

# SilverCrest Mines Inc. (SVL-TSXV)

Recent Price: \$1.11 Recommendation: Speculative Buy

Target Price: \$2.20 Potential Upside: 98%



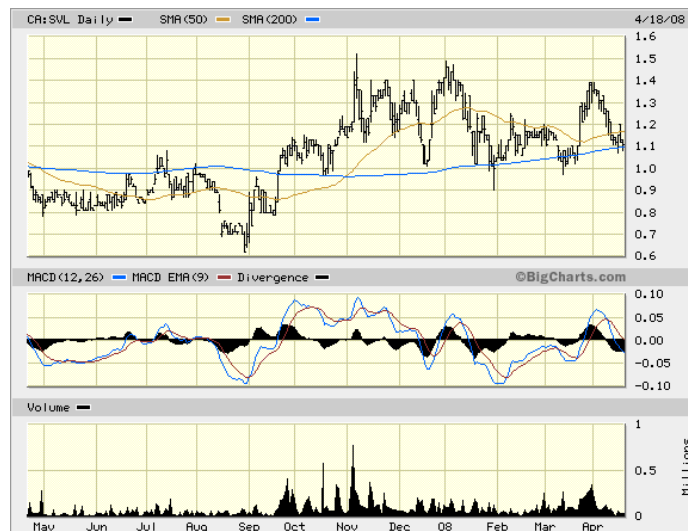
## Moving Towards Production at Santa Elena

**Event:** Initiating Coverage of SilverCrest Mines Inc.

### Highlights

#### Santa Elena Property, Sonora State, Mexico.

- Prefeasibility study and further resource delineation drilling are in progress. Indicated Resources are estimated at 7.4 million tonnes grading 1.8g/t Au and 74.2g/t Ag. This represents 428,700 ounces of gold and 17.6 million ounces of silver based on a 0.5g/t gold equivalent cut-off grade.
- Inferred Resources are estimated at 2.6 million tonnes grading 1.37g/t Au and 73.06g/t Ag and contain 114,800 ounces of gold and 6.1 million ounces of silver.
- The reported resources are contained within an 800m length of the Main Zone. Geophysics suggests the zone continues for another 500m along strike.
- A significant intercept from recent drilling includes 32.9m (107.9 feet) grading 3.0g/t gold and 187.2g/t silver. This particular hole was collared to test the eastern extension of the Main Zone vein system.
- It is expected that a production decision for the Santa Elena project will be made in early Q2 2008. Capital and operating cost estimates and leach optimization tests are completed.
- SilverCrest recently signed a community land occupation agreement with the community of Banamichi (Ejido) for the Santa Elena Project. This involves up to 841 hectares, and is valid for a period of 20 years. It ensures that the exploration, development and mining activities at Santa Elena can be carried out unimpeded.
- Nearby Cruz de Mayo property will also be the focus of resource expansion drilling in 2008.



Source: Bigcharts.com

52-Week Range	\$0.62 - \$1.52
Basic Shares O/S	34.73 million
Fully Diluted Shares O/S	44.7 million
Market Capitalization	\$49.6 million
Fiscal Year End	December 31
Cash (April 2008)	\$11.3 million

<u>Stock Ownership</u>	<u>Shares (mm)</u>	<u>%Total</u>
Institutional	9.0	20
Management	7.1	16
Public Float	28.6	64
Total	44.7	100

All figures in Canadian dollars, unless otherwise stated

SilverCrest Mines Inc. is a silver exploration company with properties in northern Mexico and El Salvador. The company is headquartered in Vancouver, Canada.

### Recommendation

We are initiating coverage of SilverCrest Mines with a **SPECULATIVE BUY** recommendation and a 12 month target price of \$2.20 per share.

April 21, 2008

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## SILVERCREST MINES INC.

### Summary

This report signals our decision to initiate coverage of SilverCrest Mines ("Silvercrest"). SilverCrest has been advancing exploration and resource definition drilling on its 100%-owned silver-gold properties in northern Mexico. The focus so far has been the Santa Elena property in Sonora State where the company has defined an indicated resource of about 17.6Moz of silver (Ag) and 428,000 oz of gold (Au), representing about 56.3 million Ag equivalent ounces. Average grades for the indicated resources are 74.2g/t Ag and 1.81 g/t Au. An inferred resource of 2.8 million tonnes (Mt) at 73g/t Ag and 1.3g/t Au representing about 6.1 million Ag equivalent ounces. The company is busy exploring for resource extensions along strike and to depth and also testing the resource potential of regional targets proximal to Santa Elena. One of the recent step-out holes (SE07-41) intersected 32.9m grading 3g/t Au and 187.2 g/t Ag from 114m to 146.9m. The same interval contained a 9.9m section of 5.5g/t Au and 409.6g/t Ag. The significant gold is what distinguishes Santa Elena from numerous other silver deposits in Sonora State.

**2 advanced  
silver properties  
in Mexico**

SilverCrest is completing a prefeasibility study for Santa Elena and plans to have an updated resource estimate and production decision for the deposit in Q2 2008. If successful, the Santa Elena property could be in heap-leach production by mid 2009.

**Santa Elena  
production  
decision  
expected in  
Q2 2008**

The other advanced project in Sonora State is the 100%-owned Cruz de Mayo property for which SilverCrest has defined an indicated resource of 1.1M tonnes at 64g/t Ag or about 2.35Moz of silver. Although gold assays are pending, preliminary metallurgical testing does indicate some amount of recoverable gold. The oxidized stockwork zone that contains the silver mineralization at Cruz de Mayo has been traced over a strike length of approximately 2.5km. Only about 800m of the strike length has been tested by detailed drilling.

Cruz de Mayo is located about 3km northeast of Santa Elena and is situated on the southeast end of a 35km long trend referred to as the "Silver Angel Trend" which is defined by several small, high-grade historical silver-gold producers. SilverCrest controls most of the 'trend' through 100% ownership of the 18,000ha Silver Angel property. Accordingly, the Company continues reconnaissance exploration work to define targets similar to Cruz de Mayo.

