

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

Siddharth Rajeev, B.Tech, MBA
Analyst

Vincent Weber, B.Sc.
Research Associate – Mining

March 2, 2009

SilverCrest Mines, Inc. (TSXV: SVL) – Updated Resource Estimate for Santa Elena project

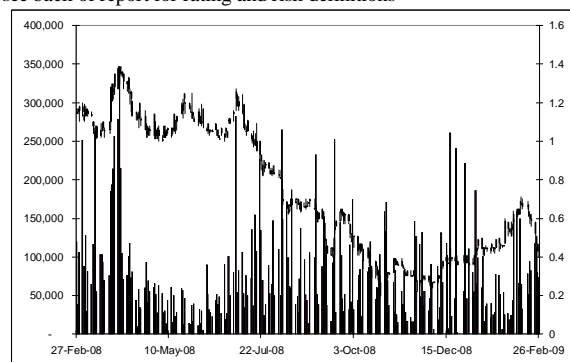
Sector/Industry: Junior Mining

www.silvercrestmines.com

Market Data (as of February 27, 2009)

Current Price	C\$0.465
Fair Value	C\$1.98
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.19 – C\$1.39
Shares O/S	45,499,489
Market Cap	C\$21.16 mm
Current Yield	N/A
P/E	N/A
P/B	0.96
YoY Return	-60.3%
YoY TSXV	-69.3%

*see back of report for rating and risk definitions



HIGHLIGHTS

- SilverCrest holds three silver-gold properties in Sonora, Mexico and one in Santa Ana, El Salvador.
- A recently updated mineral resource estimate on the Santa Elena project in Mexico, increased indicated gold and silver resources by 150% and 173% respectively. Updated NI 41-101 resource estimates are: 339,600 oz gold, 11.93 million oz silver **probable**; 190,600 oz gold, 11.82 million oz silver **indicated** and; 116,235 oz gold, 7.98 million oz silver **inferred**.
- Environmental Impact Assessment has been approved granting the right to develop and operate the Santa Elena mine.
- The company intends to develop the Santa Elena mine as an open pit, heap leach operation, with potential to go underground.
- In a best case scenario, and management's plan, construction of the heap leach pads and tailings ponds will be completed prior to the summer rainy season and initial production will begin before the end of 2009.
- Considering its current cash position, we believe, the company has to raise about US\$17 - US\$18 million in the next 3 to 4 months in order to commence production by the end of 2009.
- Increased resource estimates led to an increase in our DCF valuation. However, comparables valuation dropped as the average EV/Resource ratio of its peers dropped from \$2.08 to \$1.16 per oz.

Key Financial Data (FYE - Dec 31)

(C \$)	2005	2006	2007	2008 9 mo
Cash + Short term Inv	1,643,164	6,283,349	3,008,558	7,584,940
Working Capital	1,592,320	6,296,634	2,762,574	7,849,724
Mineral Assets	3,817,865	5,639,336	8,720,165	13,600,636
Total Assets	5,585,084	12,063,676	12,018,455	25,168,659
LT Debt	-	-	-	3,000,000
Net Income	(894,402)	(832,771)	(815,297)	(2,015,315)
EPS	(0.03)	(0.03)	(0.02)	(0.05)

SilverCrest Mines ("SVL") is working to put their Santa Elena property in Mexico into production. They currently have 43-101 compliant resource estimates on three of their properties. The company aims to build a 150 million ounce silver equivalent resource and become a low cost silver producer, making them a target for acquisition.

**Santa Elena,
Mexico**

Updated Resource Estimate: On January 15, 2009 the company announced a new resource estimation for the Santa Elena project which is presented below in Table 1:

Table 1

Category	Tonnes	Au g/t	Ag g/t	Contained Gold (oz.)	Contained Silver (oz.)
Probable	6,541,950	1.61	56.70	339,600	11,927,100
Indicated	2,161,240	2.75	170.20	190,666	11,815,600
Inferred	3,258,800	1.11	76.20	116,235	7,977,000

Source: SilverCrest Mines Inc.

There was no change in probable reserve estimates, while contained ounces of both gold and silver in the indicated category increased by 150% and 173%, respectively. In the inferred category, there was a minor decrease in contained gold ounces and a minor increase in contained silver ounces. Calculations are based on a cutoff grade of 0.5 g/t Au equivalent at a ratio of 64:1 (Ag:Au), with a gold price of US\$765/oz, and silver price of US\$11.95/oz, and 100% metal recovery for resources. Our long-term price forecasts for gold and silver are US\$600/oz and US\$11/oz, respectively. Therefore, investors should note that the calculated resource estimates would have been lower had a more conservative forecast been applied.

