

SILVERMEX RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS for the year ended April 30, 2008

Date of Report

The following Management Discussion and Analysis (“MD&A”) for Silvermex Resources Ltd. (“Silvermex” or the “Company”) is prepared as of August 7, 2008 and should be read in conjunction with the audited consolidated financial statements (“Financial Statements”) and related notes for the years ended April 30, 2008 and April 30, 2007. Except as noted, all dollar amounts contained in this MD&A and in the Financial Statements are in Canadian dollars.

Accounting Principles

The Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”), as described in Note 2 to the Financial Statements. These are consistent with prior periods, except as disclosed in Note 2.

Forward-Looking Statements

This MD&A contains forward-looking statements about the Company’s future prospects, and the Company provides no assurance that actual results will meet management’s expectations. For a thorough discussion and analysis of the risks and uncertainties affecting the Company we refer you to the Annual Information Form. 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 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.

Overall Performance

The Company is a junior resource company engaged in the acquisition, exploration and development of silver properties in Mexico. To date the Company has measured its success through the growth of its mineral resources, in particular silver resources, at reasonable discovery and/or acquisition cost. The Company has its corporate office in Vancouver and its administrative office in Hermosillo, Sonora, Mexico. The Company also has field offices at Timmins Gold Corp.'s San Francisco Mine Site near Estacion Lano, Sonora, and in Guadalajara, Mexico. The Company currently has no revenue from operations and will continue to incur negative cash flow for the foreseeable future. The Company currently has two material properties for purposes of National Instrument 43-101. The Peñasco Quemado Property located in north central Sonora State and the San Marcial Property located in southern Sinaloa State. Both properties have mineral resources as defined by current CIM definitions. Details of each of these and the company's other projects are discussed in the Results of Operations.

Pursuant to National Instrument 43-101, Darcy Krohman, P.Geo., C.A., Executive Vice-President and CFO of Silvermex is the Qualified Person (QP) responsible for the disclosure in this news release. Field work has been conducted by Silvermex Resources Ltd. employees and contractors.

In July 2006, the Company completed its initial public offering ("IPO") and raised gross proceeds of \$2,070,000. In April 2007, the Company completed a private placement financing raising gross proceeds of \$1.6 million. In November 2007, the Company raised gross proceeds of \$2 million and in March 2008, the Company raised gross proceeds of \$2.9 million. The funds raised at the time of the IPO were used to fund the drill program and preparation of the revised mineral resource estimate on the Peñasco Quemado Property. Proceeds from the March 2007, private placement were primarily used to fund the drill program on the Cerro de Plata Project. Funds raised in November 2007 were raised by way of short form offering and were used to pay accrued amounts from the Cerro de Plata drill program and to initiate the third phase Peñasco Quemado drill program. A portion of the proceeds were also used to fund the completion of a current mineral resource and supporting NI 43-101 technical report on the San Marcial Property, and for first phase surface exploration programs on the El Rayo and Lobos properties located in Sonora. Proceeds from the April 2008 private placement were used, or are currently being used, to fund completion of the Peñasco Quemado drill program and initiate the first phase San Marcial drill program. A portion of the funds is also being used for a surface and underground sampling program at the Company's newly acquired La Frazada silver-zinc property located in Nayarit. The Company will require additional funds to complete the proposed drill program at San Marcial and to fund general working capital.

While most metal prices including silver prices have been relatively strong over the last year, they have fluctuated significantly in recent months. The Company believes that silver prices have benefited from declining silver resources, a general weakening of the US dollar against other major currencies, a reduction or elimination of hedging programs by major producers, and an increase in physical demand. The Company cannot predict future silver prices or their impact on future operations.

Selected Annual Information

The following is a summary of the Company's financial results for the Company's three most recently completed financial years:

	2008	2007	2006
Total revenues	\$11,465	\$11,184	Nil
Net loss	\$2,364,336	\$1,114,629	\$217,882
Basic and diluted loss per share (1)	(\$0.10)	(\$0.06)	(\$0.03)
Total assets	\$8,150,588	\$3,681,684	\$772,204
Total long term liabilities	Nil	Nil	Nil
Dividends declared	Nil	Nil	Nil

Results of Operations

1. PEÑASCO QUEMADO PROPERTY, SONORA, MEXICO

Peñasco Quemado Zone: On May 26, 2005 the Company entered into an option agreement to earn a 100% interest in the Peñasco Quemado Property. Peñasco Quemado is the Company's principal property and was the subject of a NI 43-101 technical report filed to support the IPO prospectus. In March 2007 the Company filed a second technical report prepared in accordance with NI 43-101, disclosing the mineral resource estimate. The results from the 2005 and 2006 drill campaigns were combined with historical results to complete a mineral resource estimate that meets current CIM definitions. The estimate, based on a 30 g/t silver cut-off grade and high grade samples capped at 700 g/t Ag is:

Resource Classification	Ore (million tonnes)	Grade (g/t Ag)	Silver (million troy oz)
Measured Mineral Resource	0.123	151.9	0.599
Indicated Mineral Resource	2.442	115.0	9.032
Total Measured + Indicated	2.565	116.8	9.631
Inferred Mineral Resource	0.001	41.4	0.001

The 2006 drill program was successful in providing valuable information for planning the next phase of the exploration and resource definition. In particular, the program helped determine the significance of several structures on the extension of the mineralization in the Peñasco Quemado Zone including confirming the continuity of the mineralization 750 metres along strike with the zone open at depth and along strike. Management is particularly pleased with the near surface extent and shallow dip of the mineralization which further enhances the economic potential of the zone. An airborne magnetic and radiometric survey was completed by the Servicio Geologico Mexicano ("El SGM") over the entire property in May 2007. The Company also completed a ground NSAMT geophysical survey on the Peñasco Quemado Zone to aid in the structural interpretation of this zone and help locate drill holes. A third phase drill program was completed during the third quarter 2007 and in March 2008, a fourth phase, 3,231 meter, infill and step-out reverse circulation drill program was completed. Preliminary modelling and mine plans are currently being completed to help provide the necessary data and information required to complete a preliminary assessment. The Company anticipates this study will be commissioned once the current Phase 5 (3,000 meter) drill program is completed.

The objectives of the third and fourth phase programs were to expand the mineral resource in the Peñasco

Quemado Zone. From the assay results and information on structural controls gained, the Company is proceeding with an updated mineral resource estimate. A total of 1,254 meters of drilling were completed in 14 holes in the Peñasco Zone. The program was designed to: (i) increase the level of confidence through infill drilling in the established resource area, and (ii) test the down dip and southeastern strike extent of the mineralized zone. The program was successful as it extended the strike length of the current resource to a total of 330 meters from 240 meters and confirmed the down dip extent of the mineralized zone is also open. The reader is referred to a news June 11, 2008 for details on significant drill hole intercepts.