The other advanced exploration property owned by the Company is the El Zapote project in El Salvador. The Cerro Colorado III deposit contains an indicated resource of 1.92Mt at 177.7g/t Ag and 0.19g/t Au or about 11M oz of silver and 13,000 oz of gold. The nearby Tajado deposit has an inferred resource of 3.5Moz of silver. With just over 1% zinc the deposits could also produce significant zinc providing the metallurgy is not difficult. The company estimates that together the two deposits contain about 1 Mt of oxidized ore grading 100-200g/t Ag and 0.28-0.36g/t Au. SilverCrest is still in the feasibility stage on the El Zapote project and is currently evaluating the pros and cons between a conventional mill facility (using flotation) and a heap leach operation. While the latter would likely reduce capital costs and result in quicker initial production, metal recoveries would be reduced.

SilverCrest has completed metallurgical optimization tests for El Zapote and has also collected environmental and water quality data for a final environmental impact assessment (EIA) for El Salvador's Department of Environment. However, the project is essentially on hold pending assurance from El Salvadorian authorities that an exploitation license will be issued.

The Company currently has \$11.3 million in cash and no long term debt. The table on the next page shows the total NI 43-101 compliant resources currently defined within the three properties:

NI 43-101 Resources reported as of November, 2007, are estimated at: (Source: SilverCrest)

SilverCrest Silver and Gold Resources										
Property	Resource Category	Tonnes	Ag gpt	Au gpt	Tons	Ag opt	Au opt	Contained Silver Ounces	Contained Gold Ounces	Contained Silver & Silver Equiv. Ounces
Santa Elena	Indicated	7,378,300	74.20	1.81	8,133,200	2.16	0.053	17,600,900	428,700	43,327,100
	Inferred	2,608,000	73.06	1.37	2,874,800	2.13	0.040	6,125,700	114,800	13,016,700
Cruz de Mayo	Indicated	1,141,000	64.15	RP	1,257,700	1.87	RP	2,353,400	RP	2,353,400
	Inferred	6,065,000	66.50	RP	6,685,500	1.94	RP	12,967,100	RP	12,967,100
El Zapote	Indicated	1,925,200	177.70	0.19	2,122,200	5.20	0.006	11,036,000	13,000	11,816,000
	Inferred	1,086,400	101.60	0.18	1,197,500	3.00	0.005	3,593,000	6,000	3,953,000
<b>Total Indicated Resources</b>								30,990,400	441,700	57,496,500
<b>Total Inferred Resources</b>								22,685,800	120,800	29,936,800

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

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

3 Conversion of gold to silver based on 80:1 silver to gold ratio. Assumes 100% metal recovery. This does not include zinc resource at El Zapote.

RP = results pending.

## PRINCIPAL PROPERTIES – THERE’S NO PLACE LIKE MEXICO

When it comes to silver exploration, there is arguably no better region globally to work in than Mexico. According to [www.silverinstitute.org](http://www.silverinstitute.org), Spanish records indicate that from 1500 to 1800 A.D. about 1.5 billion troy ounces were mined in Mexico. Mexico has the worlds top producing, primary silver mine at Fresnillo which is operated by the world’s top silver producer Industrias Penoles. Another Mexican company, Grupo Mexico, is the world’s seventh largest silver producer. Mexico also has an attractive exploration and mining regulatory framework, good road and power networks and supportive local communities.

**Mexico  
produces 15%  
of global silver  
production**

Global silver mine production edged up fractionally in 2006, with notable gains in Latin America and Asia. Total silver mine production reached 646.1 Moz last year, with Peru, Mexico, China, Australia and Chile being the top 5 silver mining countries. Mexican production in 2006 totaled 96.4Moz or 15% of the total world production. Peru which is the top silver producer supplied 17% of global production. In 2005, silver production from primary mines fell by 10% to 161.4 Moz, representing 25% of global silver production. In 2006 cash costs at primary silver mines were reported to average US\$2.74 per ounce. However, given rising costs for everything from people to tires throughout the mining industry, it is likely that cash costs rose considerably in 2007.

In 2006, total global silver fabrication decreased almost 1%. However, for the same period, industrial applications recorded a 6% gain which was the fifth consecutive year of growth in this category. As with all metals the strongest industrial demand came from China which posted a 10.4% increase, followed closely by Japan which recorded a 10% increase in demand in 2006. Industrial applications exceeded 50% of the total global fabrication demand for the first time in 2006.

## Santa Elena has a Silver *and* Gold Lining

The Santa Elena deposit is located in Sonora State in northern Mexico within the Sierra Madre Occidental mountain range which extends south from Arizona (Figure 1). The area is known for hosting world-class copper deposits and contains Mexico's two largest open pit copper mines, Cananea and La Caridad, owned by Grupo México. Sonora State also contributed about 4% of Mexico's total silver production and is home to a silver refinery owned by Grupo Mexico.

The Santa Elena option agreement allows SilverCrest to acquire 100% of the Santa Elena property in exchange for US\$ 3 million in payments over 5 years. A final payment of US\$1.0 million is due at completion of a feasibility study and receipt of all mining and operating permits.



Figure 1: Mexico property location map (Source: SilverCrest)

The Santa Elena property consists of 7 concessions with a total nominal area of 3,160 hectares. The concessions are located on Ejido (community, or co-op) land, and it is necessary to deal with the owners to obtain access and surface rights. To this end Silvercrest has signed a community land occupation agreement with the community of Banamichi (Ejido) for the Santa Elena Project. This agreement, which covers up to 841 hectares, is for a period of 20 years and ensures that the exploration, development and mining activities of the Company at Santa Elena can be carried out unimpeded.

**20 year  
land use  
agreement  
signed**

The current resource estimate for Santa Elena is shown in Table 1 below. Indicated resources are now estimated at 7.4 million tonnes grading 1.81g/t Au and 74.2 g/t Ag which represents 428,700 ounces of gold and 17.6 million ounces of silver based on a 0.5 g/t gold equivalent cut-off grade. Inferred resources are estimated at 2.6 million tonnes grading 1.37g/t Au and 73.06 g/t Ag and contain 114,800 ounces of gold and 6.1 million ounces of silver. Optimization of open pit configurations shows that approximately 80% of the Indicated Resource will fall within the proposed pit limits.

