

Consolidated Interim Financial Statements

SNS Silver Corporation

(an exploration stage company)

For the first three months ended October 31, 2008

(Prepared without audit)

SNS Silver Corp.
(an exploration stage company)

CONSOLIDATED BALANCE SHEETS

[Basis of Presentation – Note 1]

	(Unaudited) October 31, 2008 \$	(Audited) July 31, 2008 \$
ASSETS		
Current		
Cash and Cash Equivalents	3,598,197	8,791,156
Restricted Cash	-	-
Interest & Other Receivables	131,023	115,256
Prepaid Expense	217,079	124,119
Marketable Securities [note 3]	10,501	10,501
Loan Receivable [note 4]	2,000,000	-
	5,956,801	9,041,032
Long Term Investment [note 4]	56,470	56,470
Plant and Equipment [note 7]	1,344,580	1,330,139
Advances on mineral property expenditures	58,614	58,614
Mineral Properties [Schedule 1 and note 8]	13,240,870	12,483,499
	20,657,334	22,969,754
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank Indebtedness	-	470,240
Accounts Payable and Accrued Liabilities [note 4]	185,129	1,485,361
Future Environmental Treatment [note 9]	221,340	221,340
	406,469	2,176,941
Shareholders' Equity		
Share Capital [note 10]	29,394,368	29,394,367
Contributed Surplus [note 10]	4,185,575	4,095,025
Deficit	(13,329,079)	(12,696,579)
	20,250,864	20,792,813
	20,657,334	22,969,754

Commitments [note 11]

See accompanying notes

On behalf of the Board:

"David Greenway"
Director

"Michael Kuta"
Director

SNS Silver Corp.
(an exploration stage company)

**CONSOLIDATED STATEMENTS OF
OPERATIONS AND DEFICIT**

[Basis of Presentation – Note 1]

	For the three months ended	
	October 31,	October 31,
	2008	2007
	\$	\$
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Expenses		
Audit and accounting fees	15,000	8,375
Amortization	55,237	30,231
Consulting	34,270	38,944
Insurance	4,812	-
Interest and bank charges	1,578	1,371
Investor relations	68,770	109,075
Legal	11,696	5,069
Management fees <i>(note 4(b))</i>	69,900	214,151
Office and general	104,338	70,275
Regulatory and transfer agent fees	1,523	5,178
Rent	12,619	4,764
Salaries and benefits	169,034	33,565
Stock based compensation <i>(note 10)</i>	90,550	521,740
Travel	32,019	95,062
	671,344	1,137,803
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Loss for the period before following items	(671,344)	(1,137,803)
Other items		
Interest <i>(note 4)</i>	62,081	217,626
Gain / (Loss) on foreign exchange	(26,769)	75,073
Loss on sale of asset	3,534	(1,982)
Loss for the period	(632,500)	(847,086)
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Deficit, beginning of period	(12,696,579)	(9,413,802)
Deficit, end of period	(13,329,079)	(10,260,888)
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Loss per share - basic and diluted	(0.02)	(0.02)
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Weighted average common shares outstanding	40,706,310	40,559,665
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See accompanying notes

SNS Silver Corp.
(an exploration stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Basis of Presentation – Note 1]

	For the three months ended	
	October 31, 2008	October 31, 2007
	\$	\$
OPERATING ACTIVITIES		
Loss for the period	(632,500)	(847,087)
Adjustment for items not involving cash:		
Amortization	55,237	30,231
Stock based compensation	90,550	521,740
	(486,713)	(295,115)
Change in non-cash working capital items:		
Decrease (increase) in interest and other receivables	(15,767)	(134,137)
Decrease (increase) in prepaid expense	(92,960)	(49,310)
Increase (decrease) in accounts payable and accrued liabilities	(1,300,232)	205,315
Cash used in operating activities	(1,895,673)	(273,247)
INVESTING ACTIVITIES		
Deferred exploration expenditures incurred	(741,409)	(2,489,011)
Property option agreement payment	(15,962)	-
Net purchase of equipment	(69,675)	(404,347)
Future proceeds for land investment	-	(48,597)
Mineral expenditure advances applied	-	53,285
Loan receivable	(2,000,000)	-
Cash used in investing activities	(2,827,046)	(2,888,670)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	(470,240)	(122,734)
Issue of common shares for cash, net of issuance expenses	-	121,598
Issue of shares for consulting services	-	11,144
Cash provided by financing activities	(470,240)	10,008
Increase in cash and cash equivalents	(5,192,958)	(3,151,909)
Cash and cash equivalents, beginning of period	8,791,156	20,267,557
Cash and cash equivalents, end of period	3,598,197	17,115,648
Supplemental disclosure of cash flow information:		
Interest paid in cash	-	-
Income taxes paid in cash	-	-
Cash and cash equivalents consists of:		
Cash	1,022,723	5,115,648
Term deposit / Guaranteed Income Deposits	2,575,474	12,000,000
	3,598,197	17,115,648

