Fundamental Research Corp.

Investment Analysis for Intelligent Investors

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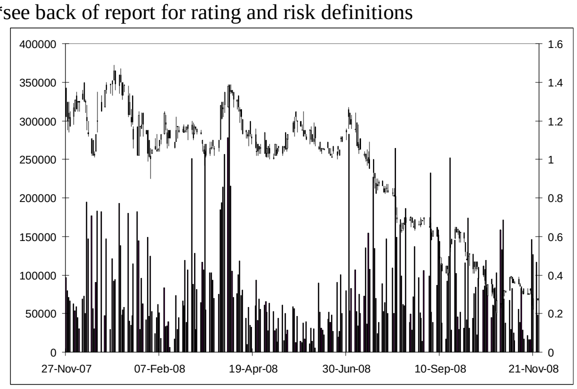
SilverCrest Mines, Inc. (TSXV: SVL) – Completed pre-feasibility study for Santa Elena project

Sector/Industry: Junior Mining **www.silvercrestmines.com**

Market Data (as of November 27, 2008)

Current Price	C$0.295
Fair Value	**C$1.98 (↓)**
Rating*	**BUY**
Risk*	**5 (Highly Spec)**
52 Week Range	C$0.19 – C$1.49
Shares O/S	45.50 mm
Market Cap	C$13.42 mm
Current Yield	N/A
P/E	N/A
P/B	0.63
YoY Return	-75.4%
YoY TSXV	-73.7%

*see back of report for rating and risk definitions



HIGHLIGHTS

- A recently completed pre-feasibility study on the Santa Elena project in Mexico, converted 73% of previously indicated resources to probable reserves. Updated NI 43-101 compliant estimates are: 339,600 oz gold, 11.93 million oz silver **probable**; 76,300 oz gold, 4.33 million oz silver **indicated** and; 121,900 oz gold, 7.60 million oz silver **inferred**.
- Environmental Impact Assessment has been approved granting the right to develop and operate the Santa Elena mine.
- Based on the pre-feasibility study, the base case scenario indicates Santa Elena has a pre-tax net present value of US$67 million.
- The company intends to develop the Santa Elena mine as an open pit, heap leach operation, with potential to go underground. The company expects production to start by Q3 2009, and reach full capacity by Q1 2010.
- The company has received approval for its Land Use Change application to reclassify the Santa Elena mine area from forestry to mining.
- Final engineering work is near completion and the company has committed to a crusher and recovery plant in expectation that mine construction will commence in the very near term.
- We maintain our BUY rating on the company, but lower our fair value estimate to $1.98 per share, from our previous estimate of $3.00 per share.

RISKS

- The success of drilling, increasing resource estimates and putting Santa Elena into production are very important for the company's future prospects.
- There has been anti-mining sentiment in El Salvador, and the government is revising the mining act and environmental regulations. The company is not working on the El Zapote property in El Salvador pending resolution of this issue.

Key Financial Data (FYE - Dec 31)

(C $)	2005	2006	2007	2008 6 mo
Cash + Short term Inv	1,643,164	6,283,349	3,008,558	8,086,927
Working Capital	1,592,320	6,296,634	2,762,574	8,346,176
Mineral Assets	3,817,865	5,639,336	8,720,165	11,885,579
Total Assets	5,585,084	12,063,676	12,018,455	21,740,510
LT Debt	-	-	-	-
Net Income	(894,402)	(832,771)	(815,297)	(1,158,362)
EPS	(0.03)	(0.03)	(0.02)	(0.03)

SilverCrest Mines ("SVL") is positioning 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.

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Santa Elena, Mexico

Current Status: Since our last update, SilverCrest Mines has continued to focus their efforts on the Santa Elena project in Mexico. Major milestones reached include the completion of a pre-feasibility study, approval of a Land Use Change application, and an approved environmental impact study. To compliment the company's progress, a NI 43-101 compliant technical report including reserve estimates and economic analysis was filed on SEDAR on August 12, 2008.

In addition, the company has committed to the purchase of a three stage crusher, a Merrill-Crowe recovery plant, and diesel power plants in anticipation of the commencement of construction. **The company is confident in the robustness of this project and is taking steps in moving this property towards production.** Based on our discussion with management, the company expects production to commence by Q3 2009, and reach full capacity by Q1 2010.