The third and fourth phase program also sought to test the South Eastern Extension of the Peñasco Quemado Zone first identified by hole PQD-05. This hole had previously intercepted high grade silver mineralization near cross section 0-720 SE approximately 400 meters southeast of the Peñasco Zone. A total of 540 meters in six holes were drilled during the third phase and 480 meters in four holes during the fourth in this area. Hole PQRC-80 from the fourth phase program, located on section 820SE, encountered 22.5 meters grading 148.3 g/t Ag. This intersection of economic grade mineralization was the furthest ever encountered from the PQ Zone since Silvermex initiated exploration on the property in 2005. The next phase of drilling will concentrate on infill drilling between section 620SE and 850SE and further extending this zone of silver mineralization to sections 850SE and 900 SE. This principal mineralized trend appears to have been offset by post depositional faulting that has produced minor strike slip and down dip displacement. An Induced Polarization- Resistivity (IP-R) survey completed at 50 meter dipole spacings during the summer of 2007 along cross section 0-720SE identified an IP-R anomaly related to the high grade silver intersection from PQD-05. The survey was expanded to complete two additional IP-R survey lines on either side of the first. Similar IP and Resistivity responses were received suggesting the continuity of the mineralized zone.

The objectives of the fifth drill program included: (i) delineation of the full extent of the P Q Zone bulk tonnage deposit, including its northeast, southwest and southeast boundaries; (ii) completion of infill drilling in areas with inadequate data and information in order to establish continuity between mineralized zones, (i.e. in particular between sections 0+00 and 0+400SE); (iii) establishing continuity of the mineral intervals intersected by the January and February 2008 drill program including the Southeast Extension identified in hole PQD-05 (between sections 0+620SE and 0+850SE); and (iv) testing the high grade silver intervals intersected by the previous drill programs in the San Luis area. The results of the drilling confirm that the mineralization extends to the southwest with silver grades similar to those that constitute the current mineral resource of 9.5 million ounces. Significant intersections encountered during the program include 30 meters grading 149.2 g/t Ag from infill drilling at the Peñasco Quemado (PQ) Zone and 22.5 meters grading 148.5 g/t Ag from the Southeast Extension approximately 820 meters from the start of the PQ Zone. Along strike to the southeast the deposit expands longitudinally while silver grades decrease moderately. The deposit remains open along strike past section 400SE. Intersection of the mineralized zone at section 820SE suggests the mineralization may be continuous between these sections. In addition to the drill program, metallurgical testing and geological modeling were recently initiated. Once completed the results will help support a revised mineral resource estimate and preliminary evaluation.

A total of 2,226 meters in 23 holes were completed in the vicinity of the Peñasco Quemado Zone during the fifth drill program. The Company believes encouraging results from several drill holes completed along the southwestern extension of the mineralized zone will significantly increase the current mineral resource. Specifically, holes PQRC-55, 59, 62, 63, 68 and 72 all encountered ore grade silver mineralization over significant intervals along the southwest extension of the deposit. Holes PQRC-73, 74, 75 and 76 also encountered high-grade silver mineralization along the southeast extension of the deposit. Actual results from the reverse circulation drill program included 30 meters grading 149.2 g/t silver from infill drilling and 22.5 meters grading 148.5 g/t silver from the Southeast Extension approximately 820 meters from the start of the PQ Zone. This intersection of economic grade mineralization was the furthest ever encountered from the PQ Zone since Silvermex initiated exploration on the property in 2005. The results of this latest drill campaign further confirm the deposit's low stripping ratio and potential amenability to low cost, bulk tonnage, open pit mining methods. The mineralized

zone remains open along strike to the southwest. Once a comprehensive review of the geological controls over the mineralization is completed, a step-out drill campaign will commence to help confirm the full extent of the strike extension. Results from the most recent drill program are available in the Company's June 11, 2008, news release.

San Luis (Pink or Red Breccia) Zone: A total of 372 meters in nine shallow reverse circulation holes were completed during the third phase drill program. The objective was to test the continuity of the silver mineralization identified during the 2006 drilling program. The most significant intersection during this program returned 734 g/t Ag over 10.4 metres and 560 g/t Ag over 9.5 metres from surface. A total of 570 meters in 10 holes were completed during the most recent fifth phase drill program. The objective of this program was to penetrate the down dip extension and extend the strike length of the mineralization encountered during the earlier programs. The significant intersections are all near surface and hosted in an andesitic breccia unit. The unit dips to the southwest and outcrops along strike for over 120 meters. While only two holes from the most recent program penetrated the zone, they do confirm the continuity of the mineralized zone. With the exception of hole PQRC-86 that intersected 4.5 meters grading 174.3 g/t silver, the results were generally lower grade and restricted to small lenses. While the Company does not expect that any resource identified in the San Luis Zone will have a material impact on the overall resource base of the property, the high grade and near surface nature of the mineralization will make it an attractive and low cost zone to exploit.

Guadalupe IP Anomaly and Peñasco East: A total of 285 meters of reverse circulation drilling were completed in two holes in these zones. A geophysical survey identified a strong IP anomaly interpreted as a high angle structure related to the emplacement of the silver mineralization, and silver mineral resource along the southwest edge of the Peñasco mineral zone. It is believed this structure acted as a conduit for the mineralizing fluids in this zone. Hole PQRC-32 appears to have identified the source of the IP anomaly - the combined effect of the high angle structure, disseminated pyrite and ground water.

La Fortuna Zone: La Fortuna is located approximately 5 kilometers west of the Peñasco Zone. The mineralization appears to be associated with a moderately dipping, northwest trending, 300 meter long, 10 meter wide zone of fault breccia that hosts a dense concentration of quartz veinlets and stockworks. Previous sampling programs returned significant silver, lead and zinc grades. A total of 576 meters in 4 holes were completed in this zone to test the mineralized structure at depth. The best intervals intersected included 207 g/t silver across 6.0 meters from hole PQRC-51. Assay results from significant drill hole intersections are March 17, 2008. The final hole in the current program, PQRC-53, was completed to test a geochemical anomaly identified 1,200 meters southeast of the Peñasco Zone in an area known as Loma Negra. The 204 meter hole encountered a sequence of rhyolites-rhyodacites with significant arsenic, manganese, copper, barium, antimony, silver and lead grades. This mineral assemblage suggests the existence of a low sulphidation, epithermal environment.

Southern Portion of the property: Silvermex exploration staff recently completed a program of detailed mapping and sampling in the southern portion of the Peñasco Quemado Property. The investigation concentrated upon the structures controlling the silver and copper mineralization in the area that acted as conduits for the flow of hydrothermal fluids. The low angle structures were created by the uplifting of the granitic basement producing local and regional metamorphic effects on the overlying volcanic and sedimentary sequence. Mineralization appears to be related to a larger copper porphyry system. The Company intends to test this theory by completing geophysical (IP and/or NSAMT), geochemical (MMI) and reverse circulation drill programs. No time frame has been considered for completion of this program and Management does not believe it will be completed during the current fiscal year.

