



INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

SEPTEMBER 30, 2009
THIRD QUARTER

Notice of no Auditor review of Financial Statements.

The accompanying unaudited financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

SILVERCREST MINES INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited - Prepared by Management)

	September 30, 2009	December 31, 2008 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 6,691,122	\$ 3,868,799
Amounts receivable	78,926	6,400
Taxes receivable	208,647	425,261
Prepaid expenses	29,556	11,063
	<u>7,008,251</u>	<u>4,311,523</u>
Plant and equipment (Note 4)	6,600,733	4,300,638
Mineral properties (Note 5)	<u>13,803,047</u>	<u>12,004,001</u>
	<u>\$ 27,412,031</u>	<u>\$ 20,616,162</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 486,962	\$ 668,811
Current portion of long term debt (Note 6)	6,000,000	-
	<u>6,486,962</u>	<u>668,811</u>
Long term debt (Note 6)	-	3,000,000
Derivative instruments (Note 7)	<u>5,140,951</u>	<u>-</u>
	<u>5,140,951</u>	<u>3,000,000</u>
Shareholders' equity		
Capital stock (Note 8)	30,764,409	25,250,963
Contributed surplus (Note 8)	4,268,938	3,961,715
Deficit	<u>(19,249,229)</u>	<u>(12,265,327)</u>
	<u>15,784,118</u>	<u>16,947,351</u>
	<u>\$ 27,412,031</u>	<u>\$ 20,616,162</u>

Nature of operations (Note 1)
Subsequent events (Note 14)

On behalf of the Board:

"J. Scott Drever" Director

"Barney Magnusson" Director

The accompanying notes are an integral part of these consolidated financial statements.

SILVERCREST MINES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS and DEFICIT
(Unaudited - Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
GENERAL AND ADMINISTRATIVE EXPENSES				
Administrative services	\$ 28,250	\$ 13,500	\$ 63,095	\$ 49,525
Amortization	1,914	1,574	4,843	4,723
General exploration	60,730	-	122,643	-
Investor relations and travel	27,205	126,616	218,927	209,100
Management fees (Note 10)	87,500	87,500	262,500	226,000
Office and miscellaneous	48,510	34,673	101,414	77,140
Professional fees (Note 10)	50,390	43,956	161,818	123,061
Regulatory and transfer agent fees	8,295	2,247	37,989	37,927
Rent and communications	18,910	11,631	38,381	31,994
Shareholder communications	6,236	12,927	29,378	44,220
Stock-based compensation (Note 9)	115,056	545,125	190,116	1,261,625
Trade shows and conferences	4,971	7,896	22,315	44,944
Loss before other items	<u>(457,967)</u>	<u>(887,645)</u>	<u>(1,253,419)</u>	<u>(2,110,259)</u>
Other items				
Foreign exchange (loss) gain	(149,849)	29,699	(264,999)	(7,911)
Interest on debt	(88,445)	-	(158,668)	-
Interest income	1,222	51,965	7,010	153,827
Amortization of deferred finance charges	-	(50,972)	-	(50,972)
Transaction costs (Note 5,6)	(36,045)	-	(172,875)	-
Unrealized loss on derivative instruments (Note 7)	(3,668,921)	-	(5,140,951)	-
	<u>(3,942,038)</u>	<u>30,692</u>	<u>(5,730,483)</u>	<u>94,944</u>
Net and comprehensive loss for the period	(4,400,005)	(856,953)	(6,983,902)	(2,015,315)
DEFICIT, beginning of the period	<u>(14,849,224)</u>	<u>(6,468,682)</u>	<u>(12,265,327)</u>	<u>(5,310,320)</u>
DEFICIT, end of the period	<u>\$ (19,249,229)</u>	<u>\$ (7,325,635)</u>	<u>\$ (19,249,229)</u>	<u>\$ (7,325,635)</u>
Basic and diluted loss per share	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>	<u>\$ (0.14)</u>	<u>\$ (0.05)</u>
Weighted average number of shares outstanding	<u>58,149,489</u>	<u>45,499,489</u>	<u>50,040,515</u>	<u>42,360,622</u>

The accompanying notes are an integral part of these consolidated financial statements.