Current work on the project involves negotiation of an EPCM (engineering, procurement, construction, management) contract and further exploration to expand established resources in the Main Zone. Reconnaissance work and geophysical surveys have defined exploration targets near to the Main zone and the company has one core drill and one RC drill operating on site.

Pre-feasibility study

In June 2008, the company completed the pre-feasibility study on its Santa Elena open pit gold and silver mine in Sonora, Mexico. The study has converted approximately 73% of the project's indicated mineral resources to probable reserves. The following table summarizes the new NI 43-101 compliant resource and reserve estimates based on the pre-feasibility study.

Category	Tonnes	Au (g/t)	Ag (g/t)	Contained gold (oz.)	Contained silver (oz.)
Probable reserves	6,541,950	1.61	56.70	339,600	11,927,100
Indicated resources	1,800,000	1.32	75.00	76,300	4,334,000
Inferred resources	2,270,000	1.67	104.10	121,900	7,596,000

The above indicated and inferred resource estimates, which are excluded from the probable reserve estimate, were based on 41 drill holes. The company is currently completing an updated resource estimate, which will include the results of 51 additional drill holes (recent drilling results are discussed in a later section).

The company plans to develop the Santa Elena mine as an open pit, heap leach operation. The following table summarizes the operating parameters based on the pre-feasibility study.

Santa Elena Mine	
Capital cost	US$20 million
Cash Operating Costs	US$328/oz. Au equivalent (less than US$250/oz. Au equivalent in year 1 and 2)
Operating rate	2,500 tpd
Mine life	8 years
Recovery	67% gold, 34% silver

As discussed in the pre-feasibility study, the base case scenario indicates Santa Elena has a pre-tax net present value of US$67 million (8% discount rate). The following table summarizes project economics and metal price sensitivities.

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

Permitting

In January 2008, the company submitted an application to the Secretaria de Medio Ambiente y Recursos Naturales of Mexico (SEMARNAT) for a Land Use Change to reclassify the Santa Elena mine site area from forestry to mining. Approval was granted to the company in April 2008.

In addition, SilverCrest submitted its Environmental Impact Assessment to SEMARNAT for the Santa Elena project on April 28, 2008, which is the principal document in the application process for a mine operating permit. This assessment has now been approved granting SilverCrest the right to develop and operate the Santa Elena project.

Completion of Phase II Drilling

The company recently completed its Phase II drilling program at the Santa Elena Project with the final series of drill hole results shown in the table below.

					Weighted Average		
Drill Hole	From (m)	To (m)	Interval (m)	Interval (ft)	Au gpt	Ag gpt	Note
SE08-85	295.4	320.2	24.8	81.3	0.15	17.7	Expansion
SE08-86	318.4	388.2	69.8	228.8	0.20	29.1	Expansion
includes	318.5	321.2	2.7	8.8	0.52	436.0	Expansion
SE08-88	340.8	358.4	17.6	57.7	0.35	18.6	Expansion
SE08-91	395.9	398.9	3.0	9.8	0.49	54.8	Expansion
SE08-94	48.2	55.8	7.6	24.9	0.27	5.52	New Zone
SE08-95	428.5	438.1	9.6	31.4	2.32	73.9	Expansion
GT08-01	224.5	252.1	27.6	90.5	1.84	72.9	Geotechnical, Expansion
includes	226.3	233.9	7.6	24.9	5.22	114.7	Geotechnical, Expansion
GT08-02	227.5	240.4	12.9	42.3	0.65	56.7	Geotechnical, Expansion
GT08-03	219.9	230.3	10.4	34.1	1.52	108.5	Geotechnical, Expansion

Source: Company

The final 17 core holes (with the highlights shown above) were designed to upgrade and expand current gold and silver reserves and resources for the project. **The most significant intercepts of this series of holes were encountered in hole SE08-95 which intercepted 9.6 metres grading 2.32 gpt gold and 73.9 gpt silver, and hole GT08-01 with 7.6 metres grading 5.22 gpt gold and 114.7 gpt silver.** Overall, the company's Phase II drilling program demonstrated continuous mineralization over widths of 5 to 40 metres as expansion drilling moved east and to depth. The Main Zone in the eastern area has an average width of about 15 metres, which is consistent with the rest of the deposit, and the silver grades continue to increase to the east and to depth. The Main Zone still remains open to the east and to depth, which the company plans to test in a Phase III program.

