

SILVERMEX RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS – FORM 51-102F1
for the three month period ended July 31, 2006

1.1 Date of Report

The following Management Discussion and Analysis (“MD&A”) for Silvermex Resources Ltd. (“Silvermex” or the “Company”) is prepared as of September 22, 2006 and should be read in conjunction with the interim consolidated financial statements for the three month period ended July 31, 2006 and the audited consolidated financial statements and related notes for the years ended April 30, 2006 and 2005. Except as noted, all dollar amounts contained in this discussion and analysis and in the financial statements are in Canadian dollars.

Forward-Looking Statements

This MD&A contains certain statements that may be deemed “forward-looking statements”. All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change.

Management’s Responsibility for Financial Statements

The information provided in this MD&A, including the interim consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company’s assets are safeguarded and to facilitate the preparation of relevant and timely information.

1.2 Nature of Business and Overall Performance

Silvermex Resources Ltd. is a junior resource company engaged in the acquisition, exploration and development of silver properties in Mexico.

The Company completed its initial public offering (“IPO”) of 6,900,000 shares and has raised gross proceeds of \$2,070,000. The Company’s agent for the IPO was Canaccord Capital Corporation (“Canaccord”) of Vancouver, British Columbia. The IPO was fully subscribed at 6,000,000 shares at a price of \$0.30 per share and the overallotment option of 900,000 shares at \$0.30 per share was also exercised. In consideration of their services, the Company paid Canaccord a cash commission of 9% of the aggregate proceeds of the offering, and issued agent’s warrants in an amount equal to 12% of the number of shares sold under the IPO. Canaccord was also paid a corporate finance fee of 150,000 shares.

The Company has its corporate office in Vancouver and has administrative offices in Hermosillo, Sonora, Mexico and a field office in Tubutama, Sonora, Mexico.

The interim consolidated financial statements include the accounts of Silvermex Resources Inc. and its wholly owned subsidiary, Minera Terra Plata, S.A. de C.V. (the “Subsidiary”).

Mineral Project

1. PENASCO QUEMADO PROJECT, SONORA STATE, MEXICO

The Company’s mineral exploration project is the Penasco Quemado project in Sonora Mexico, approximately 14.5 km west of the town of Tubutama which is 70 km southwest of Nogales, Mexico. The Company has the option to earn a 100% interest in the property by making payments of \$545,000 over the next three years. Silver Standard Resources Inc. a public company listed on the TSX and NASDAQ, has the right to enter into a joint venture on the property. Silver in the Penasco Quemado property occurs in epithermal breccias and structurally controlled fissure fillings in the granite. The Company conducted a 15 hole, 1,450 metre reverse circulation drill program on the property in 2005. The 2005 program encountered a thin layer of alluvium measuring from between 3 to 21 metres in depth with the alluvium getting slightly thicker toward the south of the property. Highlights of the 2005 program included grades of 182 grams of silver over 36 metres in hole PQ-01, 239 grams of silver over 33.53 metres in hole PQ-03 and 207 grams of silver over 30.48 metres in hole PQ-05. Anomalous copper values are found throughout the property. The Penasco Quemado project is the subject of a technical report dated December, 20, 2005 prepared in compliance with National Instrument 43-101 by Micon International Limited of Toronto, Ontario.

(a) Exploration Program

The Company has commenced its 2006 drill program. Approximately \$600,000 from the IPO proceeds are earmarked for a 5,000 metre drill program consisting of 2,500 metres of core drilling and 2,500 metres of reverse circulation drilling.

(b) Exploration Results

N/A

(c) Future Developments

This current drill program is designed to provide infill drilling to verify historical data and expand the drilling from the 2005 program in order to prepare a National Instrument 43-101 compliant resource estimate. In addition, exploration drilling is planned for four other high priority targets within the boundaries of the 10,000 hectare property.

1.3 Selected Annual Information

N/A

1.4 Results of Operations

During the three-month period ended July 31, 2006, the Company reported a loss of \$165,477 or \$0.01 per share, as compared to a loss of \$5,056 or \$0.00 per share for the three-month period ended July 31, 2005, an increase of \$160,421. The Company has recently completed its IPO financing and has begun exploration development on its mineral properties in Mexico during the three month period ended July 31, 2006. The financial results for the three month period ended July 31, 2005 are not indicative as the Company was considered a “start-up” company and had not yet begun operations.