See accompanying notes

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**SCHEDULE 1 - CONSOLIDATED STATEMENT OF
MINERAL PROPERTIES**

	Crescent Mine Property	Reveille Property	Total
Balance July 31, 2007	2,511,926	-	2,511,926
Acquisition costs			
Cash Property Payment	52,388	151,496	203,884
	<u>52,388</u>	<u>151,496</u>	<u>203,884</u>
Deferred exploration costs			
Advisory Services	318,770	-	318,770
Drilling	4,345,146	-	4,345,146
Field costs and Miscellaneous	4,601,534	-	4,601,534
Geological Sampling	36,755	-	36,755
Amortization of Mining Equipment	165,642	-	165,642
Salaries and Labour	299,842	-	299,842
	<u>9,767,689</u>	<u>-</u>	<u>9,767,689</u>
Balance July 31, 2008	<u>12,332,003</u>	<u>151,496</u>	<u>12,483,499</u>
Acquisition costs			
Cash Property Payment	-	15,962	15,962
	<u>-</u>	<u>15,962</u>	<u>15,962</u>
Deferred exploration costs			
Advisory Services	53,150	5,200	58,350
Drilling	244,890	-	244,890
Field costs and Miscellaneous	263,786	-	263,786
Geological Sampling	39,374	-	39,374
Salaries and Labour	135,011	-	135,011
	<u>736,211</u>	<u>5,200</u>	<u>741,410</u>
Balance October 31, 2008	<u>13,068,214</u>	<u>172,658</u>	<u>13,240,870</u>

See accompanying notes

SNS Silver Corp.
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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended October 31, 2008
(Prepared without audit)

1. BASIS OF PRESENTATION

The Company is incorporated under the laws of the province of British Columbia. For fiscal years commencing 2004 its principal business activities include the exploration and development of mineral properties. Prior to 2004, the Company's principal activities included merchant banking and investments. The Company's shares are listed for trading on the TSX Venture Exchange and the Frankfurt Stock Exchange. The recoverability of the amount shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development, and future profitable production or disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates. The financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, and its wholly-owned U.S. subsidiary, Crescent Inc. (incorporated by the Company on December 29, 2006). All significant inter-company balances and transactions have been eliminated.

Foreign Currency Translation

The Company and its wholly-owned subsidiaries translate foreign currency transactions into Canadian dollars in the following manner: at the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars at the exchange rate in effect at that date. At the year end, monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at that date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. The resulting foreign exchange gains and losses are included in operations.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into cash.

Long-lived Assets Impairment

Long-lived assets are reviewed whenever events or changes in circumstances indicate that carrying value of an asset (asset group) may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing its mineral properties until such time as a property is put into commercial production, sold, abandoned or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties will be written off. Proceeds received from the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations. The Company is in the process of exploring its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. The amount shown for the properties represents costs incurred net of write-downs and recoveries, and is not intended to represent present or future values.

Property Option Agreements

From time to time, the Company may acquire or dispose of a property pursuant to the terms of a property option agreement. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Stock-based Compensation

The Company follows the Canadian Institute of Chartered Accountants (CICA) Handbook, Section 3870, "Stock-based compensation and other stock-based payments". Under this section, the Company adopted the fair value method for stock-based compensation granted to employees, non-employees and all direct awards of stocks. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock. The value of such awards is charged to the statement of operations over the vesting period of the stock awards with an offsetting credit to contributed surplus except for options granted as consideration for share issue costs which are charged to share capital.

Basic and Diluted Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to basic loss per share for the years ended July, 2008 and 2007 as the inclusion of options and warrants would be anti-dilutive.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they incur and/or in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the cost can be reasonably estimated.

Long-term Investments

Investments are carried at cost less provision for any permanent impairment in value. Investments in which the Company has a significant influence are accounted for by the equity method.

Adoption of New Accounting Standards

The Company adopted CICA Handbook Sections 1530, "Comprehensive Income", Section 3251, "Equity", Section 3861, Financial Instruments – Disclosures and Presentation, Section 3865, "Hedges" and Section 1506, "Accounting Changes".

Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest rate method.

Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed.

Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 1506 establishes the new standard for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants' ("CICA") issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. The Company has adopted EIC- 166 and is expensing these costs, where applicable, and determined that no adjustments are currently required.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011.

For the year beginning August 1, 2008 and does not expect this adoption will have any impact on the financial statements.

Recent Accounting Pronouncements

Assessing Going Concern:

The AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The Company does not expect this adoption will have any impact on the financial statements.