2. SAN MARCIAL PROPERTY, SINALOA, MEXICO

On October 9, 2007, the Company announced the execution of a term sheet with Silver Standard Resources Inc. to earn a 100% interest in the 1,250 hectare, San Marcial Property located approximately 150 kilometres east of Mazatlan in west central Mexico. (See News Release dated October 9, 2007 for a comprehensive description of the terms of the San Marcial option agreement). In November 2007 the Company filed a report titled NI 43-101 Technical Report for the San Marcial Property, La Rastra Mining District, Sinaloa, Mexico, prepared by independent Qualified Persons, William J. Lewis, B.Sc. P.Geo., and Nathan Eric Fier, C.P.G., P.Eng. of Micon International Limited (the Report). The Report confirmed a resource estimate previously completed for Silver Standard on the San Marcial Property. The estimate states the property currently hosts a mineral resource of 14.26 million ounces of silver, 33 million lbs of zinc and 16 million lbs of lead (2.31 million tonnes grading 191.79 g/t silver, 0.66% zinc and 0.32% lead). In addition, it notes that a number of silver targets that may be amenable to bulk mining methods have been identified at San Marcial. The most advanced of these targets being the San Marcial South East (SE) and North West (NW) zones which extend for 450 metres and are open in both directions along strike and at depth. The Report is available on SEDAR.

The mineralization at San Marcial is typical of the low sulphidation, epithermal vein systems hosted near the contact of the Tertiary, Upper and Lower Volcanic units in the Sierra Madre Occidental Geologic Province. This Province hosts many important precious metal mines and prospects along its 1,500 km long, 250 km wide extent. The Report states *The San Marcial project should be regarded as a mid-stage project which may have a significant economic potential, should the mineralization prove to be more extensive than is presently indicated by the current resource estimate. Given the prospective nature of the San Marcial project and the current metal prices, it is Micon's opinion that the project is worthy of further exploration work.* Significant intercepts from previous drill programs included 11.61 meters (true width) grading 350 g/t silver (SM-2), 53.95 meters (true width) grading 235 g/t silver (SM-4), 17.61 meters (true width) grading 282 g/t silver (SM-5) and 12.68 meters (true width) grading 540 g/t silver (SM-9) and 17.5 meters (true width) grading 621 g/t silver (SM-13).

On April 17, 2008 the Company announced results of its first phase exploration program. Highlights included grades as high as 300 g/t silver across 22.1 meters including a higher grade core grading 994 g/t silver over 2 meters. The surface and underground exploration program at San Marcial included geological mapping, surface channel sampling, drill core re-logging and road construction. Geological mapping (1:1,000) was completed over a 360 hectare area exposing 3.5 kms of strike length along the San Marcial vein system. This is an increase of 3 kilometres over the 500 meter area which contains the existing inferred resource of 14.26 million ounces of silver. Channel sampling of the surface exposures of the vein system and re-logging of 3,127 meters of core from previous drilling campaigns by prior operators were also completed. This program provided valuable information regarding the geologic history, nature of the mineralization and deposit model used to support the next phase of exploration, including the diamond drill program currently in progress.

A total of 143 channel samples were collected from the various trenches and outcrops along the 3.5 kilometers of strike length that has been exposed. The vein system varies from two to 35 meters in width over this distance. The results confirmed the high grade nature of the surface mineralization and the continuity of the ore-shoot that hosts the inferred mineral resource. Five trenches are located along 400 meters of strike within the area hosting the majority of historical workings. The mineralization ranged from 300 g/t Ag across 22.1 meters to 994 g/t Ag across 2.0 meters. The mineralization remains open to the southeast. To the northwest the surface exposures of the San Marcial vein system are not as continuous but can be traced or inferred by an alteration zone that extends for more than 2.5 kilometers. Details of the results from the sampling program are available in the Company's news release dated April 17, 2008.

The Company began a first phase diamond drill program on May 29, 2008. A fourteen hole, 3,700 meter core drilling exploration program was initially planned. However, the Company currently does not have adequate

funds to complete this program. If it is not able to secure sufficient funds, the program will have to be revised. The objective of the program is to complete the necessary infill drilling to upgrade the category of the current mineral resource and expand the continuity of the mineralized structure at least 200 meters along strike and 400 meters down dip. The most advanced targets on the property that technical staff believes are likely to add to the current resource base are the San Marcial South East and North West zones. These zones have been traced for over 450 metres and are open in both directions along strike and at depth. Two holes have been collared 200 meters apart to help confirm the existence of the mineralized zone intersected in four holes from the previous drill programs. Five holes will test the northwest projection of the mineralized structure associated with the San Marcial deposit while another five holes will test the down dip extension of the mineralization below the existing resource. The final two holes will test the southeast extension of the San Marcial deposit. Based on the grade, tonnage and nature of the mineralization, technical staff believes the silver, lead and zinc mineralization associated with a quartz stockwork within the footwall of the San Marcial vein system may ultimately prove amenable to bulk mining methods.

The program will only test 900 meters of strike of the mineralized structure that to date has been traced by drilling, mapping and sampling. To the southeast a Tertiary volcanic cover masks much of the structure. As a result detailed mapping, sampling, geochemical and/or geophysical programs will be required to help locate future drill targets. The program has been completed as at the date of this MD&A. Technical staff are currently compiling and assessing the results obtained to date. Once all, or a majority, of results have been received and their relevance has been established a comprehensive news release will be filed. Management expects this to occur in early September.

To satisfy the terms of the San Marcial Option Agreement the Company is required to spend US\$3.5 million over a three year period. The Company anticipates that the majority of these expenditures will be related to drilling and resource definition and should the results justify, economic assessment and feasibility.

3. LA FRAZADA PROPERTY, NAYARIT, MEXICO

On March 25, 2008 the Company announced it had staked a 360 hectare concession along the southwest margin of the Sierra Madre Occidental, in the historic mining district of Real del Zopilote, in the state of Nayarit. The concession encompasses the past producing La Frazada Silver Mine. The project is located approximately 300 kilometres northwest of Guadalajara and less than 100 kilometres south of the Company's San Marcial project. Preliminary reconnaissance sampling by Silvermex geologists of the La Frazada structure returned an average grade of 222.7 g/t silver. These results include channel samples across 1.5 meter sections of the vein grading up to 482.9 g/t silver and grab samples from dump material grading up to 655.7 g/t silver. Base metal grades of up to 0.77% copper, 8.2% zinc and 1.55% lead from 1.5 meter channel samples of vein material, and 0.70% copper, 5.3% zinc and 1.87% lead from grab samples of dump material have also been returned. See the Company's March 25, 2008 news release for a detailed description of the results obtained from this sampling program.