Overall, the Company’s general and administrative expenses increased significantly as compared to the prior period due to its increased activity on its Penasco Quemado silver project in Mexico and the increased activity required to complete the Company’s IPO offering.

1.5 Summary of Quarterly Results

The following is a summary of the Company’s financial results for the eight most recently completed quarters:

	Q1 Jul. 31, 2006	Q4 Apr. 30, 2006	Q3 Jan. 31, 2005	Q2 Oct. 31, 2005	Q1 Jul. 31, 2005	Q4 Apr. 30, 2005	Q3 Jan. 31, 2004	Q2 Oct. 31, 2004
Total revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ N/A	\$ N/A	\$ N/A
Net loss	\$(165,477)	\$(217,882)	\$(80,343)	\$(39,012)	\$(5,056)	\$ N/A	\$ N/A	\$ N/A
Basic loss per share (1)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ N/A	\$ N/A	\$ N/A

(1) Loss per share on a diluted basis is not disclosed as it is anti-dilutive due to losses incurred.

The expenses incurred by the Company are those typical of junior exploration companies that have not established mineral reserves. In some quarters more expenses are incurred than in others as a result of non-recurring activities or events.

1.6 Liquidity

The interim consolidated financial statements for the three month period ended July 31, 2006 have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses since inception, has limited financial resources, no source of operating cash flow and no assurances that sufficient funding, including adequate financing, will be available to further explore its mineral property projects and to cover general and administrative expenses necessary to maintain a public company.

The Company has cash of \$1,682,001 as at July 31, 2006 compared to \$20,943 as at April 30, 2006. The Company has working capital of \$1,574,395 as at July 31, 2006 compared to working capital deficiency of \$141,224 as at April 30, 2006.

1.7 Capital Resources

Silvermex has historically relied upon equity financings and shareholder loans to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms or that optionees will continue to make property payments to the Company.

The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options and warrants and/or the completion of private placements. The Company may also seek short-term loans from directors of the Company.

1.8 Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

- a) The Company was charged the following by directors of the Company or companies with common directors:

	Three months ended July 31,	
	<u>2006</u>	<u>2005</u>
Mineral property costs:		
- deferred exploration costs – field work and consulting	\$ 28,591	\$ -
Legal fees	15,040	-
Management fees	<u>57,341</u>	<u>-</u>
	<u>\$ 100,972</u>	<u>\$ -</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

- b) Accounts payable and accrued liabilities outstanding with related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Included in accounts payable and accrued liabilities at July 31, 2006 and April 30, 2006 are the following related party amounts:

	July 31, <u>2006</u>	April 30, <u>2006</u>
Accounts payable and accrued liabilities	<u>\$ 138,416</u>	<u>\$ 75,000</u>

- c) Advances due to related parties are unsecured, do not bear interest and are payable on demand.

	July 31, <u>2006</u>	April 30, <u>2006</u>
Advances due to related parties	<u>\$ 12,668</u>	<u>\$ 12,668</u>

- d) Loans payable are unsecured, repayable for the principal amount plus a 10% bonus of the principal and have no fixed term of repayment.

	July 31, <u>2006</u>	April 30, <u>2006</u>
Loans payable	\$ <u> </u> -	\$ <u> 55,000</u>

1.10 First Quarter

First quarter results differ significantly from other quarters as the Company has recently completed its IPO financing and has begun exploration development on its mineral properties in Mexico for the three month period ended July 31, 2006.

1.11 Proposed Transactions

N/A

1.12 Critical Accounting Estimates

Critical accounting estimates used in the preparation of the interim consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures as well as the value of stock-based compensation. All of these estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when the stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's shares and the financial objectives of the optionees.

The Company's recoverability of the recorded value of its mineral properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds of disposition thereof.

1.13 Changes in Accounting Policies

The interim consolidated financial statements for the three month period ended July 31, 2006 have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies and methods remain consistent with the previous period.

