $856,953 (YTD - $2,015,315) (2007 - $49,412; 9 months $429,760).

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

- Investor relations and travel of $126,616 (YTD - $209,100) (2007 - $25,448; 9 months - $176,258) due to the Company decreasing the amount of presentations and advertising and entering into the StrataStar Marketing Group LLC marketing consultancy agreement.
- Management fees of $87,500 (YTD - $226,000) (2007 -$51,000; 9 months - $153,000) 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 $43,956 (YTD - $123,061) (2007 - $3,094; 9 months - $28,182) 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 $545,125 (YTD - $1,261,625) (2007 - $10,000; 9 months - $30,000) as the Company granted 1,375,000 stock options to directors, officers, employees and consultants during the three month period.

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. 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.

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

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.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, and interest rate risk. Where material these risks are reviewed and monitored by the Board of Directors.

a. Capital Risk Management

The Company manages it capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (continued)

a. Capital Risk Management

The Company considers the items included in the shareholder's equity and long term debt as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur additional debt, or return capital to shareholders.

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

c. Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet it contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents and amounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

The majority of the Company's cash and cash equivalents and short term investments are held with major Canadian based financial intuitions.

d. Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents and fluctuations in the LIBOR rate applicable to its long term debt. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are generally held with large financial institutions. Interest expense is calculated at a rate of Canadian LIBOR plus 2 ¾% which is approximately 5 ¾%.

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 September 30, 2008:

Period	Revenues		Net Loss	Net Loss per Share (1)
3rd Quarter 2008	Nil	$	(856,953)	($0.02)
2nd Quarter 2008	Nil	$	(250,941)	($0.01)
1st Quarter 2008	Nil	$	(907,421)	($0.02)
4th Quarter 2007	Nil	$	(385,537)	($0.00)
3rd Quarter 2007	Nil	$	(49,412)	($0.00)
2nd Quarter 2007	Nil	$	(278,684)	($0.01)
1st Quarter 2007	Nil	$	(101,664)	($0.00)
4th Quarter 2006	Nil	$	(141,002)	($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	-	-	1,261,625	1,261,625
Fair value of warrants	-	-	900,000	900,000
Balance at September 30, 2008	45,499,489	$ 25,250,963	$ 4,050,385	$ 29,301,348

Stock Options

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

	Number of Options	Weighted Average Exercise Price
As at December 31, 2007	2,755,000	$ 0.81
Issued	2,225,000	1.19
Exercised	(800,000)	0.45
Balance September 30, 2008	4,180,000	1.08
Options currently exercisable	3,917,500	$ 1.06

Warrants

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

	2008	2007
Balance, beginning of period	6,699,200	7,116,755
Issued	5,219,773	-
Exercised	(4,168,600)	(322,000)
Expired	(947,600)	(95,555)
Balance, end of period	6,802,773	6,699,200

SHARE CAPITAL

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

Common shares issued	45,499,489
Stock options outstanding	4,180,000
Warrants outstanding	6,802,773
	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 had the following transactions with related parties during the nine months ended September 30, 2008:

a) Paid or accrued $226,000 (2007 - $153,000) for management fees to two companies each of which is controlled by an officer and director of the Company.

b) Paid or accrued $113,000 (2007 - $76,500) for project management fees to a company controlled by an officer of the Company which are included in deferred exploration costs.

c) Paid or accrued $145,718 (2007 - $12,558) for legal fees paid to a law firm in which an officer of the Company is a Partner and which were included in professional fees and share issuance 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.

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.

RISK FACTORS AND UNCERTAINTIES (continued)

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 Credit 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 500,000 ounce gold equivalent resource by increasing the strike length and depth of the deposit and developing resources in an untested footwall zone and mineralization to depth and to the east in the main zone. As of September 2008, the Company completed a total of 98 holes in its Phase II drill program with 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 results of the Phase II drilling are being incorporated into a revised resource estimate.

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 were re-stated and 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.

RESULTS OF OPERATIONS (continued)

A.1 SANTA ELENA PROJECT - Sonora, Mexico

Significant elements 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 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.

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 3:1. 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 Q3 2008 consist of:

- 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 near completion.
- Sonoran Resources LLC of Yuma, Arizona has been contracted as owners representative for construction of Santa Elena heap leach facility.
- Wet season environmental baseline work was completed and reported.
- EPCM (Engineering, Procurement, Construction, Management work is underway.

RESULTS OF OPERATIONS (continued)

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

Highlights at the Santa Elena Project for Q3 2008 consist of:

- Purchase of a three stage crusher and the Merrill-Crowe recovery plant has been committed to for the project in anticipation of commencement of construction in the 4th Q 2008 for the crusher and Q1 2009 for the MC plant.

In addition to the work related to the Feasibility and commercial production, the Company has completed Phase II drilling 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. Two new mineralized zones have been identified and will be explored in 2009.
- A new resource estimation will be complete in Q4.
- 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

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.

RESULTS OF OPERATIONS (continued)

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

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:

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	0.1	2,353,400	2,353,400
	Inferred	6.06	RP	66.50	6.70	RP	1.94	0.1	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.

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 is pending.

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.

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

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 he impact of this new accounting standard on our consolidated financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

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.