Table 1: Santa Elena Jan.08 Resource Estimate (Source: SilverCrest)

Santa Elena Silver and Gold Resources										
Property	Resource Category <sup>1</sup>	Tonnes	Ag gpt	Au gpt	Tons	Ag opt	Au opt	Contained Silver Ounces	Contained Gold Ounces	Contained Silver & Silver Equiv. Ounces <sup>3</sup>
Santa Elena <sup>2</sup>	Indicated	7,378,300	74.20	1.81	8,133,200	2.16	0.053	17,600,900	428,700	43,327,100
	Inferred	2,608,000	73.06	1.37	2,874,800	2.13	0.040	6,125,700	114,800	13,016,700

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

<sup>2</sup> Cutoff grade for Santa Elena is 30 gpt Ag equivalent (0.5 gpt Au equivalent).

<sup>3</sup> Conversion of gold to silver based on 60:1 silver to gold ratio, Assumes 100% metal recovery, and uses \$600/oz gold, \$10/oz silver.

This resource was based on the results of 40 drill holes and considerable underground sampling.



**Bonanza-type gold – silver grades expected at Santa Elena**

The Santa Elena deposit is typical of epithermal vein-type silver and gold deposits. Such deposits consist of structurally-controlled quartz vein systems which can extend for considerable distance laterally (km's) and to depth (100's of m). Multiple vein systems are common and grades often vary according to vein textures and structural features. During our site visit we confirmed the occurrence of high-grade, silver and gold mineralization associated with vein textures such as colloform banding and bladed quartz (after carbonate) where bonanza-type grades would be expected.

**Previous production averaged 7g/t Au, 85g/t Ag**

The Santa Elena property is an historic high-grade gold-silver producer with production estimated at 100,000 tonnes at a grade of 6 g/t Au to 8 g/t Au and 70 g/t Ag to 100 g/t Ag. Most of the development was completed during the late 19th century to early 20th century, up to the start of the Mexican Revolution in 1910. During this period a 450 ft. 2-compartment shaft, a 100m single compartment inclined shaft, and eight to nine working levels at a spacing of approximately 15m to 20m with numerous crosscuts and raises were completed. During the early 1980s, Tungsteno de Baviacora (Tungsteno), the current owner of the Santa Elena mine, mined 45,000 tonnes grading 3.5 g/t Au and 60 g/t Ag from an open cut. This material was shipped for processing to the company's flotation mill near Baviacora. Since 2003, Tungsteno has periodically surface mined high silica/low fluorine material from Santa Elena and shipped it to the Grupo Mexico smelter in El Tajo.

In late 2003, Nevada Pacific Gold Inc. of Vancouver B.C. completed a brief surface and underground sampling program with the collection of 119 samples. In early 2004, Fronteer Development Group completed an extensive surface and underground mapping and sampling program. The results of Fronteer's sampling indicate some grade variation when compared to SilverCrest's sample results, although such variation is expected for deposits such as Santa Elena.



*Figure 2: Santa Elena Deposit – Main Zone and Footwall Zone exposure  
(Source: Toll Cross)*

**Main Zone remains open along strike and to depth**

Figure 3 below shows the locations for recent infill drilling through a section of the Main Zone and also the location of drill collars outside of the current resource area. Significant intersections from the infill program include; SE07-22 which intersected 12.85m (81.15-94m) of 4.92g/t gold and 205.2g/t silver, SE07-23 which intersected 10.1m (71.9-82m) of 6.53g/t gold and 218.7g/t silver and SE07-41 which intercepted 32.9m (107.9 feet) grading 3.0 g/t gold and 187.2 g/t silver. Average width of the Main Zone in the eastern area is approximately 15m and is similar to the rest of the deposit. The Main Zone has been traced on surface for approximately 1,300m and has been encountered in drill holes to a vertical depth of more than 500m. The Main Zone still remains open to the east and to depth and will be the focus of the remainder of the Phase II drill program. Overall, the results for expansion drilling continue to show significant gold and silver values over widths of 11 to 21m as drilling moves east and to depth. Significant intersections include; 21m of 1.41g/t gold and 109.53g/t silver in hole SE08-70, and 11.4m of 2.83g/t gold and 150.15g/t silver in hole SE08-75.

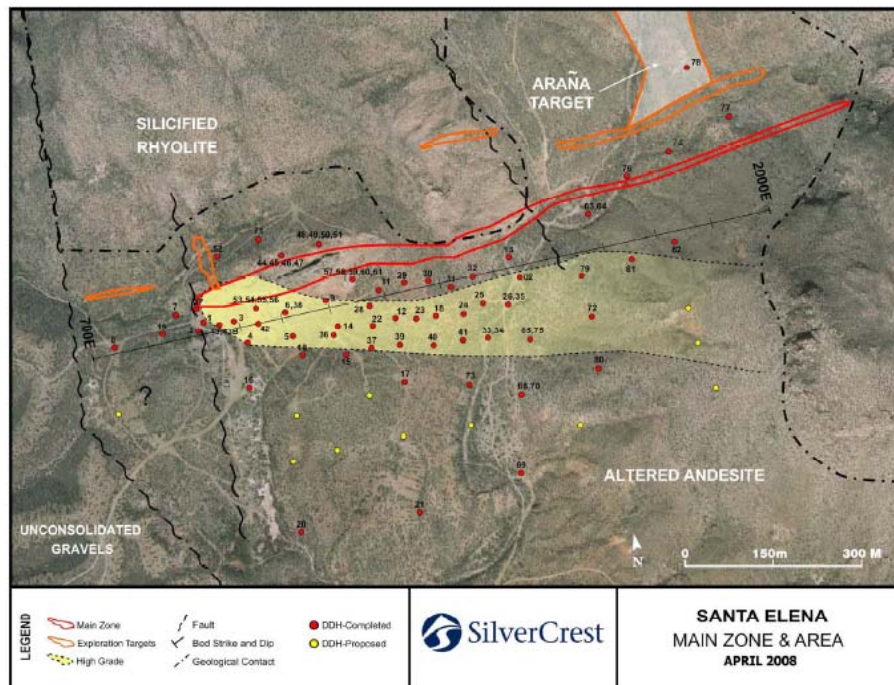


Figure 3: Santa Elena property drill hole location map (Source: SilverCrest)