The company reports that probable reserves are within the limits of the pit design while indicated and inferred resources are outside the limits as defined in the pre-feasibility study dated August 11, 2008. The company is planning to re-estimate reserves based on updated feasibility numbers and ultimate pit design.

We are encouraged not only by the increase in indicated resources, but also the increase in grade of these resources as we expect this will likely lead to decreases in per ounce operating costs once production is underway. Table 2 below summarizes the percentage changes of tonnage, grade and contained ounces for the indicated and inferred resource categories.

Table 2

Category	Tonnes %Δ	Au g/t %Δ	Ag g/t %Δ	Contained Gold Ounces %Δ	Contained Silver Ounces %Δ
Indicated	20.1	108.1	127.0	149.9	172.6
Inferred	43.6	-33.6	-26.8	-4.6	4.8

Source: SilverCrest Mines Inc.

Discussion with management has indicated that changes to the tonnages and grades of new resource estimates are a result of additional drilling, optimization of the mineralized zone with exclusion of peripheral lower grade material, as well as increased silver grades to the east and to depth.

Underground Indicated and Inferred Resources: In anticipation of operations transitioning to underground after the open pit has been exhausted, an underground resource of indicated and inferred mineral resources outside of the conceptual pit has also been calculated and is shown in Table 3 below.

Table 3

Category	Tonnes	Au g/t	Ag g/t	Contained Gold (oz.)	Contained Silver (oz.)
Indicated	1,084,390	2.1	127.6	73,235	4,448,800
Inferred	1,350,080	1.9	121.5	84,057	5,276,300

Source: SilverCrest Mines Inc.

It is important to note that these resources are calculated from the same statistical and geostatistical data as used for calculation of Table 1 above. These resources are thus not in addition to the existing indicated and inferred resources found in Table 1. The calculation applies a higher cutoff grade of 1.75 g/t Au equivalent and minimum width of 2 meters. It is based on a gold price of US\$850 per ounce and silver price of US\$12 per ounce. The calculation is NI 43-101 compliant and we feel it displays the forward thinking of SilverCrest management.

Current Status: Permitting is in place for access. Construction of the three stage crusher is complete and construction of the Merrill Crowe recovery plant is nearly complete. The company's timeline to production is currently dependant on financing. Construction of heap leach pads and tailings ponds will commence immediately upon the acquisition of sufficient funding. The company has applied for, and is awaiting approval of, an explosives permit required for the open pit operation. The permit is not a concern of the company as there is no delay expected in the approval process, and mining contractors being considered have their own permits which will be applicable on an initial temporary basis.

Development Timeline: In our November 2008 update, we anticipated production to begin in Q3-2009 with full-scale production in Q1-2010. We believe the issues being experienced in financial markets are the main causes of the delays and **remain confident in this project**. In a best case scenario, and management's plan, construction of the heap leach pads and tailings ponds will be completed prior to the summer rainy season and initial production will begin before the end of 2009.

Management has indicated that production over the first 12 months will have the mill operating at 2,500 tpd, with total output of approximately 35,000 ounces of gold, and approximately 500,000 ounces of silver.

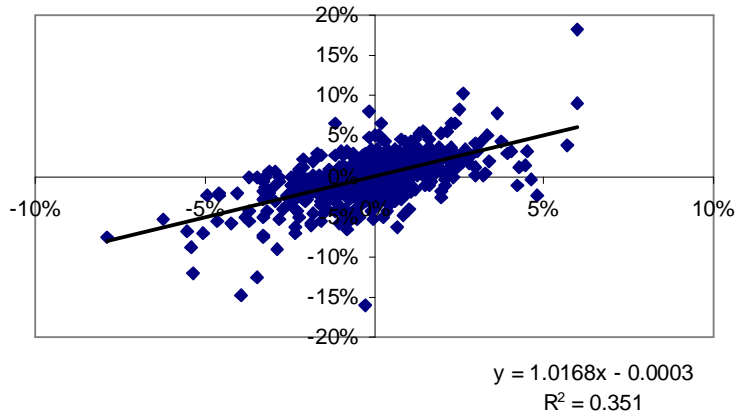
The expected open pit mine life is 8 years, followed by a 2 year slow down to closing. After year five however, a substantial pit layback is required at which time the decision to pursue an underground operation will be made. Going underground would involve a decline from the pit floor to higher grade material encountered in drilling.