The mine and a small smelter operated from 1890 until the Mexican Revolution in 1910. Unverified sources indicate that bonanza grade silver (i.e. up to 1.5 kg/t) and an undisclosed quantity of gold were commonly recovered. In 1985 Compania Minera Nival completed construction of a 280 t.p.d mill and development of an extensive series of underground workings, including a 1,300 meter tunnel that allowed access to the La Jabalina vein at six different levels. These workings were used to access a 900 meter long, 350 meter high ore shoot that appears to be only partially mined. Prior to its abandonment, it appears Nival had been preparing for a more extensive mining program as 5 meter wide ramps had been developed allowing for significantly higher rates of production from La Jabalina. Previous owners have reported that exploration results from the Jabalina tunnel include a one meter channel sample of vein material that assayed 19.3 oz/t silver and 0.19 oz/t gold. The mine closed in 1997 due to low metal prices and the mill was later relocated.

The principal mineralized zones are the La Jabalina and La Frazada Veins. These two parallel structures, are 10 to 15 meters apart and vary in width from 3 to 15 meters. Both mineralized zones either outcrop or are exposed in trenches and underground workings along strike for more than 3 kilometers. A brief survey of the underground workings indicate the structures are exposed over a vertical distance of at least 300 meters and are open down dip. The tunnels offer easy access but require some re-conditioning. The property lies along the contact between the Upper and Lower Volcanic Series, an unconformity that hosts many of the precious metal deposits in the Sierra Madre Occidental. Silver, zinc, lead, copper and gold mineralization have been identified within the area staked. Mineralization is associated with a northwest trending regional structure that hosts several quartz veins and breccias zones. This principal trend has been displaced locally by minor post-depositional faulting that has not impacted the continuity of the mineralized structures. Porphyritic andesite, with pervasive prophylic alteration (limonite secondary to pyrite) and minor dissemination of galena and pyrite is the principal host in the mineralized zone.

Silvermex is currently completing a systematic sampling and mapping program along the 3 kilometres of surface outcrops and underground workings where the La Jabalina and La Frazada vein and breccias systems are exposed. Management believes the El Zopilote District is a large mineral system that may be part of a volcanic caldera complex. In addition to being a favorable environment for hosting epithermal deposits the geology of the region suggests it may also be favorable for hosting volcanogenic massive sulfides targets. A detailed mapping and sampling program is in progress. Initial results from this first phase surface and underground sampling program have returned silver assays as high as 2,495 g/t Ag (80.22 oz/t Ag) across 1.5 meters on surface at the Jabalina vein, 251 g/t Ag (8.07 oz/t Ag) across 1.5 meters from underground at the La Frazada workings and 539 g/t Ag (17.35 oz/t Ag) across 15 meters from a breccia zone underground at the Tiro Real shaft.

Based on the above, and other encouraging results, a drill program initially scheduled for later this year may be accelerated should sufficient funds be available.

Tiro Real Shaft: The Tiro Real Shaft is located approximately 2,000 meters east of the La Jabalina tunnel portal. This shaft linked an adjacent adit and allowed access to stopes developed at several different elevations. Sampling results from the adit and stopes confirm the continuity of the mineralization. An average grade of 269.8 g/t Ag (7.9 oz/t Ag), 0.135% Cu, 1.39% Pb and 1.20% Zn across 2.0 meters and along 80 meters of strike was returned. This mineralized zone is open along strike and down dip. Mapping and sampling of a breccia zone within the shaft identified a 15 meter wide mineralized structure with an average grade of 539.8 g/t Ag (15.9 oz/t Ag), 0.15% Cu; 0.64% Pb and 0.45% Zn. Mapping and sampling is being continued to help confirm the continuity of the mineralized zone both along strike and down dip.

La Frazada Vein and Mineralized Zone: The La Frazada Vein and related mineralized zone averages 3.0 meters wide, 850 meters long and 35 meters deep. Technical staff believes the strike length and down dip extent of the vein is significantly greater than exposed. To determine the best drill targets a program of detailed mapping and sampling of the surface and underground exposures of the La Frazada vein is continuing.

Future exploration and drilling programs will concentrate on confirming the lateral and vertical continuity of (i) the La Jabalina Vein, (ii) the northwest-southeast trending breccias zone identified in the Tiro Real Shaft, and (iii) the mineralization associated with the La Frazada Vein.

4. CERRO DE PLATA PROPERTY, SONORA, MEXICO

On November 27, 2006, the Company announced the signing of an option to acquire a 100% interest in the 10,000 hectare "Cerro de Plata" silver project. The property is located in the Sierra Madres Mountains approximately 50 kilometres south of the Mexico/Arizona border at Nogales, Mexico, and is 45 kilometres east of the Company's Peñasco Quemado project.

A first phase exploration program was conducted at the project between May and August 2007. The program consisted of drilling 1,528 metres of core in nine holes, a 10 kilometre Controlled Response Induced Polarization geophysical survey, a 600 kilometre airborne magnetic and radiometric survey, 2.5 kilometres of road construction and trenching and detailed surface and underground mapping and sampling. A detailed discussion and analysis of the results of the program are provided in a news release dated September 13, 2007.

Highlights from the drill program included a 16.8 metre interval averaging 190.9 g/t silver, 0.37% copper and 0.105% lead from surface in hole CP-02, 4.5 metres grading 139 g/t silver in hole CP-03, 13.65 metres grading 78 g/t silver in hole CP-04 and a 4.50 metre intersection grading 125.8 g/t silver, and 0.28% copper in hole CP-07. Complete results for the drill program can be found in a news release dated September 13, 2007.

In summary the 2007 exploration program consisted of detailed geological mapping, 1,528 metres of diamond drilling, 2.5 kilometres of road construction and trenching, ground IP-resistivity and airborne magnetic and radiometric geophysical surveys and reinterpretation of previously collected, high resolution aeromagnetic data. The information garnered from the program supports a copper-molybdenum porphyry geological model with associated epithermal silver vein type mineralization. The information also suggests the region has a volcanic cover that locally has been pierced by the porphyry and/or epithermal systems. As the volcanic cover masks a significant portion of the porphyry system, the surface values are often inconsistent and erratic. The geologic sequence has been subjected to both high and low angle faulting that produced conduits for the flow of both meteoric waters and hydrothermal fluids. These favorable paths allowed for the "leakage" of copper, silver and other base and precious metals to the surface. The percolation of the fluids resulted in oxidation and weak supergene enrichment of copper and molybdenum minerals to depths exceeding 100 metres. The high aluminum content in both the quartz porphyry and the highly altered granodiorite suggests mineralization was formed in a volcanic to sub-volcanic environment similar to those hosting many of the major copper-molybdenum porphyry deposits of northwest Sonora and southern Arizona. The final hole of the drill program, drill hole CP-09, was drilled on a strong coincident chargeability-resistivity anomaly to a depth of 357 metres. The principal objective of the hole was to test the copper-molybdenum porphyry theory and determine whether the silver mineralization evident in the shallower holes and underground workings continued to depth.

Technical staff believes that an extensive program of detailed geological mapping, geophysics and geochemistry followed by a second phase 5,000 metre diamond drill program is required to progress the project to the next decision point. A detailed interpretation of the aeromagnetic data is currently being completed by Zonge Engineering and Research of Tucson, Arizona. The Company does not have any immediate plans for this second phase drill program as it believes its limited financial resources are better allocated to its other properties at this time. However, technical staff and our consultants will continue to analyse the geological and geophysical data to help identify specific targets.