Figures 4 and 5 show sections through the Santa Elena Main Zone. Figure 4 indicates good grade and width correlation through the Main Zone between drill core and underground channel samples. This drilling also intercepted footwall mineralization with an estimated true width of 14m and an average grade of 85.6g/t silver equivalent. The footwall zone appears to have a strike length of 400m with a down dip length of 30 to 50m. This zone potentially represents an “at-surface” extension of the Main Zone resources and was not included in previous resource estimates.

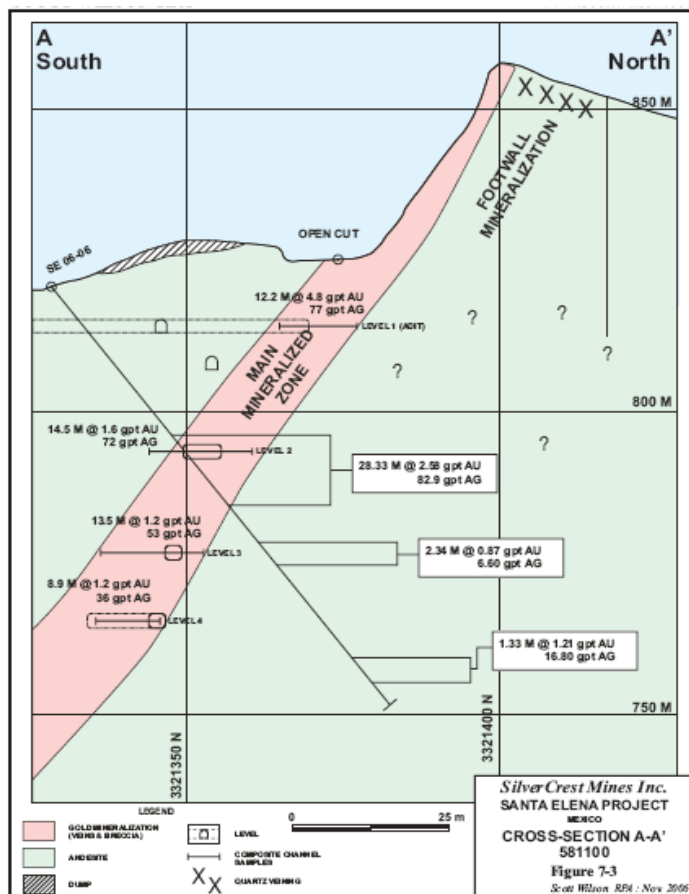


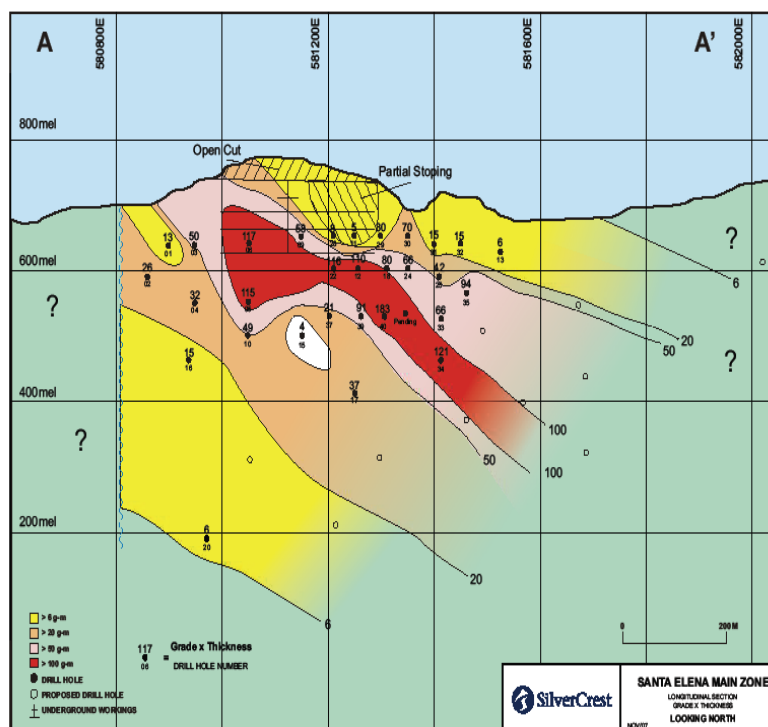
Figure 5 shows a longitudinal section across the Main Zone and indicates that resource expansion along strike to the east and to depth can be expected. No significant faulting or displacement of the Main Zone has been identified to date.

The dimensions of the Main Zone as indicated by drilling are currently estimated at 800m in strike length, 600m down dip, and a zone width ranging from 5 to 30m with an expected true width average of 15m.

A program of ground geophysics has been completed and the results suggest the potential for an extension of the Main Zone to 1200m in length. The geophysics also appears to have better defined structural features and possible parallel vein systems that were partially identified at surface. Future drilling will target these features.

Figure 4: Santa Elena property drill hole cross-section map (Source: SilverCrest)

**Resource expansion and other vein systems are expected**



Metallurgical tests have been completed to optimize heap leaching characteristics of the Santa Elena ore. Initial column percolation tests indicated recoveries of 70% for gold and 37% for silver. Leach time is considered good with over 50% of the recoverable metals retrieved within 20 days. The Company plans to first heap leach ore and then reprocess the leached ore in a conventional mill during the underground mining phase.