SILVERCREST MINES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period:	\$ (4,400,005)	\$ (856,953)	\$ (6,983,902)	\$ (2,015,315)
Items not involving cash:				
Amortization	1,914	1,574	4,843	4,723
Stock-based compensation	115,056	545,125	190,116	1,261,625
Accrued interest on debt	12,263	-	12,263	-
Amortization of deferred finance charges	-	50,972	-	50,972
Unrealized loss on derivative instruments (Note 7)	3,668,921	-	5,140,951	-
Changes in non-cash working capital items:				
Amounts receivable	(51,988)	22,717	(41,159)	(53,324)
Taxes receivable	15,465	138,398	185,245	(124,698)
Prepaid expenses	11,736	(6,627)	(18,493)	(10,527)
Accounts payable and accrued liabilities	(91,186)	(58,802)	(87,006)	(185,695)
Net cash used in operating activities	<u>(717,824)</u>	<u>(163,596)</u>	<u>(1,597,142)</u>	<u>(1,072,239)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Issuance of capital stock for cash	-	-	6,325,000	10,566,285
Share issuance and finders' costs, net of non-cash items	(12,678)	-	(694,447)	(240,172)
Credit Agreement drawdown (Note 6)	-	3,000,000	3,000,000	3,000,000
Net cash provided by (used in) financing activities	<u>(12,678)</u>	<u>3,000,000</u>	<u>8,630,553</u>	<u>13,326,113</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Plant and equipment acquired	(1,449,353)	(1,816,278)	(2,304,936)	(5,016,995)
Mineral properties	284,656		(1,906,152)	
Deposit on mining equipment	-	(1,351,699)	-	(2,490,083)
Deferred finance charges, net of non cash items	-	(170,414)	-	(170,414)
Net cash used in investing activities	<u>(1,164,697)</u>	<u>(3,338,391)</u>	<u>(4,211,088)</u>	<u>(7,677,492)</u>
Change in cash and cash equivalents, during the period	(1,895,199)	(501,987)	2,822,323	4,576,382
CASH AND CASH EQUIVALENTS, beginning of the period	<u>8,586,321</u>	<u>8,086,927</u>	<u>3,868,799</u>	<u>3,008,558</u>
CASH AND CASH EQUIVALENTS, end of the period	\$ 6,691,122	\$ 7,584,940	\$ 6,691,122	\$ 7,584,940
Cash and cash equivalents is represented by:				
Cash	\$ 4,689,917	\$ 1,854,139	\$ 4,689,917	\$ 1,854,139
Cash equivalents	<u>2,001,205</u>	<u>5,730,801</u>	<u>2,001,205</u>	<u>5,730,801</u>
	\$ 6,691,122	\$ 7,584,940	\$ 6,691,122	\$ 7,584,940

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

SilverCrest Mines Inc. (the "Company") is incorporated under the jurisdiction of the Province of British Columbia, Canada pursuant to the British Columbia Business Corporations Act.

The Company is in the process of developing its principal mineral property, the Santa Elena Project in Mexico. The Santa Elena Project is located northeast of Hermosillo in the Sonora State. The Company received funding in June 2009, through Macquarie Bank Limited (Note 6) to complete the final acquisition payment on the project. Once 100% held plant commissioning will commence with commercial production intended for 2010.

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. Operating results for the nine (9) month period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009.

The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended December 31, 2008. For further information, refer to the consolidated financial statements and footnotes thereto included for the year ended December 31, 2008.

The interim consolidated financial statements have been prepared assuming the Company will continue on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration and development programs.

These interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

	September 30, 2009	December 31, 2008
Working capital	\$ 521,289	\$ 3,642,712
Deficit	\$ (19,249,229)	\$ (12,265,327)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Significant accounts that require estimates as the basis for determining the stated amounts include equipment, mineral properties, stock-based compensation and foreign currency translations.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries NorCrest Silver Inc., a company incorporated under the laws of Canada and Nusantara de Mexico S.A de C.V. and Santa Elena Oro y Plata S.A. de C.V., companies incorporated under the laws of Mexico. All significant inter-company transactions and balances have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Plant and equipment and amortization

Plant and equipment is recorded at cost and amortized over its estimated useful life using the declining balance method at the following annual rates:

Plant and equipment	12%
Mining equipment	12%
Equipment and furniture	20%
Computer hardware	30%
Computer software	100%

Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties and deferred exploration costs do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any significant asset retirement obligations.

Foreign currency translation

The Company's subsidiaries are considered integrated operations and are translated into Canadian dollars using the temporal method. Under this method, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at exchange rates prevailing on the respective transaction dates. Exchange gains and losses arising on translation are included in the statement of operations.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the stock options.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year and does not include outstanding options and warrants. Dilutive loss per common share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

Derivative instruments

The Company uses derivative instruments to reduce the potential impact of changing metal prices as required under lending agreements. Derivative instruments are measured at fair value at the end of each period and recorded as a gain or loss on derivative instruments on the Consolidated Statements of Operations, Comprehensive Loss and Deficit. The Company does not apply hedge accounting to its derivative transactions.

Financial instruments, comprehensive income and hedges

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company classified its cash and equivalents as held-for-trading which is measured at fair value. Amounts receivable are classified as loans and receivable and accounts payable and accrued liabilities and long-term debt are classified as other liabilities, all of which are measured at amortized cost. Derivative financial instruments are classified as held-for-trading.

Transaction costs related to held-for-trading financial assets and other financial liabilities that are long-term are expensed as incurred.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the new CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on the Company's interim consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities - EIC-173

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This abstract provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not have a material impact on the Company's interim consolidated financial statements.

Mining Exploration Costs - EIC-174

In March 2009, the Emerging Issues Committee of the CICA issued EIC-174, Mining Exploration Cost. This abstract provides guidance on the accounting and the impairment review of capitalized exploration costs. The adoption of this abstract did not have a material impact on the Company's interim consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

FUTURE ACCOUNTING POLICIES

Business combinations, non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian public enterprises will need to adopt International Financial Reporting Standards effective for years beginning on or after January 1, 2011. Accordingly, the Company will be required to adopt IFRS on January 1, 2011. The transition will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 30, 2010. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

3. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company considers as its capital its shareholders' equity, cash and equivalents and long-term debt.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new equity, dispose of certain of its assets or issue or repay debt.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors'. There are no external restrictions on management of capital.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. The Company currently has sufficient capital resources to meet its planned operations and administrative overhead expenses through its current operating period. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

4. PLANT AND EQUIPMENT

Amortization of plant and equipment will commence when placed into service and prior to achieving commercial production amortization expense will be capitalized to mineral properties.

	September 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Plant and equipment	\$ 6,574,908	\$ -	\$ 6,574,908	\$ 4,285,153	\$ -	\$ 4,285,153
Equipment and furniture	27,488	12,682	14,806	17,534	11,538	5,996
Computer hardware	19,469	12,115	7,354	19,469	9,980	9,489
Computer software	27,655	23,990	3,665	22,426	22,426	-
	\$ 6,649,520	\$ 48,787	\$ 6,600,733	\$ 4,344,582	\$ 43,944	\$ 4,300,638

5. **MINERAL PROPERTIES**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing except as otherwise disclosed. However, this should not be considered as a guarantee of title. The mineral properties may be subject to prior claims or agreements, or transfers and rights of ownership may be affected by undetected defects.