Outlook on Silver

Although supply and demand forecasts play a crucial role in setting silver prices, we believe that silver, like gold, is a commodity that investors turn to, during difficult times, to preserve capital. This is shown by the:

- 1. Significant positive correlation between gold and silver prices in the past** - During January 2006 and January 2009, about 35% of the daily changes in silver prices could be explained by daily changes in gold prices.

Relationship b/w daily log changes in Gold & Silver prices
(Jan 3, 2006 - Jan 21, 2009)



Source: FRC

2. Strong investment demand – As of January 21, 2009, iShares Silver Trust assets were 230 million oz of silver, reflecting a 43% YOY. It is up by 994% since the introduction of the ETF in April 2006.

Silver did not follow gold prices in H2 – 2008, due to the expected slowdown in demand growth from industrial applications - During 1997 – 2007, 42% of the demand for silver came from industrial applications (51% in 2007). The global economic slowdown is negatively impacting the demand for silver in industrial applications, and as a result, prices did not move in tandem with gold prices in the second half of 2008. The table below shows that the average gold to silver price ratio in the second half of 2008, increased to 68 up from 52 in the first half of 2008. The average ratios were 53, and 52, during 2006, and 2007, respectively.

Gold/Silver Ratio	
2006	52.81
2007	51.99
H1-2008	52.47
H2-2008	68.30

Source: FRC

Forecast Prices – We are bullish on gold prices in 2009, and 2010, primarily because we expect the US\$ to depreciate (due to the slowdown in the U.S., negative real interest rates in the U.S., and inflationary pressures instigated by the recently announced large stimulus package). We believe that these factors, offset by a softening demand growth from industrial applications, will drive silver prices higher in the near-term. Our forecasts for 2009 and 2010 are US\$12.5/oz and US\$14/oz, respectively. Our long-term price forecast (2012+) for silver is US\$11/oz.

Financial Analysis

At the end of Q3-2008 (end of September 2008), the company had \$7.58 million in cash and cash equivalents. Working capital at the end of Q3 was \$7.85 million. In the first nine months of FY2008 (ended June 2008), the company reported a net loss of \$2.02 million (EPS: -\$0.05). We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.95 million per month in the first nine months of FY2008, compared to \$0.30 million per month in FY2007 (12-month period). According to management, the increase in burn rate was because of the additional work related to the feasibility studies, and as they had between 2-3 rigs running for most of 2008.

The following table shows the company's cash and liquidity position at the end of Q3-2008.

C\$	2005	2006	2007	2008 (9 mo)
Working Capital	1,592,320	6,296,634	2,762,574	7,849,724
Current Ratio	13.4	55.9	6.4	41.7
LT Debt / Assets	-	-	-	12%
Burn Rate (per month)	(182,191)	(191,105)	(301,191)	(953,257)
Cash from financing activities	132,916	6,937,652	339,500	13,326,113

In July 2008, the company entered into a \$3 million (interest – LIBOR + 2.75%) credit agreement with Macquarie Bank Limited. The amount is due May 28, 2010. At the end of Q3, this debt represented 12% of the company's assets.

Stock Options and Warrants: We estimate the company currently has 4.18 million stock options (weighted average exercise price of \$1.08 per share) and 5.22 million warrants (weighted average exercise price of \$1.36 per share) outstanding. None of the outstanding options and warrants are currently in-the-money.

Conclusion: According to management, the total cost to put the Santa Elena project into production is US\$20 million, plus an additional US\$2.70 million (option payments to increase ownership to 100%). The company has already invested about US\$3.85 million towards its US\$20 million capital budget. Considering its current cash position, we believe, the company has to raise about US\$17 - US\$18 million in the next 3 to 4 months in order to commence production by the end of 2009. Based on our discussion with management, the company is in negotiations with Macquarie Bank for a major loan facility to fund a significant portion of the required capital.

Valuation

As a result of the increase in resources, our DCF valuation on the Santa Elena, and the Cruz de Mayo properties, increased from \$0.73 to \$0.91 per share.