Figure 5: Santa Elena property Longitudinal cross-section map showing Au-equivalent grade-thickness contours (Source: SilverCrest)

## Looking Ahead

### Open-pit heap leach and underground mining likely

SilverCrest is near completion of a Preliminary Feasibility Study and exploration drilling continues at Santa Elena. The 2008 program will include approximately 4,000m of core and 6,000m of RC drilling. The ongoing extended Phase II drill program is expected to expand the current resource to the east, to depth, and further test the Footwall Zone. Resources are currently being defined in the Main Zone that may be amenable to underground mining. This would potentially enable the proposed open-pit heap leach operation to transition into an underground mining operation utilizing a conventional (flotation) mill. This is significant as metal recoveries for a proposed open-pit, heap leach operation are somewhat low (33%-37% of silver, 65%-70% of gold). If a viable underground resource is defined it is the company's plan to reprocess the leached material in a conventional mill whereby combined total metal recoveries should be closer to 80% for silver and 90% for gold.

A new resource estimate for the Main Zone is expected to be announced in the second quarter of 2008. The updated model should include the results of an additional 35 to 40 drill holes. Based on drill results to date we expect the company to define a potentially economic underground resource.

In order to facilitate completion of a feasibility study for Santa Elena, the company has accepted a commitment from Macquarie Bank Limited for a US\$3.0 million finance credit facility. Macquarie has also taken a C\$2.0 million equity investment.

### Permitting process for heap leach operation underway

An application for a Land Use Change Permit was submitted to the Mexican government on December 20, 2007. This is the first step in permitting the Santa Elena Project in preparation for production. The Company plans to submit an Environmental Impact Study (Manifiesto De Impacto Ambiental - MIA) during the first quarter of 2008. The MIA is the principal document required for approval of a development and production permit. The review process of the MIA generally requires a minimum of approximately 4 months. If all goes according to plan, the Santa Elena property could be in heap-leach production during the first half of 2009.



The company will also be drill testing vein and possible porphyry targets proximal to the Santa Elena Main Zone. These include the Arana prospect located about 400m to the northeast and which may represent the extension of the main zone vein system, and also the Rosita Sur prospect located about 1km to the southeast which could be a parallel vein system.

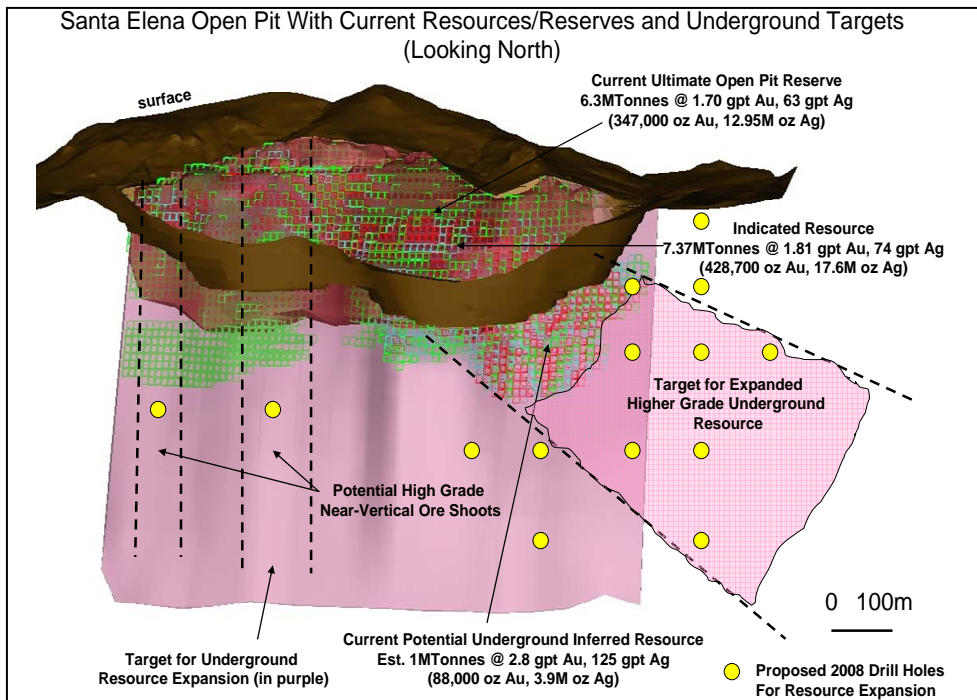


Figure 6: Santa Elena Block Model Showing Current and Potential Resource Areas  
(Source: SilverCrest)

## Cruz de Mayo – Silver Angel Properties

The Cruz de Mayo Project is located approximately 180km northeast of Hermosillo, Sonora, Mexico and is easily accessible with excellent local infrastructure (Figure 1). The company owns a 100% interest in 434 hectares and has a contract to purchase an additional 18 hectare concession. Cruz de Mayo is located on the southeast end of a 35km long trend referred to as the “Silver Angel Trend”. With the Cruz de Mayo and the 18,000 hectare, 100%-owned Silver Angel property immediately to the north the Company controls most of the trend (Figure 7). The trend contains several small, high-grade historical silver-gold producers and the Company continues reconnaissance exploration work to define targets similar to Cruz de Mayo.