5. LOBOS PROPERTY, SONORA, MEXICO

During the current interim period the Company announced the results from a first phase surface exploration program on its 100% owned, 2,830 hectare Lobos project located in northwestern Sonora, Mexico. The property lies along the Sea of Cortez, approximately 90 kilometres from Puerto Peñasco.

The sampling program returned several high grade silver and zinc results over appreciable widths. From these results the Company determined a systematic channel sampling program along the exposed breccia zone was justified. The results of 327 channel samples taken along 350 m of strike identified a 200 metres long, 42 metres wide mineralized zone averaging 184.6 g/t Ag, 0.53% Zn, 0.29% Pb and 0.026% Cu. The highest values returned 2.74 kg/t Ag across 3.0 m. The mineralized zone appears to be open in both directions along strike.

A review of the property geology indicates a sequence of tertiary volcanic flows and agglomerates varying in composition from andesite to rhyolite overlying a granitic basement with the entire sequence being subjected to severe tectonic forces producing wide breccia zones, faults and fractures that are often intruded by dikes. In many locations this sequence is masked by Quaternary conglomerates and basalts and recent alluvial sediments. Rhyolite dikes and tectonic breccias are often hosted in zones of weakness in the granite. The regional north-west to south-east trend is exposed for 350 metres before plunging below the volcanic sequence. The tectonic breccia zones are important controls on the mineralization as they host stockworks of quartz-chalcedony veins and veinlets and black calcite that appear to be related to the silver, lead, zinc sulphide (shalerite), zinc oxide (calamine) and copper grades. Moderate to strong oxidation of pyrite, forming boxworks of limonite, and sericite are common alteration products in the breccias. In the southern portion of the claim a similar mineralized breccia zone with strong oxidation and quartz-chalcedony veins and veinlets has been identified.

Management is very encouraged with the preliminary results and is confident a mineral resource will be ultimately delineated on the property. In addition, Company geologists believe the mineralized breccias zone extends below the volcanic cover, further enhancing the economic potential of the property. The Company is hoping to test this theory with a first phase drill program before the end of 2008. However this program will be dependent upon the Company having sufficient funds. Surface exploration is continuing at the property.

5. EL RAYO PROPERTY, SONORA, MEXICO

On May 28, 2007, the Company entered into an agreement to acquire a 100% interest in the 150 hectare El Rayo Claims located less than 10 kilometres from the city of Magdalena de Keno, Sonora, Mexico. The Company has staked an additional 2,200 hectares to ensure the mineral rights to any extensions to the known mineralization are secured. The property is easily accessible from the Pan American Highway and high voltage power lines bisect the northwest corner of the claim block. To exercise the option the Company must pay a total of US\$315,000 over a period of two years. In addition, the Company is required to issue 250,000 common shares for every 10 million ounces silver identified in measured and/or indicated mineral resource categories (CIM definition). The vendor is an arm's-length party and retains no royalties on the claims.

The Company initially completed a short first phase surface and underground exploration and sampling program on the claim block including prospecting, and reconnaissance mapping along 750 metres of intermittent exposures of the brecciated, shear zone that varies from 0.50 to 15 metres in width. Mineralization consists of pyrite, galena and sphalerite hosted in a volcanic breccia. A total of 60 samples including eight channel samples from the underground workings were taken. The assays returned 665 g/t silver, 0.83% lead, 0.50% copper and 0.43% zinc across 12 metres (approximate true width) in the underground workings. The silver, lead, zinc and copper values were traced for at least 150 to 200 m along the strike of the mineralization zone with the highest silver values returning from the exposures near the portal of the underground workings.

To date silver and polymetallic mineralization has been sampled on the property over exposed surface widths of up to 40 meters and over underground widths of 12 meters on the ceiling of the 30 meter long tunnel that runs along the structure. Underground samples from the tunnel have returned assays as high as 700 g/t silver over 12 meters. A second phase of surface sampling and trenching program over the outcropping mineralization returned values of 76 g/t silver over 24 meters, 40 g/t silver over 40 meters and 23.3 g/t silver over 4 meters.

A small reverse circulation drill program was commissioned in mid July 2008, subsequent to year end. The program consisted of 600 meters of drilling in 6 holes. The holes were located along strike of the mineralized breccia/fault zone that outcrops for 400 meters along strike. The zone plunges under a tertiary volcanic and alluvial cover but is inferred over a minimum distance of 700 meters.

A detailed description of the results obtained to date, including assay and analytical results, are available in the news release dated November 27, 2007. A more extensive surface and underground program consisting of detailed geological mapping, sampling and trenching is currently underway. The objective of the program will be to identify parallel structures and confirm the continuity of the known mineralized systems.

6. LETY PROJECT, DURANGO, MEXICO

In July 2007 the Company entered into an option agreement to acquire a 100 percent interest in the Lety property located in the municipality of Santa Maria del Oro, Durango, approximately 230 kilometres north west of the city of Durango, Mexico. The 5,130 hectare property consists of three mining concessions in northern Durango located near the historical mining districts of Magistral del Oro, Santa Maria del Oro and Guanacevi, in the Sierra Madre Occidental of Mexico. The project is 17 kilometres north of Silver Standard Resources Inc.'s Pitarilla deposit which hosts a mineral resource in excess of 500 million ounces of silver. To exercise the option the Company must pay a total of US\$250,000 and issue 250,000 shares over a two year period. The Company must also spend as a minimum of US\$500,000 in each of the first two years of the option. The vendor also has the right to be paid an additional 250,000 shares or US\$1,000,000 at the vendor's option, on or before the earlier of the commencement of commercial production or five years from the date of signing of the option agreement. The vendor is an arm's-length party and retains no royalty interest. The Company is also obligated to pay a finder's fee of 250,000 shares to Guillermo Garcia Hoyos. 25,000 of these shares were issued on Exchange acceptance. Six additional releases of 37,500 shares every six months from the date of Exchange acceptance are also required.

The regional geology consists of rhyolitic and andesitic rocks overlaying cretaceous limestones and metamorphic rocks. The mineralization is controlled by a system of northwest trending regional faults. Specifically the mineralized structures lie along the Great Rodeo regional fault, known to host over 200 small bonanza grade mines that have operated intermittently since Spanish Colonial times. Preliminary reconnaissance work completed by the Company identified two highly oxidized and altered silver mineralized rhyolitic breccia structures. The structures trend NW 30, vary in width between 10 to 15 metres and outcrop for more than 1,000 metres along strike. The system is exposed over a vertical extent of over 150 metres. Preliminary sampling by Silvermex on both structures returned assays ranging from 80 to 150 g/t Ag and 0.5 g/t Au. A 15 metre wide andesitic dyke that also outcrops for more than 1,000 metres was identified with samples returning grades of up to 45 g/t Ag. The Company believes this system is related to similar mineralized structures exposed in the Guanacevi, Santa Maria del Oro, and Magistral del Oro mining districts. Systems where highly oxidized and supergene enriched sedimentary cretaceous rocks have locally been subjected to contact metamorphism. The first phase surface sampling program completed during the most recent interim period returned assays as high as 137.8 g/t silver and 17.85% zinc over 1.55 metres from a channel sampling program on several old workings and breccia zones. Over 187 samples were collected during the program with several new anomalous zones being identified. The highlight of the program was the results received from the Verdosa zone (See news release titled *Grades of 137.8 g/t silver and 17.85% zinc over 1.55 metres returned from preliminary surface sampling at Lety*

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Project in Durango Mexico, dated February 21, 2008 for a detailed description of specific results from sampling of this zone).