2009	MEXICO			2009 Total
	Santa Elena	Silver Angel	Cruz de Mayo	
Additions				
Option payments	\$ 673,800	\$ -	\$ -	\$ 673,800
Deferred development costs:				
Assays	12,173	-	-	12,173
Operations	252,251	-	-	252,251
Professional fees	160,706	-	-	160,706
Salaries	317,395	-	-	317,395
Technical services and consulting	350,358	-	-	350,358
	1,766,683	-	-	1,766,683
Deferred exploration costs:				
Exploration and general	-	30,811	1,552	32,363
Subtotal	1,766,683	30,811	1,552	1,799,046
Balance, December 31, 2008	9,746,471	948,439	1,309,091	12,004,001
Balance, September 30, 2009	\$ 11,513,154	\$ 979,250	\$ 1,310,643	\$ 13,803,047

2008	MEXICO			EL SALVADOR	2008 Total
	Santa Elena	Silver Angel	Cruz de Mayo	El Zapote	
Additions					
Option payments	\$ 1,248,929	\$ -	\$ -	\$ -	\$ 1,248,929
Deferred exploration costs					
Assays	85,262	-	6,806	-	92,068
Drilling	2,057,243	-	181,546	-	2,238,789
Technical consulting and services	1,986,287	-	-	98,837	2,085,124
Exploration and general	1,167,958	38,376	1,422	144,310	1,352,066
Professional fees	176,717	-	-	56,886	233,603
	6,722,396	38,376	189,774	300,033	7,250,579
Write-off of mineral property	-	-	-	(3,966,743)	(3,966,743)
Balance, December 31, 2007	3,024,075	910,063	1,119,317	3,666,710	8,720,165
Balance, December 31, 2008	\$ 9,746,471	\$ 948,439	\$ 1,309,091	\$ -	\$ 12,004,001

5. **MINERAL PROPERTIES (continued)**

Santa Elena Project, Mexico

On December 8, 2005 the Company entered into an option agreement to acquire the Santa Elena Project located northeast of Hermosillo, Sonora State, Mexico. The Company made stage payments totaling US\$1,900,000 from December 2005 to June 2009 towards acquiring the rights to 100% interest of the Santa Elena Project

On August 14, 2009 the Company exercised its option to complete the acquisition of the Santa Elena Project. To exercise the option the Company, upon federal registration in Mexico of the title documents, will pay US\$1,575,000 in cash and US\$525,000 by issuing 1,216,968 common shares of the Company at an issue price of US\$0.50 per share.

Sandstorm Resources Ltd Purchase Agreement

On May 15, 2009 the Company entered into a definitive gold purchase agreement with Sandstorm Resources Ltd ("Sandstorm") whereby they agreed to purchase 20% of the life of mine gold production from the Santa Elena Project. The agreement calls for:

- (a) a US\$12 million upfront cash payment plus
- (b) the lesser of US\$350 and the prevailing market price of gold for each ounce of gold delivered under the contract and
- (c) 3,500,000 common shares of Sandstorm.

During the period the Company paid \$68,724 in transaction costs relating to the Sandstorm Purchase Agreement.

Silver Angel Project, Mexico

The Company holds a 100% interest in mineral properties located in the Northern Sierra Madre range in Mexico, acquired by concession applications.

Cruz de Mayo Project, Mexico

The Company purchased a 100% interest in the mineral concessions located in the Northern Sierra Madre range in Mexico in 2004.

El Zapote Project, El Salvador

The Company acquired a 100% interest in the properties located in El Salvador by acquiring 100% of the share capital of Minera Atlas S.A. de C.V. ("Atlas") an El Salvadoran corporation which owns certain concessions located in the Department of Santa Ana in Northern El Salvador. The properties are subject to a sliding scale royalty, payable from production, varying from US\$0.20 per ounce of silver equivalent to US\$0.60 per ounce depending on the silver price. The transaction was accounted for as an asset purchase since Atlas was not considered a business.

As a result of delays encountered in El Salvador in the permitting process and the political risk in the country, the Company elected to write-off the accumulated mineral property expenditures of \$3,966,743 to operations effective December 31, 2008.

6. **LONG TERM DEBT**

Details are as follows:

	September 30, 2009	December 31, 2008
Macquarie Bank Limited – Credit Agreement	\$ 6,000,000	\$ 3,000,000
Less current portion	(6,000,000)	-
Long term debt	\$ -	\$ 3,000,000

6. LONG TERM DEBT (continued)

Macquarie Bank Limited Credit Agreement

By agreement dated for reference July 3, 2008 and amended June 9, 2009, the Company entered into a \$6,000,000 Credit Agreement with Macquarie Bank Limited ("MBL"). The loan is secured by the assets of the Company.