**Within 35km  
long trend  
containing  
high grade  
historical  
mines**

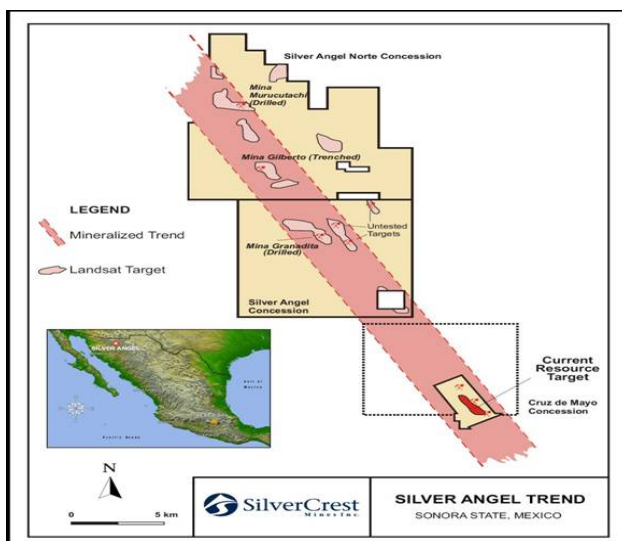


Figure 7: Cruz de Mayo property location map  
(Source: SilverCrest)



**Only 0.8km  
of defined  
2.5km long  
drill tested**

SilverCrest completed 3 diamond drill holes at Cruz de Mayo in late 2005 and followed up with 20 additional diamond drill holes in early 2006. A more recent 27 hole, RC drill program was completed in Q1 2007. These holes were spaced approximately 100 to 150m apart and intersected silver mineralization over a strike length of approximately 1.7km from an oxidized stockwork zone hosted within rhyolite. Mineralization has been defined over a total strike length of approximately 2.5km, with only 800m of strike length tested by detailed drilling to a depth of about 200m. The main zone of mineralization varies from 25-40m in thickness in the southeast to up to 60m in the northwest part of the system (Figure 8). A core zone of higher grade mineralization (up to 393g/t silver) has also been identified.

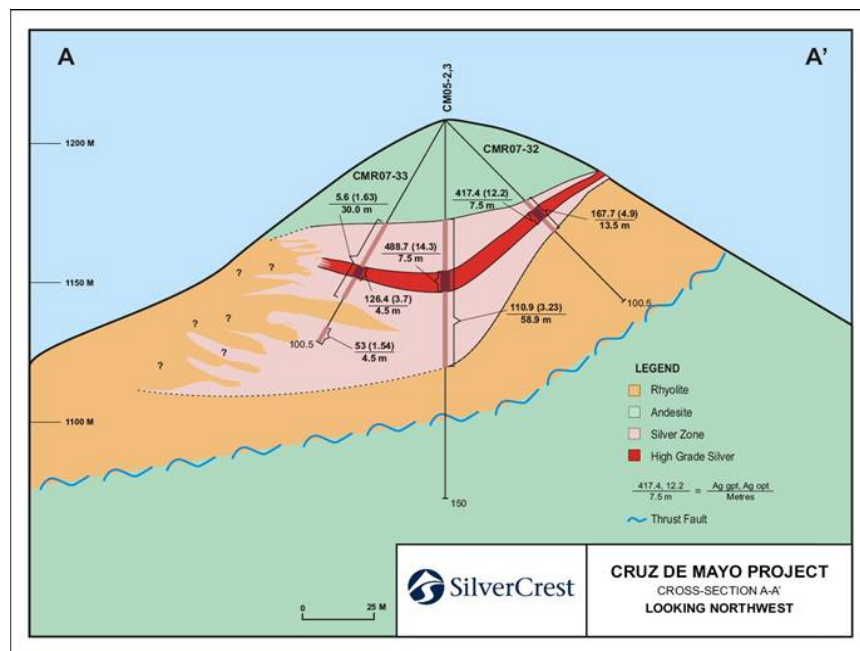


Figure 8: Cruz de Mayo Drill Cross Section (Source: SilverCrest)

The current resource estimate for this property is shown below in Table 2 and represents results from 50 drill holes (5,096.3m). The current resource estimate indicates average grades of about 65g/t silver and 0.1g/t gold although the latter is poorly defined. Preliminary metallurgical work with standard bottle roll tests concluded that the mineralization from Cruz de Mayo is amenable to leaching by cyanidation. Several composite ore samples were tested and the results range from a best recovery rate of 80.35% for silver and 93.04% for gold to a low of 36.59% for silver and 25.72% for gold. Clearly, further metallurgical testwork is required.

Table 2: Cruz de Mayo Resource Estimate (Source: SilverCrest)

Cruz de Mayo										
Property	Resource Category <sup>1</sup>	Tonnes	Ag gpt	Au gpt	Tons	Ag opt	Au Opt	Contained Silver Ounces	Contained Gold Ounces	Contained Silver Equiv. Ounces <sup>3</sup>
Cruz de Mayo <sup>2</sup>	Indicated	1,141,000	64.15	RP	1,257,700	1.87	RP	2,353,400	RP	2,353,400
	Inferred	6,065,000	66.50	RP	6,685,500	1.94	RP	12,967,100	RP	12,967,100

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

<sup>2</sup> Cutoff for Cruz de Mayo is 30gpt Ag. Conversion of gold to silver based on 60:1 silver to gold ratio, Assumes 100% metal recovery.

RP-results pending

## Looking Ahead

Exploration at Cruz de Mayo and Silver Angel is early stage with much of the combined properties having no detailed exploration. The company does plan for a 2000m RC program at Cruz de Mayo in the second half of 2008. This program will test for expansion of current resources to the north and west. The objective is to define a deposit amenable to open-pit, heap leach mining. Based on current information we believe that there is potential to both expand the current resource and discover additional zones of mineralization along the defined "Silver Angel Trend". At an average grade of just over 2 ounces of silver per tonne and no reported gold (so far) at Cruz de Mayo the economics of mining will be challenging. However as stated above, exploration has a long way to go.

**Further  
drilling  
planned to  
expand  
resources**

## El Zapote Property

Prior to El Salvador deciding to revise its mining law, this was the flagship property for SilverCrest. SilverCrest has a 100% interest in the property. The current resource estimate is shown in Table 3. The property is at the feasibility stage, however development is on hold pending resolution of the regulatory issues. Any substantial programs will be contingent upon the permitting process with respect to the application for an exploitation concession and the issue of environmental permits for exploration.

**Development  
on hold  
pending  
political  
resolution**

Detailed drilling has now delineated the Cerro Colorado III (CC III) and partially delineated the San Casimiro and Tajado deposits. These are three of several known deposits within the El Zapote concession.