While Management would like to complete a first phase drill program during the current fiscal year it is not a priority and adequate funds are not currently available to consider the program.

Operating Activities

The Company recorded a net loss for 2008 of \$2,364,336 (\$0.10 per share), compared with a net loss for 2007 of \$1,114,629 (\$0.06 per share). Net losses increased because of a significant increase in corporate activity including higher administrative costs in both Canada and Mexico. The significant increase in deferred exploration and development costs is associated with third and fourth phase drill programs at the Peñasco Quemado Property, first phase exploration and drill program at the Cerro de Plata Property and airborne magnetic and radiometric programs over both. First phase exploration programs were also initiated at the Lobos, San Marcial and La Frazada Properties during the year.

Administrative costs were \$1,125,813 in 2007 and \$2,375,801 in 2008. Accounting and auditing expenses rose from \$50,113 in 2007 to \$87,635 in 2008 because of a significant increase in audit fees and the use of Pacific Opportunity Capital Ltd. to manage the Company's accounting and financial reporting function. Audit fees increased primarily because of the volume of transactions and increased complexity of the audit of foreign operations. Expenses associated with investor relations and consulting increased from \$202,482 and \$219,657 respectively in 2007 to \$480,574 and \$245,226 respectively in 2008 as contracted companies specializing in these activities aggressively marketed the Company. The Company also attended a number of trade shows in Europe and the U.S. that were not attended in 2007 which resulted in increase travel costs of \$119,481 compared to 2007 costs of \$37,666. Salaries and benefits increased from \$185,668 in 2007 to \$414,368 in 2008 as the Company added Bruce Bragagnolo as CEO and additional support staff in Vancouver and Hermosillo. The Company also incurred a full year of salary expense for Darcy Krohman, P.Geo., C.A. Executive Vice President and CFO. In addition, salaries for the full year were also paid to the Arturo Bonilla, President of the Company that had not been previously incurred. Stock based compensation accounted for \$552,730 of the net loss in 2008, and \$65,292 in 2007. Stock base compensation has no effect on the Company's cash position.

Comparison of Actual and Proposed Use of Proceeds from March 2008 Equity Financing

The table below details as at August 24, 2008, the proposed versus actual use of proceeds of the funds raised by brokered (\$2,411,000) and non-brokered (\$495,000) private placements in March 2008:

		Proposed Use of Proceeds (CDN\$)	Actual Use of Proceeds (CDN\$)
(a)	To eliminate working capital deficiency	\$700,000	\$900,000
(b)	To pay the Agent's commission, corporate Finance, finders and legal fees	\$350,000	\$350,000
(c)	To pay for first phase exploration expenditures on the La Frazada Property	-	\$150,000
(d)	To pay for first phase drill program on San Marcial Property	\$700,000	\$500,000
(e)	To pay for surface exploration programs on Lobos, El Rayo and Lety Properties	\$300,000	\$300,000
(f)	To provide general working capital to meet general and administrative costs and fund ongoing operations	\$856,000	\$706,000
	Total	\$2,906,000	\$2,906,000

The Company's working capital deficiency from Mexican operations was approximately \$200,000 greater than anticipated. This resulted in less funds available for its drilling program at the San Marcial property. In addition very encouraging initial surface and underground sampling results from the La Frazada property prompted management to proceed with a more extensive program that had not been budgeted for in the Use of Proceeds from the financings. While producing positive results these unanticipated expenditures has produced a financial shortfall. The Company is actively pursuing equity financing on favourable terms to continue with its planned drilling and/or programs San Marcial, La Frazada, Lobos, El Rayo and Lety properties.

Summary of Quarterly Results

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

	2008			
	Q4	Q3	Q2	Q1
Total revenues	\$2,912	\$3,035	\$832	\$4,686
Net and diluted loss	(\$661,604)	(\$617,281)	(\$621,843)	(\$463,608)
Basic loss per share ⁽¹⁾	(\$0.02)	(\$0.02)	(\$0.03)	(\$0.02)

	2007			
	Q4	Q3	Q2	Q1
Total revenues	\$3,306	\$7,878	Nil	\$492
Net and diluted loss	(\$331,323)	(\$206,046)	(\$422,967)	(\$165,477)
Basic loss per share ⁽¹⁾	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.01)

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The expenses incurred by the Company are typical of junior exploration companies that do not have established mineral reserves. Expenses are not incurred evenly over the quarters as a result of non-recurring activities or events.

Financing Condition, Liquidity and Capital Resources

Financing Activities

During the second quarter of the 2007 financial year the Company concurrently completed its IPO and a listing on the TSX-Venture Exchange (Tier 2). The Company raised gross proceeds of \$2,070,000 by way of prospectus offering on the IPO through the distribution of 6,900,000 shares. On March 4, 2007, the Company completed a second financing raising an additional \$1,600,000 by way of a private placement distribution of 2,000,000 units. Each unit consisted of a common share and one half share purchase warrant. The warrants expire on April 4, 2009, each full warrant can be exercised to purchase a common share at \$1.00. The proceeds were used principally to fund resource expansion on the Peñasco Quemado property and geophysics and drilling on the San Cerro de Plata property and for general corporate purposes.

On November 15, 2007, the Company completed a short form offering of 2,000,000 units at a price of \$1.00 per unit for gross proceeds of \$2,000,000. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share for a period of 12 months at a price of \$1.25 per share. The proceeds of the offering were used to pay the expenses of the offering, including commission, exploration of the Company's properties, property payments, and general working capital. Agent's commission and corporate finance units were issued as the agent's compensation.

On April 4, 2008, the Company completed a brokered private placement of 2,411,000 units at a price of \$1.00 per Unit for gross proceeds of \$2,411,000 and a non-brokered private placement of 495,000 Units for gross proceeds of \$495,000. Each Unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitled the holder to purchase an additional common share for a period of 12 months from closing at a price of \$1.25 per share. The proceeds of the private placement were, and are being used to fund work programs on the Company's Peñasco Quemado, San Marcial, Lobos, El Rayo and Lety properties in Mexico and for general working capital purposes.

Warrants, agent's warrants, and options exercised provided additional funds of \$293,850.