Santa Elena & Cruz de Mayo - DCF Summary	Revised	Previous
Tonnes	14,506,090	13,650,450
Production	2500 tpd (Years 1-5); 3200 tpd (Years 6+)	2500 tpd
Mine Life (years)	16	16
Recovered Silver (in oz)	12,437,453	9,826,279
Recovered Gold (in oz)	393,868	318,832
Recovery (Ag)	34%	34%
Recovery(Au)	67%	67%
Silver Price (US\$/oz)	\$11	\$11
Gold Price (US\$/oz)	\$600	\$600
Average Ag Grade (g/t) - Santa Elena	83.52	65.85
Average Au Grade (g/t) - Santa Elena	1.77	1.56
Avg. Operating Costs (US\$ /oz Au equivalent)	US\$328/oz. (US\$250/oz - Year 1 and 2)	US\$328/oz. (US\$250/oz - Year 1 and 2)
Initial Capital Costs	21,275,000	23,553,750
Discount Rate	12.84%	12.84%
NPV (C\$)	\$41,512,911	\$33,051,340
Shares	45,499,489	45,499,489
Value per Share (C\$)	\$0.91	\$0.73

The table below shows the sensitivity of our valuation to our long-term gold and silver price forecasts.

Sensitivity					
Gold/Silver Prices (US\$/oz)	\$5	\$8	\$11	\$14	\$17
\$500	\$0.25	\$0.46	\$0.66	\$0.87	\$1.08
\$600	\$0.50	\$0.71	\$0.91	\$1.12	\$1.33
\$700	\$0.75	\$0.95	\$1.16	\$1.37	\$1.57
\$800	\$1.00	\$1.20	\$1.41	\$1.62	\$1.82
\$900	\$1.24	\$1.45	\$1.66	\$1.86	\$2.07

We have maintained our valuation on the El Zapote project at \$0.13 per share. Adding working capital net debt to our valuation on the three properties, we arrived at a revised valuation of \$1.12 per share (up from \$0.95 per share).

Valuation Summary	
Santa Elena & Cruz de Mayo	\$0.912
El Zapote	\$0.135
Working Capital -Debt	\$0.068
Value per Share	\$1.115

Our comparables valuation, however, dropped from \$3.00 per share to \$1.93 per share due to a significant decline in the average ratio of enterprise value to resource of comparables (from \$2.08 to \$1.16 per oz). Note that we have continued to determine the EV/resource ratios based on the average share prices in the past 12 months as we believe that current prices do not reflect fundamentals.

Comparables Valuation		
	SYM	EV / Resources
1 Endeavour Silver Corp.	EDR	\$2.86
2 ECU Silver Mining Inc.	ECU	\$2.31
3 Orko Silver Corp.	OK	\$1.06
4 Fortuna Silver Mines	FVI	\$1.08
5 Silver Eagle Mines Inc.	SEG	\$0.79
6 SilverCrest Mines	SVL	\$0.44

Average EV/Resource \$1.16

Fair Value of SVL \$1.93

* EV was calculated based on the average share price in the past 12 months

* Resource calculations include 100% measured and indicated resources, and 50% inferred resources

* Since (1), (3) and (5) are producing companies, we have discounted their ratios by 25%

* Discounted El Zapote project's resource estimates by 50% to account for higher risks

Conclusions & Rating

Based on our revised valuation models, and review of the company's progress since our previous report, we reiterate our BUY rating, and maintain our fair value at \$1.98. Although the comparables valuation has dropped, the DCF value has increased which shows that the company is progressing its projects in the right direction while the market continues to be volatile.

Risks The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- SilverCrest's success is dependent on the management and development of its exploration projects.
- The success of drilling, expansion and increasing favorable resource estimates are very important for the company's future prospects.
- Financing Risks
- Share dilution

We have continued to rate the shares Risk 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees of less than \$30,000 have been paid by SVL to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, SVL has agreed to a minimum coverage term including an initial report and three updates. Coverage can not be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC's research is ranked by Investars. Full rankings and are available at www.investars.com.

The distribution of FRC's ratings are as follows: BUY (70%), HOLD (11%), SELL (4%), SUSPEND (15%).

To subscribe for real-time access to research, visit <http://www.researchfrc.com/subscription.htm> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

Fundamental Research Corp is registered with the British Columbia Securities Commission as a Securities Adviser, which is not in any way an endorsement from the BCSC. The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.