1.14 Financial Instruments and Other Instruments

The carrying value of financial instruments which include cash, accounts payable and accrued liabilities, approximate fair value because of the short-term maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

1.15 Other MD&A Requirements

Disclosure of Outstanding Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, April 30, 2006	11,240,001	\$ 682,050	\$ 79,657
For cash:			
Pursuant to Initial Public Offering – at \$0.30	6,900,000	2,070,000	-
Pursuant to Agent’s Commission – at \$0.30	310,000	93,000	-
Pursuant to Agent’s Corporate Finance Shares – at \$0.30	150,000	45,000	-
Agents’ broker warrants	-	-	248,400
Less: share issue costs	<u>-</u>	<u>(641,990)</u>	<u>-</u>
Balance, July 31, 2006	<u>18,600,001</u>	<u>\$ 2,248,060</u>	<u>\$ 328,057</u>

On July 31, 2006, the Company issued 6,900,000 shares for a price of \$0.30 per share for gross proceeds of \$2,070,000 pursuant to an Initial Public Offering. The agent received 828,000 broker warrants exercisable into one common share of the Company at an exercise price of \$0.30 per share expiring July 31, 2008.

c) Stock Options

Stock-based Compensation Plan

The Company has a stock option plan (the “Plan”) for directors, senior officers, employees, consultants and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company. Options are granted for a term not exceeding five years. Options granted to directors, senior officers, employees and consultants vest when granted. Options granted to consultants performing investor relations activities vest over a period of twelve months.

Stock-based Compensation Plan

Share purchase options outstanding at July 31, 2006 and April 30, 2006 are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>1,500,000</u>	\$0.30	July 31, 2011

d) Share Purchase Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Three months ended July 31,	
	<u>2006</u>	<u>2005</u>
Outstanding, beginning of the period	-	-
Granted	<u>828,000</u>	<u>-</u>
Outstanding, end of the period	<u>828,000</u>	<u>-</u>

As at July 31, 2006, there are 828,000 Agent's warrants outstanding with a fair value of \$248,400 entitling the holders thereof the right to purchase one common share for each warrant held exercisable at \$0.30 per common share until July 31, 2008.

e) Escrow:

At July 31, 2006, 5,400,000 (April 30, 2006: 6,000,000) common shares were held in escrow subject to the approval of the regulatory authorities. Uniform terms of automatic timed-release escrow apply to principals of exchange-listed issuers and the following automatic timed releases apply to securities held by its principals:

On the listing date	1/10 of the escrow securities
6 months after the listing date	1/6 of the remaining escrow shares
12 months after the listing date	1/5 of the remaining escrow shares
18 months after the listing date	1/4 of the remaining escrow shares
24 months after the listing date	1/3 of the remaining escrow shares
30 months after the listing date	1/2 of the remaining escrow shares
36 months after the listing date	The remaining escrow shares

Disclosure of Investor Relations Agreements

During the three month period ended July 31, 2006, the Company entered into an investor relation agreement for a term of six months for \$10,000 plus GST per month.

DIRECTORS AND OFFICERS

Arturo Bonillas	Director, President & CEO
Bruce Bragagnolo	Director
Derek Thomson	Director
Miguel Soto	Director & COO
Duane Nelson	Secretary
Mark Aplas	CFO

The Company is dependent on a small number of key directors and officers. Loss of any one of those persons could have an adverse affect on the Company. The Company does not maintain "key-man" insurance with respect to any of its management.

CONFLICTS OF INTEREST

Certain officers and directors of the Company are officers and/or directors of, or are associated with other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

OUTLOOK

The Company has now completed its IPO financing and has commenced its 2006 drill program on its Penasco Quemado mineral property. The 5,000 metre drill program will consist of 2,500 metres of core drilling and 2,500 metres of reverse circulation drilling which is designed to provide infill drilling to verify historical data and to expand the drilling for the 2005 drill program in order to prepare a National Instrument 43-101 compliant resource estimate. In addition, exploration drilling is planned for four other high priority targets within the boundaries of the 10,000 hectare property.

OTHER INFORMATION

For information about the Company or to view pictures of the Penasco Quemado project please visit the Company's website at www.silvermexresources.com. Other information relating to the Company may be found on the SEDAR website www.sedar.com.

BY ORDER OF THE BOARD

"Arturo Bonillas"

Arturo Bonillas
Director, President & CEO

"Bruce Braganolo"

Bruce Braganolo
Director

September 22, 2006