Investing Activities

During the year the majority of the Company's investments consisted of exploration expenditures and acquisition costs associated with the Company's various exploration properties (see Schedule of Deferred Exploration Expenditures). In particular, drill and airborne and ground geophysical programs on the Cerro de Plata and Peñasco Quemado properties and acquisition costs associated with the Cerro de Plata and San Marcial properties. Other investments were made in ground exploration programs on the Lety, Lobos and La Frazada properties.

Liquidity

The Company had cash of \$1,455,130 at April 30, 2008 compared to \$1,223,282 at April 30, 2007. The Company has working capital of \$1,770,034 at April 30, 2008 compared to working capital of \$1,256,718 at April 30, 2007. At the date of the MD&A the Company does not have sufficient working capital to complete its San Marcial drill program and also fund general and administrative expenses for the remainder of the calendar

year. Management are currently assessing the Company's financing options and expects an equity financing will be completed in the second quarter of fiscal 2009. The Company's financial condition is contingent upon the results of continuing exploration and, if feasible, development of its projects.

Silvermex has historically relied upon equity financings 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. The Company anticipates it will need additional capital to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the sale of equity securities there can be no assurance that it will be able to obtain sufficient financing in the future to carry out exploration and development work on the properties. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

Capital Resources

The Company's principal commitments at the financial year end are not individually material, and consist of options payments to satisfy its earn-in on the Peñasco Quemado, Cerro de Plata, El Rayo and Lety properties. While none of the agreements require property expenditures, with the exception of the Cerro de Plata, the Company is planning drill and/or exploration programs on all properties. A previous term requiring the Company to spend a minimum of US\$500,000 during the first year of the option on the Lety Property (i.e., prior to July 2008) has been cancelled. The Company has initiated negotiations with several parties and plans to raise funds in the near future to satisfy its various obligations and continue with its planned drilling and exploration campaigns.

The Company has obligations pursuant to option agreements it has entered into. While the Company has no contractual obligation to satisfy these obligations, it would forfeit any interest it may have earned to that date. Detailed terms of those agreements and the obligations are included in the Financial Statements.

The Company's contracts with its investor relations consultants are on a month-to-month basis.

Transactions with Related Parties

During the fiscal year ended April 30, 2008, the Company incurred the following with directors of the Company:

	Year ended April 30,	
	2008	2007
Mineral property costs:		
- deferred exploration costs	\$123,846	\$95,654
– field work and consulting (1)		
Consulting	\$Nil	\$52,500
Legal fees (2)	\$Nil	\$45,980
Management fees	\$126,000	\$46,000
Accounting services	\$61,500	Nil

(1) During the fiscal year geological services were provided by two directors and officers of the Company pursuant to a consulting agreement. These amounts are recorded as Mineral property costs – deferred exploration costs.

(2) During the fiscal year legal services were provided by a director of the Company.

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

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 April 30, 2008, and 2007, are the following related party amounts:

	April 30, <u>2008</u>	April 30, <u>2007</u>
Accounts payable and accrued liabilities	\$ <u>Nil</u>	\$ <u>23,050</u>

a) Amounts due to related parties are unsecured, do not bear interest and are payable on demand.

	April 30, <u>2008</u>	April 30, <u>2007</u>
Due to related parties	\$ <u>5,250</u>	\$ <u>48,010</u>

Fourth Quarter

The Company did not record any additional or extraordinary items in the fourth quarter that not been recorded in any of the previous quarters. Items such as stock based compensation and amortization are recorded on a quarterly basis.

The Summary of Quarterly Results indicates that the Company's expenditures from one quarter to the next in 2008 were fairly consistent. However, expenditures for the last quarter of 2008 were \$661,604, while expenditures in the equivalent period of 2007 were \$331,323. This is primarily because of an aggressive marketing and investors relations campaign in Europe and the United States during the fourth quarter of fiscal

2008. Salaries and benefits expenses also increased in the fourth quarter of fiscal 2008 versus its comparative period in 2007 as the Company's CEO was compensated in fiscal 2008.

Variances in net loss by quarter reflect overall corporate activity and factors which are not recurring each quarter, such as charges for stock based compensation when options are granted. As the Company is not engaged in commercial operations, variances in its quarterly losses are not affected by sales or production-related factors. The Company completed a fourth phase drill program on the Penasco Quemado Property early in the fourth quarter of fiscal 2008. Timing of payment of specific invoices associated with this program often bridge the actual interim periods in which they are incurred often making comparisons over short period of time difficult. During the fourth quarter and subsequent to the year end data and information from the latest drill program was compiled and analyzed (see Results of Operations).

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process.

Critical accounting estimates used in the preparation of the 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 Company capitalizes exploration and development expenditures directly related to its properties until such time that the properties are placed into production or management determines impairment in the realizable value of the property(s) has occurred. If and when a mineral property is commissioned the associated deferred costs will be amortized on a systematic basis. If and when an impairment of a property is determined the value will be written-down to its realizable value. Properties are reviewed for impairment annually. A write-down may be required when a property is sold or abandoned, or exploration activity ceases on a property due to unsatisfactory results or there is insufficient funding to continue exploration on the property. 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. Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned or written down. The Company's accounting policy is to capitalize exploration costs on a project-by-project basis consistent with GAAP. The policy is consistent with that of other exploration companies that do not have established mineral reserves.

The Company follows GAAP in determining the value of stock option compensation, as disclosed in Note 2 to the Financial Statements. This is a calculated amount not based on historical cost, but on subjective assumptions introduced to an option pricing model, in particular: (1) an estimate for the average expected hold period of issued stock options before exercise, expiry or cancellation; and (2) expected volatility of the Company's share price in the expected hold period, using historical volatility or comparables as a reference. Given that there is no market for the options and they are not transferable, the resulting calculated value is not necessarily the value which the holder of the option could receive in an arm's length transaction.

Financial Instruments and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities, some of which are denominated in US dollars and Mexican Pesos. These accounts are recorded at their fair value. The Company is at risk of financial loss as a result of foreign exchange movements against the Canadian dollar. The Company manages its foreign exchange risk by adjusting balances in currencies other than the Canadian dollar from time to time. The Company has certain commitments to acquire assets in foreign currencies and it incurs the majority of its exploration costs in foreign currencies, either the US dollar or Mexican Peso. Significant expenditures, principally for drilling, will also be denominated in these foreign currencies. The Company may acquire foreign currencies to fix such costs in Canadian funds, if management considers it advantageous.

The carrying value of financial instruments which include cash, accounts receivable, accounts payable and accrued liabilities and advances due to related parties 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.

Additional information

Additional information relating to the Company, including the Company's AIF, is on SEDAR at www.sedar.com and on the Company's website at www.silvermexresources.com.