The Company drew down the First Tranche, \$3,000,000 in 2008 to complete a feasibility study on the Company's Santa Elena Project. The First Tranche bears interest at LIBOR ("London Interbank Offered Rate) plus 2.75%. A facility fee of \$120,000 was paid to MBL and 2,307,692 warrants to purchase common shares at \$1.30 per share expiring on May 28, 2010 were issued. The fair value of the warrants was calculated at \$900,000 which has been allocated to transaction costs and contributed surplus. Proceeds received from any exercise of the warrants will be applied to repayment of the long term debt. No warrants were exercised in the nine month period ended September 30, 2009.

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

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

On June 15, 2009 the Company drew down the Second Tranche, \$3,000,000 to partially fund the remaining acquisition cost of the Company's Santa Elena Project. The Second Tranche bears interest at LIBOR plus 7.5%. A facility fee of \$60,000 was paid to MBL which has been allocated to transaction costs and the Company granted MBL a European gold call option for 5,000 ounces of gold at a strike price of US\$1,000 per ounce with an option expiry date of June 13, 2012. (see Note 7).

The loan is due December 9, 2009 or in the event the Company closes one or more financings (excluding equity financing) which includes the MBL Project Loan Facility.

Macquarie Bank Limited Project Loan Facility and Hedging Facilities

On June 5, 2009 the Company accepted a letter of offer (the "Letter of Offer") from Macquarie Bank Limited ("MBL") for a US\$12.5 million Project Loan Facility (the "Project Loan") and associated hedging facilities (the "Hedging Facility") to partially fund the cost of development of the Company's Santa Elena Project in Mexico.

The Project Loan will be made to the Company's wholly-owned Mexican subsidiary, Nusantara de Mexico S.A. de C.V. (the "Borrower"), will bear interest at the U.S. dollar LIBOR rate plus 6.0% per annum before repayment of 50% of the Project Loan and 5.5% after repayment of 50% of the Project Loan. The Project Loan shall be repaid in full on or before March 31, 2013 pursuant to an amortization schedule. Security for the Project Loan will include a general security agreement and guarantees from the Company. Drawdowns under the Project Loan will be subject to the terms and conditions of a definitive Project Loan agreement to be entered into, including various due diligence conditions and other customary lending conditions.

In consideration for the provision of the Project Loan and in accordance with the terms of the Letter of Offer, the Company has agreed to pay MBL certain fees customary for such a facility and to issue 5 million common share purchase warrants, each warrant exercisable to purchase one common share of the Company for a period of three years at a price of \$0.90 per share. In addition, MBL has agreed to cancellation of its existing outstanding warrants exercisable for a total of 3,216,782 shares. The Company had not signed the definitive Project Loan Agreement nor made the first drawdown on the Project Loan at September 30, 2009, hence no consideration was paid or new warrants issued to MBL. MBL's 3,216,782 warrants were still outstanding as at September 30, 2009.

The Hedging Facility was established on June 12, 2009 between the Borrower and MBL to cover 55,000 ounces of gold at a contract price of USD\$926.50 per ounce over the first three years of production (see Note 7).

During the period the Company paid \$104,151 in transaction costs relating to the MBL Credit Agreement and Project Loan.

7. DERIVATIVE INSTRUMENTS

The Company has implemented a gold price protection program (the "Hedge Facility") for the Santa Elena Project which was a requirement under the Project Loan. The hedge facility is comprised of 55,000 ounces of gold sold forward at US\$926.50 according to the following delivery schedule.

Metal	Maturity	Quantity (Ounces)
Gold	2010	4,746
	2011	23,947
	2012	15,308
	2013	10,999
		55,000

The Company does not hold this derivative instrument for trading purposes. The Company has determined that this program constitutes an effective economic hedge for the Santa Elena Project however it does not meet the requirements for hedge accounting under current Canadian generally accepted accounting principles (Canadian GAAP). Financial derivative instruments, those which do not qualify for hedge accounting, are required under Canadian GAAP to be recorded at fair value (marked to market) at the balance sheet date and the resulting gains or losses are to be included in the results for the period. As at September 30, 2009, the Company has a mark-to-market derivative instrument liability of \$4,083,742.