The total number of holes drilled on the Santa Elena Project, as of September 2008, are summarized below. Particularly, the 4 geotechnical core holes (GT08-01 to 04) were completed for feasibility work related to pit slope optimization, whereby mineralized areas were cut and sampled for analysis after detailed logging for engineering purposes.

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

*a majority of the RC holes are pre-collars for coring

Source: Company

Other Properties

The company operated a 10 hole, 2,000 meter, RC drilling program from June to August, 2008, designed to expand current silver resources on the 100% owned Cruz de Mayo property. Results of this program are still pending. There are currently 15 million ounces of indicated and inferred silver resources defined on the property.

Outlook on Gold and Silver

We have maintained our long-term price assumption on gold at US$600/oz, and silver at US$11/oz. Our models indicate that SVL's share price has had little correlation with gold or silver prices based on data since January 2006. A regression analysis between the daily changes in SVL's share price, and gold and silver prices, gave betas which were not statistically significant.

Financial Analysis

At the end of Q2 2008, the company had $8.09 million and $8.35 million in cash and working capital, respectively. In the first 6 months of FY2008 (ended June 2008), the company reported a net loss of $1.16 million (EPS: -$0.03) versus a net loss of $0.38 million (EPS: -$0.01) in the comparable period in the previous year.

We estimate the company had a burn rate (cash spent on operating and investing activities) of $0.87 million per month in the first 6 months of FY2008, compared to $0.30 million per month in FY2007 (12-month period). The following table shows the company's cash and liquidity position at the end of Q2 2008.

C$	2005	2006	2007	2008 (6 mo)
Working Capital	1,592,320	6,296,634	2,762,574	8,346,176
Current Ratio	13.4	55.9	6.4	24.6
LT Debt / Assets	-	-	-	-
Burn Rate (per month)	(182,191)	(191,105)	(301,191)	(874,624)
Cash from financing activities	132,916	6,937,652	339,500	10,566,285

Stock Options and Warrants: At the end of June 2008, the company had 3.33 million stock options outstanding, with exercise prices ranging from $0.75 to $1.41, and maturity periods between March 2009 and March 2013. The company also had 4.50 million warrants outstanding with exercise prices ranging from $1.09 to $1.40, and maturity periods between December 2008 and September 2009. None of the outstanding options and warrants are currently in-the-money.

Feasibility Finance Credit Facility: In July 2008, the company completed a definitive credit facility agreement with Macquarie Bank Limited for $3 million (interest at C$ LIBOR rate plus 2.75% p.a.) to fund completion of the feasibility study for the Santa Elena Project. In connection with the credit facility, the company issued 2.31 million warrants (exercise price - $1.30; maturity date – July 3, 2010) to Macquarie. According to management, the company has drawn down the entire $3 million from the credit facility.

Conclusion: The capital cost to put the Santa Elena project into production is $US20 million. Based on the company's cash position of $8.09 million at the end of June 2008, plus an additional $3 million feasibility finance credit facility, we estimate the company will have to seek additional financing in 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

Valuation of the Santa Elena & Cruz de Mayo projects: As shown in the table below, our revised valuation of the Santa Elena & Cruz de Mayo projects is $33.05 million or $0.73 per share, compared with $62.43 million or $1.63 per share in our previous report.

Santa Elena & Cruz de Mayo - DCF Summary	Revised	Previous
Tonnes	13,650,450	12,855,800
Average ore tonnes per year	875,000	875,000
Mine Life (years)	16	16
Recovered Silver (in oz)	9,826,279	11,800,565
Recovered Gold (in oz)	318,832	340,761
Recovery (Ag)	34%	40%
Recovery(Au)	67%	70%
Silver Price (US$/oz)	$11.00	$11.00
Gold Price (US$/oz)	$600.00	$600.00
Average Ag Grade (g/t) - Santa Elena	65.85	74.03
Average Au Grade (g/t) - Santa Elena	1.56	1.74
Avg. Operating Costs (US$ /oz Au equivalent)	US$328/oz. (US$250/oz. year 1 and 2)	US$212/oz.
Capital Costs	23,553,750	23,553,750
Discount Rate	12.84%	12.84%
NPV (C$)	$33,051,340	$62,426,379
Shares	45,499,000	38,254,190
Value per Share (C$)	**$0.73**	**$1.63**

Our valuation dropped primarily due to the following reasons:

- Lower recovered gold and silver from the Santa Elena project as a result of lower recovery and average metal grades based on the pre-feasibility study.
- Significantly higher operating costs of US$328/oz. for the Santa Elena project, compared to US$212/oz. in our previous report.