Disclosure of Outstanding Share Data

Common Shares

Description	Authorized at March 31, 2008	Outstanding as at August 7, 2008
Common shares	Unlimited	29,896,751

Warrants outstanding at August 7, 2008:

Number of Warrants	Exercise Price	Expiry Date
1,098,750	\$ 1.25	November 15, 2008
160,000	\$ 1.00	November 15, 2008
160,000	\$ 0.80	April 4, 2009
932,250	\$ 1.00	April 4, 2009
1,453,000	\$ 1.25	April 4, 2009
3,804,000		

Each whole warrant entitles the holder to purchase one common share on payment of the exercise price.

Brokers' options outstanding at August 7, 2008:

	Number of Options	Exercise price	Expiry Date
Outstanding	192,880	\$ 1.00	April 4, 2009

Each broker's option entitles the holder to purchase one unit. Each unit consists of one common share and one-half share purchase warrant. Each full warrant is exercisable into one common shares of the Company at a price of \$1.25 per share until April 4, 2009.

Options outstanding at August 7, 2008:

Number of Options	Exercise Price	Expiry Date
1,000,000	\$ 0.30	July 31, 2011
550,000	\$ 1.11	April 12, 2012
100,000	\$ 0.90	April 12, 2012
1,650,000		

Changes in Accounting Policies including Initial Adoption

The Financial Statements for the years ended April 30, 2008 and 2007 have been prepared in accordance with Canadian GAAP. The accounting policies and methods remain consistent with the previous period, although the following have also been adopted:

Financial Instruments and Comprehensive Income

Effective May 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges, retroactively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with GAAP. Under the new standards, policies followed for periods prior to the effective date generally are not revised and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening deficit.

Section 3865, Hedges, requires all derivatives to be recorded on the balance sheet at fair value and describe when and how hedge accounting can be used. Hedge accounting results in gains, losses, revenues and expenses from the hedge transaction (usually a derivative) and the item it hedges being recorded in the statement of operations in the same period. The Company does not use hedges.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value at the date of acquisition. Subsequent measurement and accounting for changes in fair value will depend on their initial

classification, as follows: held-for-trading, financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income; and loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and due to/from related parties are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended April 30, 2008.

Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in net income (loss) in the period incurred.

Accounting Changes

On May 1, 2007, the Company adopted new Section 1506, Accounting Changes. The main features of this section are as follows:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information;
- Changes in accounting policies are applied retrospectively unless doing so is impracticable;
- Prior period errors are corrected retrospectively; and
- New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

Capital Disclosures

Effective May 1, 2008, the Company will early adopt Section 1535 of the CICA Handbook, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed. The Company will implement these disclosures in the first quarter of 2009. The main features of this new section are:

- Provide information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital;
- Summary quantitative data about what the entity manages as capital;
- Whether the entity has complied with any capital requirements; and
- If it has not complied, the consequences of non-compliance.

Recent Accounting Policy Pronouncements not yet Adopted

Financial instrument disclosures

In March 2007, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The Company will implement these disclosures in the first quarter of 2009.

Inventories

In June 2007, the CICA issued Section 3031, Inventories, which provides more guidance on the measurement and disclosure, requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new pronouncement is effective the first quarter of 2009 and does not have a material impact on the Company's result of operations.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section is effective in the first quarter of 2009. The adoption of this section is not expected to impact the Company.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with a December 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During fiscal 2009, the Company will continue to evaluate the impact of IFRS on the Company and develop and put in place a plan for the conversion to IFRS. If the Company decides not to early adopt the standards, the actual conversion work will occur in late 2009.

and 2010, in anticipation of the preparation of the May 1, 2010 balance sheet that will be required for comparative purposes for all periods ending in 2011.

Other MD&A Requirements

Additional information relating to the Company, including the Company's AIF, is on SEDAR at www.sedar.com and on the Company's website at www.timminsgold.com.

Internal Controls over Financial Reporting

No changes of the Company's internal controls over financial reporting ("ICFR") occurred in the current period that have materially affected, or are reasonably likely to materially, affect the Company's ICFR.

Investor Relations

During the year the Company initiated an active investor relations program. This program included the hiring of a full time consultant and a number of contractors with significant experience in the market. The Company continually monitors the effectiveness of the program and may make modifications to it in the future. This may include entering into new consulting agreements and terminating other less effective agreements. Most of the investor relations consulting agreements are on a month to month basis.

Legal

A former director, officer and employee, and a former consultant of the Company have separately initiated action against the Company for damages for breach of contract/wrongful dismissal and for the right to the exercise their stock options originally granted under the Company's stock option plan. The Company cancelled these options when the individuals were dismissed. The Company has commenced an action against the former director, officer and employee and the Company's transfer agent seeking cancellation of performance shares granted to this individual. The outcome of these cases is indeterminable at present.

Risks and Uncertainties

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this document. The reader should also refer to the discussion of risks contained in the Company's Annual Information Form. The Company's financial success is subject to, among other things, fluctuations in gold and other commodity prices that may affect current or future operating results and may affect the economic value of its mineral properties. The Company is exposed to currency fluctuations against the Mexican peso and United States dollar that could affect capital and operating costs, but may choose to mitigate the risk through forward purchase of these currencies. The Company must comply with environmental regulations governing water quality and land disturbance. The Company's ability to obtain financing to explore and develop its mineral properties is not assured; nor is there assurance that the expenditure of funds will result in the discovery and development of an economic mineral deposit. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

Outlook

In general the exploration results from the Company's principal properties have been very encouraging. Fourth and fifth phase drill programs and an extensive geophysical program were completed on the Company's flagship Peñasco Quemado Property. The information and data obtained from these programs are being used to prepare an updated mineral resource estimate. Together with the mineral resource confirmed during the year at the newly acquired San Marcial Property, the Company has a mineral resource inventory in excess of 25 million ounces of silver. With a first phase drill program currently being completed at San Marcial, the Company expects its total resource to increase significantly.

The Company is also very encouraged by the surface exploration and sampling results obtained from its earlier stage Lobos, El Rayo and Lety Properties. The Company plans first phase drill programs on each of these properties when funds become available. The Company has also received very encouraging surface and underground sampling results from its La Frazada Property and plans an extensive drill program in the near future. While results from the first phase drill program at Cerro de Plata were encouraging and suggested the mineralizing system was much bigger than initially believed, the Company has decided to not continue with a second phase program until it has sufficient funds.

The equity markets for early stage exploration have been generally difficult over the last several months. The Company is currently assessing a number of financing alternatives to help ensure adequate funds are available to progress each of its projects during the next fiscal year. Assuming the Company is able to finance its planned exploration programs on acceptable terms, management is confident it can expand the collective resource base significantly over the next year.

Directors and Officers

Arturo Bonillas	Director, President
Bruce Bragagnolo	Director and CEO
Miguel Soto	Director & COO
Duane Nelson	Secretary
Darcy Krohman	Director, Executive Vice President and CFO
Hallein Darby	Director

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.

BY ORDER OF THE BOARD

“Bruce Bragagnolo”

Bruce Bragagnolo
CEO

“Darcy Krohman”

Darcy Krohman
Executive Vice-President & CFO

August 7, 2008