Figure 10: El Zapote Project location map  
(Source: SilverCrest)

Table 3: El Zapote Resource Estimate (Source: SilverCrest)

Resource Category (Revised)	Tonnes (metric)	Ag g/t	Ag oz/t	Au g/t	Zn %	Contained Ag Ounces	Contained Zn Pounds
Indicated*	1,925,251	177.7	5.2	0.19	1.17	10,941,333	49,401,658
Inferred **	1,086,420	101.6	3.0	0.18	1.22	3,550,565	29,220,488

These resources are based on the combined results of work programs completed by the Company and previous operators. Work includes 87 drill holes totaling 8,662m and 23 trenches totaling 446m. The revised El Zapote resources are contained 65% in the main Cerro Colorado III deposit, 7% in the San Casimiro satellite deposit, and 29% the Tajado satellite deposit.

SilverCrest is considering the options of an initial heap leach operation as a means to get into production quickly and/or a conventional mill circuit with cyanide vat leaching and flotation to also produce a zinc (+lead) concentrate. The heap leach option would be a way to reduce capital and operating costs and achieve initial production and cash-flow quicker.

In the event the company decided to phase in an initial heap leach operation, there are currently about 500,000 tonnes of oxide resource (Measured and Indicated Resource to NI 43-101 standards) grading 203g/t Ag (5.9 opt) and 0.26 g/t Au available at CC III for a potential open pit mining/heap leaching operation with a strip ratio of less than 0.5 to 1. An additional oxide resource of about 500,000 tons grading 118 g/t Ag (3.4 opt) and 0.28 g/t Au (0.008 opt) is present at the nearby Tajado deposit.

### Cerro Colorado III Cross Section

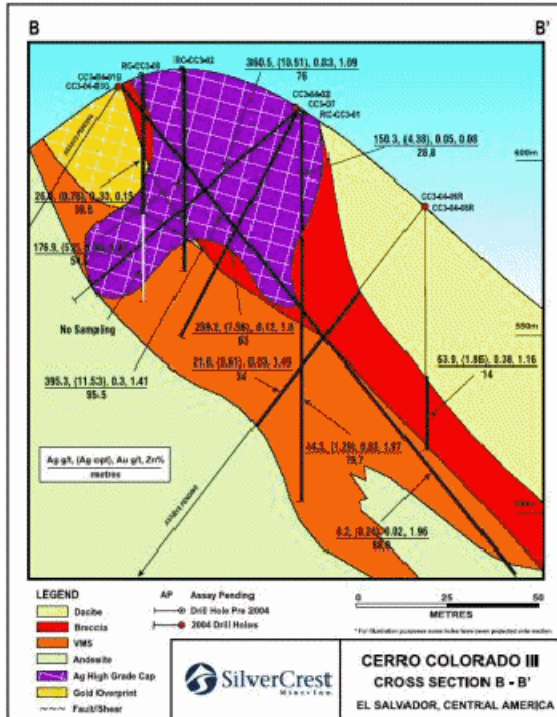


Figure 11: Cerro Colorado III Drillhole Cross Section (Source; SilverCrest).

### Looking Ahead

Further work at El Zapote really depends on the outcome of the nature of the revised mining law in El Salvador. No time frame is proposed for when this will be resolved. Given zinc prices of over \$1/lb the deposit is likely viable for either an open-pit heap leach operation or a conventional mill circuit with cyanide vat leaching and flotation which would also produce a zinc (+lead) concentrate. The heap leach option does have the benefit of lower costs, and quick cash-flow and it is possible that the cash could be used to fund development of a conventional mill to recover the zinc from the leached material. However this would depend on the prevailing zinc price.

### Management Assessment

SilverCrest senior management and directors are well experienced in management of junior exploration companies. With the presence of Mr. Fier and Mr. Aguayo, the company also retains experience in the development and operation of mining projects. Accordingly, SilverCrest appears to have the managerial and technical skills required to advance its mineral properties to production.

#### Management experienced in project development

**J. Scott Drever, President, Director:** Mr. Drever has 35 years of international experience in mineral exploration and development and mining operations. He has served as an executive officer and director of a number of public companies listed on the TSX and the TSX Venture Exchange including the Dome Mines Group, Placer Dome Ltd., Blackdome Mining Corporation, DiamondWorks Ltd. and International Antam Resources Ltd.

**N. Eric Fier, CPG, P.Eng, Chief Operating Officer:** Mr. Fier has over 24 years of international experience in a senior capacity including exploration, acquisition, development and production of numerous mining projects in Honduras, Mexico, Chile, Brazil and Peru. His experience includes senior management roles with Pegasus Gold Corp., Newmont Mining Corporation and Eldorado Gold Corporation.

**Barney Magnusson CA, Chief Financial Officer:** Mr. Magnusson has been a senior officer and director of 3 mining companies that have developed producing mines: These are; Dayton Mines Inc., High River Gold Mines Ltd. and Brohm Resources Inc. Mr. Magnusson is experienced in corporate finance and public company management during expansion and restructuring.

**Graham C. Thody CA, Director:** Mr. Thody has been a Partner of Nemeth Thody Anderson, Chartered Accountants of Vancouver B.C. since 1980. Mr. Thody's practice has focused on corporate mergers and acquisitions as well as domestic and international tax issues. He has been a Director of Pioneer Metals Corporation since 1989 and a director of UEX Corporation since its inception in late 2001.

**George W. Sanders, Director:** George Sanders has over 25 years in mining and exploration finance experience. George is also a Director of Bitterroot Resources Ltd. and Goldcliff Resource Corporation. He spent over 15 years as a registered representative and precious metals specialist with the investment firm Canaccord Capital Corporation and its predecessor companies. Mr. Sanders has held Corporate Development positions with Richmond Mines Ltd., Consolidated Cinola Mines and Shore Gold.

**Bernard Poznanski, Corporate Secretary:** Mr. Poznanski is one of the founding partners of Koffman Kalef, a law firm specialized in business law, and is currently the head of that firm's securities group. He acts for a wide variety of companies listed on the TSX, the TSX Venture Exchange, the American Stock Exchange and NASDAQ. He has particular expertise in dealing with mining and technology companies and handling companies with international projects.