- Increase in the number of diluted shares to 45.50 million, up from 38.25 million in our previous report.
- Delay in production commencement from the beginning of 2009, to the end of Q3 2009

Sensitivity: The following table presents the sensitivity of our DCF model when we change our longer commodity prices from $500/oz. to $1,000/oz. for gold, and $5/oz. to $17/oz. for silver.

Sensitivity Gold/Silver Prices	$5	$8	$11	$14	$17
$500	$0.17	$0.33	$0.50	$0.67	$0.83
$600	$0.39	$0.56	$0.73	$0.89	$1.06
$700	$0.62	$0.79	$0.95	$1.12	$1.29
$800	$0.85	$1.01	$1.18	$1.35	$1.51
$900	$1.07	$1.24	$1.41	$1.57	$1.74
$1,000	$1.30	$1.47	$1.63	$1.80	$1.97

Valuation of the El Zapote project: Our revised valuation of the EL Zapote project is $6.14 million or $0.13 per share, compared to $10.22 million or $0.27 per share previously. Valuation dropped primarily because we have delayed production commencement by 2 years from 2011 to 2013 (considering the anti-mining sentiment in El Salvador where the government is revising the mining act and environmental regulations), in addition to the increase in diluted shares. We did not make any other noteworthy change in our valuation model on the El Zapote project.

Our revised valuation of the company based on our DCF models is $0.95 per share, compared to $2.00 per share in our previous report.

Valuation Summary	
Santa Elena & Cruz de Mayo	$0.73
El Zapote	$0.13
Working Capital -Debt	$0.09
Value per Share	**$0.95**

Comparable Analysis: Based on an average EV/Resources ratio of $2.08/oz Ag equivalent, we have valued the company at $3.00 per share, compared to $4.83 per share in our previous report. In this report, we have included only 50% of the inferred resource estimates of all the companies in the analysis, as compared to 100% in our previous report. As shown in the following table, SVL has an EV/Resources ratio of $0.53/oz Ag equivalent based on its YTD average share price, and continues to be undervalued relative to its peers.

Comparables Valuation						
		SYM	Price	Enterprise Value (EV)	Resources (Ag eq. in oz)	EV / Resources
1	**Endeavour Silver Corp.**	EDR	$ 2.88	$128,629,245	25,212,543	**$5.10**
2	**ECU Silver Mining Inc.**	ECU	$ 1.64	$412,295,130	127,134,000	**$3.24**
3	**Orko Silver Corp.**	OK	$ 1.34	$135,136,369	51,600,000	**$2.62**
4	**Fortuna Silver Mines**	FVI	$ 1.74	$101,797,827	57,451,301	**$1.77**
5	**Silver Eagle Mines Inc.**	SEG	$ 0.55	$25,121,034	14,247,182	**$1.76**
6	**SilverCrest Mines**	SVL	$ 0.90	$32,752,417	61,709,932	**$0.53**
					Average	**$2.08**
					Fair Value of SVL's Stock	**$3.00**

* Stock prices are YTD averages
* Resource calculations include all the measured and indicated resources, and half of the inferred resources
*Since (1), (3) and (5) are producing companies, we have discounted their ratios by 25%
* Resource calculations do not include zinc; discounted El Zapote project's resource estimates by 50% to account for increased risks
* We removed ASM as its resouce is not comparable to the others

Conclusions & Rating

Our average valuation on the company is $1.98 per share, compared to $3.00 per share in our previous report.

We are pleased with the company's work in advancing the Santa Elena project toward production. Based on our revised valuation models and review of the company's progress since our previous report, we reiterate our BUY rating on the company, but lower our fair value estimate from $3.00 to $1.98. Our fair value estimate reflects upside potential of 570% from the current price.

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 and putting Santa Elena into production.
- The success of drilling, expansion and increasing favorable resource estimates are very important for the company's future prospects.
- Delays may occur to the Santa Elena project if financing is not received as expected.

The company has not yet achieved production at its Santa Elena project. Therefore, we continue to rate the company's shares a Risk of 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.

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