

SilverCrest Mines Inc (SVL.V)

Mining

C\$1.12

as at 27 June 2008

SilverCrest Mines has completed a prefeasibility study of its Santa Elena precious metals project in Mexico. The study has established a NI 43-101-compliant mining reserve from a substantial portion of the company's existing mineral resource. A mine plan based on this mining reserve demonstrates strong internal rates of return, based on the company's latest estimates of costs, recoveries and metal prices. We view the prefeasibility study as supportive of our core and optimistic valuations.

KEY POINTS

- **A significant mining reserve** - SilverCrest converted 73 percent of its indicated mineral resource at Santa Elena to a reserve. The project now contains a probable reserve of 6.54 million tonnes, averaging 1.61 grams of gold and 56.7 grams of silver per tonne.
- **Cost projections remain modest** - SilverCrest anticipates a Santa Elena mine will cost US\$20.0m, including provisions for contingencies and working capital. The cash operating costs of the mine are projected at US\$328 per ounce of gold equivalent.
- **A mid-scale open-pit mine is envisaged** - SilverCrest envisages an open-pit heap-leach mine will process 2,500 tonnes of ore per day. The mine would produce 30,000 ounces of gold and 500,000 ounces of silver per year, over an eight-year life.
- **SilverCrest projects significant cash flow and a high rate of return** - the prefeasibility study projects an average net, pre-tax cash flow of US\$10m per year with its base-case assumptions. The base-case assumptions result in a pre-tax internal rate of return of 100.5 percent.

COMMENT

SilverCrest's mine plan assumes a stripping ratio of 4.8-to-1 over the life of the mine, with a ratio less than 3.5-to-1 in the first two years, which will result in increased cash flow during that period. The company anticipates heap leach recoveries of 67 percent for gold and 34 percent for silver.

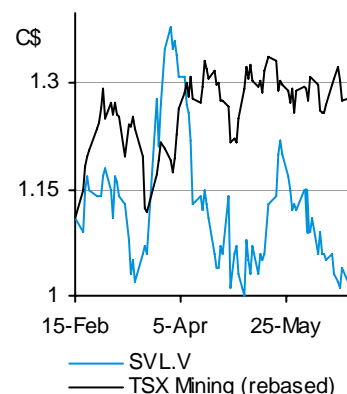
Santa Elena hosts additional resources outside the current open pit plan. The company has an indicated resource of 1.8 million tonnes, averaging 1.32 grams of gold and 75.0 grams of silver per tonne and an inferred resource of 2.27 million tonnes, averaging 1.67 grams of gold and 104.1 grams of silver per tonne.

The existing reserves and resources do not include the results obtained in the latest drill programmes. SilverCrest is completing an updated mineral resource that will include 51 additional drill holes.

We believe SilverCrest could significantly expand the reserve and resource at Santa Elena through inclusion of the new data. Further, the prefeasibility study does not incorporate a potential underground operation with conventional milling that could significantly enhance the economics of the project. Accordingly, we continue to believe the life of the mine could grow significantly prior to commencement of construction, with possible modest increases in scale.

Santa Elena also has significant resources beyond Santa Elena. At nearby Cruz de Mayo, an indicated resource of 1.14 million tonnes averages

Price Chart



Valuation (as at 21 Feb 08)

US\$m	Base
Property portfolio	
- Santa Elena	51.5
- Cruz de Mayo	1.2
- Silver Angel	1.0
- El Zapote	3.8
Total	57.5
Less: overhead	7.0
Expected value of portfolio	50.5
Add: other investments	3.8
Add: starting cash + new funds	0.4
Total current value for firm	54.7
Less: bank & other debt	0.0
Total value to equity claims	54.7
Less: warrants and options	6.8
Ordinary equity holders	47.9
Value per share (US\$)	1.35
Value per share (C\$)	1.38

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64.15 grams of silver per tonne and an inferred resource of 6.0 million tonnes grading 66.5 grams of silver per tonne.

At El Zapote, SilverCrest has an indicated resource of 1.93 million tonnes, averaging 0.19 grams of gold and 177.7 grams of silver per tonne, with an inferred resource of 1.09 million tonnes averaging 0.18 grams of gold and 101.6 grams of silver per tonne.

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