In consideration for the Second Tranche (Note 6) the Company granted MBL a European gold call option for 5,000 ounces of gold at a strike price of US\$1,000 per ounce with an option expiry date of June 13, 2012. The fair value of the European gold option was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate	2.01%
Expected dividend yield	-
Expected volatility	27.07%
Expected life	3 years

As at September 30, 2009 the fair value of the European gold call option has resulted in a derivative instrument liability of \$1,057,209.

Composition of unrealized loss on derivative instruments

	September 30, 2009	December 31, 2008
Hedge facility	\$ 4,083,742	\$ -
European gold call option	1,057,209	-
Unrealized loss on derivative instruments	\$ 5,140,951	\$ -

As at September 30, 2009, a 10% increase in the price of gold would result in an increase of \$623,680 in the unrealized loss on derivative instruments.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	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, 2007	35,070,675	\$ 14,706,589	\$ 2,107,021	\$ 16,813,610
Warrants exercised	4,066,600	4,124,926	(37,076)	4,087,850
Private placement	5,562,214	6,118,435	-	6,118,435
Finder's fees	-	(144,072)	-	(144,072)
Share issuance costs and finders' warrants	-	(133,315)	37,215	(96,100)
Stock options exercised	800,000	578,400	(218,400)	360,000
Stock-based compensation	-	-	1,172,955	1,172,955
Fair value of warrants	-	-	900,000	900,000
Balance at December 31, 2008	45,499,489	25,250,963	3,961,715	29,212,678
Private placement	12,650,000	6,325,000	-	6,325,000
Agents commission	-	(379,500)	-	(379,500)
Share issuance costs and agents' warrants	-	(432,054)	117,107	(314,947)
Stock based compensation	-	-	190,116	190,116
Balance at September 30, 2009	58,149,489	\$ 30,764,409	\$ 4,268,938	\$ 35,033,347

On June 25, 2009 the Company completed an offering of 12,650,000 Units at a price of \$0.50 per Unit for gross proceeds of \$6,325,000. Each Unit consists 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 \$0.65 per share until December 25, 2010. In connection with the offering the Company paid agents commission of \$379,500 and issued 759,000 warrants exercisable into one common share of the Company at a price of \$0.65 per share until December 25, 2010. The fair value of the warrants of \$117,107 was allocated to capital stock and contributed surplus. The weighted average assumptions used for the Black-Scholes valuation of warrants were annualized volatility of 96.43%, risk-free interest rate of 1.23%, expected life of 18 months, dividend rate of Nil. The Company incurred share issuance costs of \$314,947.

December 31, 2008

On March 13, 2008 the Company issued 3,172,580 Units pursuant to a private placement, at a price of \$1.10 per Unit for gross proceeds of \$3,489,838. Each Unit consists 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. In September 2009 the Company extended the terms of the warrants for one additional year. These warrants will now expire September 12, 2010.

On March 20, 2008 the Company issued 2,389,634 Units pursuant to a private placement at a price of \$1.10 per Unit for gross proceeds of \$2,628,597. 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. In September 2009 the Company extended the terms of the warrants for one additional year. These warrants will now expire September 19, 2010.

In 2008 the Company paid finders fees of \$144,072 and issued 130,974 warrants exercisable into one common share of the Company at a price of \$1.40 per share until September 12, 2009 (103,854 warrants) and September 19, 2009 (27,120 warrants). The fair value of the warrants of \$37,215 was allocated to capital stock and contributed surplus. The weighted average assumptions used for the Black-Scholes valuation of warrants were annualized volatility of 75.85%, risk-free interest rate of 2.65%, expected life of 24 months, dividend rate of Nil. The Company incurred share issuance costs of \$96,100.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

In 2008 4,066,600 warrants were exercised for cash proceeds of \$4,087,850. As a result, \$37,076 was transferred to capital stock from contributed surplus.

In 2008 800,000 stock options were exercised for cash proceeds of \$360,000. As a result, \$218,400 was transferred to capital stock from contributed surplus.

9. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as on the date of the grant. The options can be granted for a maximum term of 5 years and certain options to employees and consultants vest over periods of time, determined by the board of directors.

Stock option transactions and the number of stock options outstanding are summarized 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 December 31, 2008	4,180,000	\$1.08
Issued	1,125,000	\$0.49
Expired	(625,000)	\$1.41
Cancelled	(300,000)	\$1.27
Balance September 30, 2009	4,380,000	\$0.87
Exercisable at September 30, 2009	3,686,250	\$0.94

Number of Shares	Exercise Price	Expiry Date
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
850,000	\$1.03	July 14, 2013
200,000	\$0.45	January 8, 2014
925,000	\$0.50	July 22, 2014
4,380,000		

9. STOCK OPTIONS AND WARRANTS (continued)

Stock-based compensation

The total stock-based compensation recognized during the period ended September 30, 2009 under the fair value method was \$328,905 (2008 - \$1,409,750). The weighted average fair value per option granted during the period was \$0.25 (2008 - \$0.62). The Company expensed \$190,116. (2008 - \$1,261,625) leaving an unamortized balance of \$138,790 (2008 - \$148,125).

	2009	2008
Risk-free interest rate	2.45%	3.1%
Expected dividend yield	-	-
Expected stock price volatility	72%	74%
Expected option lives	4 years	3.53years

Warrants

Warrant transactions and the number of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2007	6,699,200	\$1.06
Issued	5,219,773	\$1.36
Exercised	(4,066,600)	\$1.01
Expired	(2,632,600)	\$1.14
As at December 31, 2008	5,219,773	\$1.36
Issued	7,084,000	\$0.65
Expired	(130,976)	\$1.40
As at September 30, 2009	12,172,797	\$0.94

Number of Shares	Exercise Price	Expiry Date
2,307,692	\$1.30	May 28, 2010
1,586,288	\$1.40	September 12, 2010
1,194,817	\$1.40	September 19, 2010
7,084,000	\$0.65	December 25, 2010
12,172,797		

10. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties:

- Paid or accrued \$262,500 (2008 - \$226,000) for management fees to companies controlled by two directors.
- Paid or accrued \$131,250 (2008 - \$113,000) for project management fees to an officer of the Company which are included in mineral property expenditures.
- Paid or accrued \$94,915 (2008 - \$84,526) for legal fees which were included in professional fees, \$68,181 (2008 - \$Nil) for transaction costs and \$130,747 (2008 - \$59,464) for share issue costs paid to a law firm of which an officer of the Company is a partner.

Included in accounts payable and accrued liabilities at September 30, 2009 is \$14,260 (2008 - \$13,698) due to a law firm of which an officer of the Company is a partner.

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2009	2008
Cash paid during the period for interest	\$ 163,553	\$ -

Significant non-cash transactions for the Company for the 9 months ended September 30, 2009 were as follows:

- The Company recorded a value of \$190,116 for stock options vested in the period in contributed surplus.
- The Company recorded a value of \$117,107 for agent's warrants pursuant to the offering in capital stock and contributed surplus.
- Included in mineral properties, plant and equipment is \$375,758 which relates to accounts payable and accrued liabilities for the period.

Significant non-cash transactions for the Company for the 9 months ended September 30, 2008 were as follows:

- The Company recorded a value of \$1,261,625 for stock options vested during the period in contributed surplus.
- The Company recorded a value of \$218,400 from contributed surplus to capital stock due to the exercise of stock options.
- The Company recorded a value of \$37,076 from contributed surplus to capital stock due to the exercise of warrants.
- The Company recorded a value of \$900,000 for the issuance of 2,307,692 warrants in connection with the MBL Credit Agreement in deferred finance charges and contributed surplus.
- Included in mineral properties, plant and equipment is \$176,748 which relates to accounts payable and accrued liabilities for the period.