**Salvador Aguayo Salinas, PhD, Operating Manager–Mexico:** Mr. Aguayo is a Mexican national and has over 30 years of experience in Mexico related to metallurgy and mineral processing including heap leach technologies and operations. He has acted as a metallurgical consultant to the mining industry as well as a Professor of Chemical Engineering and Metallurgy at the University of Sonora, Hermosillo, Mexico.

## Valuation

Based on a review of market comparables (Table 4) it is evident that SilverCrest is trading at a considerable discount to industry peers, who with the exception of Fortuna are all focused in Mexico.

Table 4. Peer Comparable Valuation

	Symbol	Price	Resources	Market Cap	MC/ Resources	EV	EV/ Resources
Silverstone Resources	SST	2.75	235,000,000	336,466,853	1.43	301,300,000	1.28
Great Panther Resources	GPR	1.29	80,744,352	105,487,658	1.31	98,487,658	1.22
MineFinders	MFL	12.28	404,140,000	617,108,602	1.53	591,108,602	1.46
Silver Eagle Mines	SEG	0.89	30,200,000	46,590,786	1.54	27,590,786	0.91
<b>SilverCrest</b>	<b>SVL</b>	<b>1.13</b>	<b>77,461,776</b>	<b>50,511,000</b>	<b>0.65</b>	<b>46,388,205</b>	<b>0.60</b>
Orko Silver Corp	OK	1.70	73,100,000	169,983,237	2.33	164,283,236	2.25
Fortuna Silver Mines	FVI	2.24	72,853,818	189,714,904	2.60	145,714,904	2.00

(Source: Toll Cross, April 17, 2008)

Average 1.39

Using the peer average value of \$1.39 per in-situ ounce of silver in a NI 43-101 compliant resource we price SilverCrest's shares at \$2.40 on a fully diluted basis. At the recent share price of \$1.11 the potential upside is +116%.

Company undervalued 116% compared to peer group

As an alternative we also provide a DCF (discounted cash flow) model largely based on assumed and indicated Santa Elena production rates and cost factors. Table 5 shows the results and indicates the value per asset we have assigned and the contribution each makes to our target share price. We have assumed long-term prices of US\$700 per ounce for gold and US\$10 per ounce for silver.

Based on our DCF assumptions we arrive at a 12 month target of \$2.07 per share (fully diluted). This represents a potential upside of +86%.



Santa Elena Property

For the purpose of the valuation we view the Santa Elena deposit as SilverCrest's only near-term production scenario. Based on assumed mining parameters we have modeled a starter heap leach operation with a mining rate of 2500 tonnes of ore per day, at \$10 per tonne operating cost and we have used an 8 year mine life. Although reported leach recoveries are on the low side (40% silver, 70% gold) we expect that further slight improvements can be realized through additional optimization. We also believe that the Company will be successful in defining an underground mining resource that would justify the construction of a convention mill with much improved gold and silver recoveries. In such a case the leached material can be reprocessed to recover the remaining metal. We also believe that continued exploration drilling has a more than even chance of delineating additional veins and perhaps even veins systems within the Santa Elena property. This would certainly increase the economics for extended development of the project.

**Based on our DCF model we attribute a value of \$1.35 per share or 65% of our target price.**

El Zapote Property

Although El Zapote is an attractive development project at the feasibility stage we are hesitant to allot significant value to the property at this time. This is due to the current political and regulatory uncertainties of El Salvador and the potential for unpleasant surprises from developing countries in regard to increased participation, taxation and royalty rates as applied to mineral resource exploitation. Accordingly, we have applied a harsh 40% discount to the property's NPV until the El Salvador government decides how it wants to proceed.

**Based on our DCF model we attribute a value of \$0.20 or 10% of our target price.**

Cruz de Mayo Prospect – Silver Angel Properties

Considered at the advanced exploration stage, the Silver Angel properties are host to 7 sites of past producing, high-grade silver/gold mines, including the Cruz de Mayo prospect which currently has a compliant resource of 15.2 million ounces of silver. The deposit is potentially amenable to open-pit mining and standard heap leach processing. The resource estimate represents approximately 1.5 km of a potential 2.7km long zone of favourable structure and alteration. We believe therefore that there exists significant potential for resource expansion through continued exploration drilling which is planned for 2008. As stated above, the presence of significant gold would certainly benefit project economics.

**Based on our peer comparable value of \$1.39 per ounce of in-situ silver and assuming some success in defining additional resources within the property we attribute a value of \$0.52 or 25% of our target price.**

**Table 5: Asset Valuations**

SilverCrest Mines Inc. 44.5M shares fully diluted.	2008
NPV (15%) Santa Elena	\$58.5M
NPV (40%) El Zapote	\$16.1M
Estimated Silver Angel Value	\$21.0M
Combined Enterprise Value	\$95.6M
Assumed debt end 2008	\$ 3.0M
Total Combined EV end 2008	\$92.6M
<b>Riskd EV per share (FD)</b>	<b>\$ 2.07</b>

## Conclusion

We expect that SilverCrest will make a positive production decision for Santa Elena during Q2-2008 and that permitting will allow the forecasted 2009 production startup to remain realistic. We also expect that there will be further expansion to the resource base at Santa Elena through further delineation drilling on the deposit and also by sustained exploration drilling on adjacent targets. Similarly we believe that continued exploration drilling on the Silver Angel properties will also expand resources at the Cruz de Mayo prospect and define a resource suitable for development.

**Santa Elena  
poised for  
production  
and  
resource  
expansion**

In regard to gold and silver commodity prices, we believe that economic and financial pressures will continue to be major issues in the USA (and also globally) and will continue to exert downward pressure on the \$USD. Together with a rising petroleum price these factors will provide firm support to the price of gold and silver.

**Therefore, taking the average of our two valuation models, we are initiating coverage of SilverCrest Mines Inc. with a SPECULATIVE BUY recommendation and a 12 month target of \$2.20 per share.**

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### Company Specific Disclosure Key

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