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Fundamental Research Corp.

Investment Analysis for Intelligent Investors

March 25, 2009

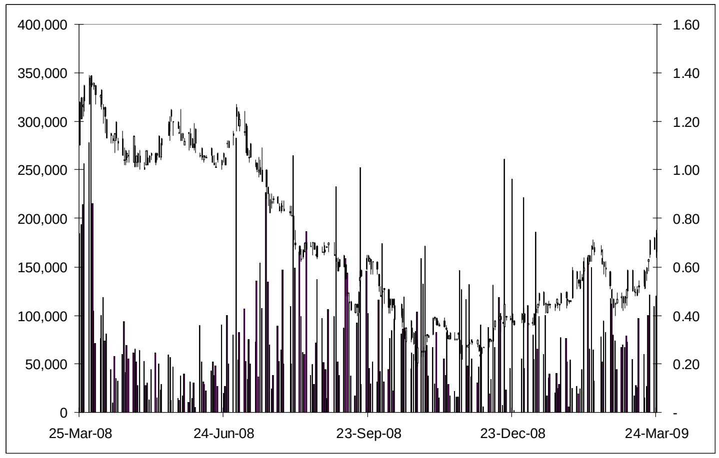
SilverCrest Mines Inc. (TSXV: SVL) – Signs LOI to Fund Development

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

Market Data (as of March 25, 2009)

Current Price	**C$0.72**
Fair Value	**C$1.98**
Rating*	**BUY**
Risk*	**5 (Speculative)**
52 Week Range	C$0.19 –C$1.39
Shares O/S	45.50 mm
Market Cap	C$32.76 million
Current Yield	N/A
P/E	N/A
P/B	1.49
YoY Return	-40.5%
YoY TSX-V	-62.8%

*see back of report for rating and risk definitions



On March 12, 2009, Silvercrest announced it has entered into a letter of intent (LOI) with Sandstorm Resources Ltd. (TSXV: SSL; Market Capitalization - $7.8 million) whereby Sandstorm will provide an upfront payment of US$12 million plus additional payments over the life of the proposed initial open pit heap leach operation of the Santa Elena project, in return for 20% of the gold produced from it. SVL also has an option to receive debt financing of up to $US6 million (a convertible loan maturing in three years at 7% per annum) from Sandstorm.

About Sandstorm Resources – Sandstorm engages in transactions with companies that have advanced stage development projects or operating mines. By making upfront payments to its partners, Sandstorm receives volumetric production payments (VPP) and/or royalties on precious metals. The company's President and Chief Executive Officer, Nolan Watson, was the Chief Financial Officer of Silver Wheaton Corp.(NYSE: SLW) where he helped raise over US$1 billion in debt and equity. Sandstorm recently entered into another LOI with Luna Gold Corp. (TSXV: LGC) to acquire 17% of the life of mine gold production from Luna's Aurizona project in Brazil.

We believe this proposed financing, if finalized, will put the company on track to achieve production by the end of the year without any other major financings (assuming the company opts to receive the proposed debt financing of up to $US6 million from Sandstorm).

According to the LOI, Sandstorm has agreed to purchase 20% of the produced gold (SVL will retain 100% of the produced silver) over the life of the current open pit plan by making:

- an upfront payment of US$12 million, and
- additional payments upon delivery of the gold equal to the lesser of US$350/oz and the then prevailing market price of gold. The payments will increase at 1% per annum from the fourth year of commercial production.

Evaluation of the offer price: SVL estimates that approximately 50,000 ounces of gold will be provided to Sandstorm over the eight year life of the current open pit plan. Our estimate of the present value of this 50,000oz gold resource (based on all the assumptions and inputs we used in our previous report) is US$17.8 million.

In return, we estimate that the proposed deal offers SVL a total value of US$21.5 million, which includes:

- US$12 mm upfront payment, plus
- US$9.5 million; which is the present value of all the future payments totaling $17.8 million spread over eight years (50,000 oz * US$350/oz increasing at 1% p.a. from the fourth year), assuming future gold prices stay above US$350/oz

Therefore, we believe, the offer looks very positive for SVL. Clearly, we believe, Sandstorm used higher long-term gold price assumptions (our forecast for 2012+ is US$600/oz) and/or a lower discount rate (our estimate – 12.8%) than we used in our models, and has a more optimistic valuation.

The deal is subject to:

(i) the completion of a $60 million equity financing by Sandstorm,

(ii) SVL having received all necessary permits,

(iii) SVL having obtained sufficient financing to build and operate the project (Note that we believe SVL will not have to do any major financings if it opts to receive debt financing of up to $US6 million from Sandstorm), and

(iv) acceptance by the TSX Venture Exchange

The proposed deal has other clauses attached to it (for more information, please refer to the company's press release dated March 12, 2009); the most significant one being that Sandstorm will have the right to purchase 20% of the gold produced from the Santa Elena Underground Mine, in the event that SVL completes a positive technical report on the underground portion.

Valuation – SVL shares have moved up 55% since our previous report on March 2, 2009. We have maintained our BUY rating on the company, and our fair value estimate at $1.98 per share. Since we believe that the proposed deal with Sandstorm is beneficial for SVL, we expect our valuation to increase if and when the deal is finalized.

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.