12. FINANCIAL INSTRUMENTS

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. 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 and development stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and development 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.

b. Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its 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.

c. Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and 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 equivalents as they are generally held with large financial institutions. Interest expense is calculated at a rate of Canadian LIBOR plus 2.75 and 7.5% which currently is approximately 3.06% and 7.80% respectively. A 1% change in the market interest rates would not have a significant effect on the Company's loss and comprehensive loss for the period.

12. **FINANCIAL INSTRUMENTS** (continued)

d. Currency Risk

The Company operates in Canada, United States, Mexico and EL Salvador and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company's cash and equivalents, amounts receivable and accounts payable and accrued liabilities are held in several currencies and therefore are subject to fluctuations against the Canadian dollar.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

e. Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. In order to mitigate this risk, the Company has entered into a gold price protection program (Note 7).

The estimated fair value of financial assets is equal to their carrying values. At September 30, 2009, the Company's financial assets were held in the following currencies:

Carrying Value	Stated in Canadian Dollars				Total
	Canadian Dollar	US Dollar	Mexican Peso		
Cash and cash equivalents	\$ 4,668,718	\$ 1,930,467	\$ 91,937	\$	6,691,122
Amounts receivable	78,926	-	-		78,926

The estimated fair value of financial liabilities is equal to their carrying values. At September 30, 2009 the Company's financial liabilities are held in the following currencies:

Carrying Value	Stated in Canadian Dollars				Total
	Canadian Dollar	US Dollar	Mexican Peso		
Amounts payable and accrued liabilities	\$ 141,661	\$ 321,714	\$ 23,587	\$	486,962
Current portion of long term debt	6,000,000	-	-		6,000,000
Derivative instruments	5,140,951	-	-		5,140,951

At December 31, 2008, the Company's financial assets and liabilities were held in the following currencies:

Carrying Value	Stated in Canadian Dollars				Total
	Canadian Dollar	US Dollar	Mexican Peso		
Cash and cash equivalents	\$ 1,298,756	\$ 2,462,649	\$ 107,394	\$	3,868,799
Amounts receivable	1,030	3,659	1,711		6,400
Amounts payable and accrued liabilities	192,864	433,589	42,358		668,811
Long term debt	3,000,000	-	-		3,000,000

13. SEGMENTED INFORMATION

The Company operates in one business segment, the exploration and development of mineral properties. At the September 30, 2009, assets by geographic location are as follows:

September 30, 2009		Canada		Mexico		Total
Capital Assets						
Plant and equipment	\$	25,825	\$	6,574,908	\$	6,600,733
Mineral properties		-		13,803,047		13,803,047
December 31, 2008						
Capital Assets						
Plant and equipment	\$	15,485	\$	4,285,153	\$	4,300,638
Mineral properties		-		12,004,001		12,004,001

14. SUBSEQUENT EVENTS

The following events occurred subsequent to September 30, 2009.

- (a) In October 2009 the Company made the final acquisition payment on the Santa Elena Project. The Company paid US\$1,575,000 in cash and US\$525,000 by issuing 1,216,968 common shares of the Company at an issue price of US\$0.50 per share.
- (b) In October 2009 the Company signed contracts to acquire pieces of plant and equipment for the Santa Elena Project for US\$1,755,406 (\$1,824,638).
- (c) In October 2009 the Company commenced major construction at its Santa Elena Project.
- (d) The Company granted a total of 100,000 incentive stock options to an employee and consultant with an exercise price of \$0.80 until October 21, 2014.
- (e) In November 2009 50,000 warrants were exercised at \$0.65 per share for cash proceeds of \$32,500.
- (f) On November 26, 2009 the Company signed the definitive Project Loan Facility agreement with Macquarie Bank Ltd. for US\$12.5 million to finance the development of the Santa Elena Project (Note 6).
- (g) On November 27, 2009 the Company drew down the US\$12 million upfront deposit in accordance with the definitive Gold Purchase Agreement with Sandstorm Resources Ltd (Note 5). In connection with the drawdown the Company will pay a 5% finder's fee totaling US\$600,000.

15. COMPARATIVE FIGURES

Certain financial statement line items from prior periods have been reclassified to conform with the current period's presentation. These reclassifications had no effect on the net and comprehensive loss and accumulated deficit as previously reported.