Financial Instruments:

The CICA Handbook Section 3862 - Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. The CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. The Company does not expect this adoption will have any impact on the financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital Disclosures:

The AcSB issued CICA Handbook Section 1535 "Capital Disclosures" The section specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new section relates to disclosures which did not have an impact on the Company's financial results. The Company is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements but does not expect any impact on the financial statements.

3. MARKETABLE SECURITIES

A summary of marketable securities is as follows:

	Number of Shares #	Original Cost \$	Accumulated Writedown \$	Net Book Value \$	Market Value \$
October 31, 2008					
Searchlight Solutions Ltd.	175,000	107,261	(96,760)	10,501	10,501
July 31, 2008					
Searchlight Solutions Ltd.	175,000	107,261	(96,760)	10,501	10,501

4. LOAN RECEIVABLE

On September 18, 2008, the Company made a \$2,000,000 loan (the "Loan") to Andover Ventures Inc. ("Andover"), a company listed on the TSX-V, in accordance with a letter agreement, (the "Letter Agreement") entered into between Andover and the Company. The terms of Letter Agreement included a proposed plan of arrangement for the merger of Andover and the Company.

On October 31, 2008, the Company terminated the Letter Agreement. The Loan is secured against all of Andover's assets pursuant to a general security agreement, bears interest at prime plus 2% and, subject to the terms of the general security agreement and accompanying documents between Andover and the Company, matures on March 22, 2009. As of October 31, 2008, interest receivable of \$14,685 has been recorded on the loan balance.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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5. RELATED PARTY TRANSACTIONS

The following transactions were entered into with parties not at arm's length to the Company:

- [a] As at October 31, 2008, accounts payable and accrued liabilities did not include any amounts due to a company with common directors for reimbursement of exploration costs incurred on behalf of the Company [2007 - \$94,033].
- [b] During the quarter ended October 31, 2008, the Company did not pay any management fees to a company controlled by a director of the Company [2007 - \$49,248].

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

6. LONG TERM INVESTMENT

During the year ended July 31, 2007, the Company participated in the private placement of United Mine Services, a privately-held mine services company located near the Company's mine in Kellogg, Idaho. The investment of \$56,470 is held as available for sale and carried at cost.

7. PLANT AND EQUIPMENT

	October 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Building	733,265	41,590	691,675
Computer Equipment	62,893	21,766	41,128
Furniture	96,808	20,903	75,907
Vehicles	220,060	65,949	154,112
Mine Equipment	502,835	121,077	381,757
	1,615,861	271,285	1,344,580

	July 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Building	732,586	31,323	701,263
Computer Equipment	62,892	18,432	44,460
Furniture	87,657	17,156	70,501
Vehicles	220,060	53,454	166,606
Mine Equipment	442,990	95,683	347,307
	1,546,185	216,048	1,330,139

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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8. MINERAL PROPERTIES

The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests is in good standing. Ownership in mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from difficulties in obtaining conveyance in mineral interests.

a) Crescent Mine Property

On January 2, 2007, the Company acquired a 100% interest in the Crescent Mineral property, located in Kellogg, Idaho, for \$757,185 (US\$650,000). The Crescent Mineral acquisition consists of 24 patented mining claims covering approximately 350 acres together with surface rights to approximately 40 acres. The Company also incurred a finder's fee of \$64,853 payable to an individual who subsequently became a director of the Company. As of October 31, 2008, the Company has incurred exploration costs of \$12,120,777.

On July 1, 2007, the Company acquired a 100% interest in two mineral located in Kellogg, Idaho for \$73,010 (US\$70,000).

b) Reveille Property

On March 25, 2008, the Company entered into a letter agreement with Western Silver Mines Inc. ("Western Silver"), a privately-held company based in Grand Junction, Colorado, to acquire up to an 80% interest in the Reveille Property, consisting of 20 lode claims near Reno, Nevada, and a right of first refusal on a further series of properties. The terms of the agreement include the following:

- i) The Company will earn a 50% interest upon the completion of the following: (a) incurring US\$150,000 in property expenditures over a six-month period (paid), (b) an additional US\$50,000 payment upon the Company receiving a National Instrument 43-101 compliant report from the vendor (not yet received), and (c) the issuance to Western Silver of 50,000 common shares of the Company on signing of an option agreement.
- ii) Upon completion of the 50% interest earn-in, the Company can increase its interest to 65% by: (a) incurring an additional US\$500,000 in property expenditures, and (b) issuing to Western Silver an additional 50,000 shares of the Company.
- iii) Upon completion of the 65% earn-in, the Company can increase its interest to 80% by: (a) incurring an additional US\$1,000,000 in property expenditures, and (b) issuing to Western Silver an additional 100,000 shares of the Company.
- iv) Once the Company has earned an 80% interest, Western Silver might be diluted to a 10% carried net profits interest upon the Company incurring an additional US\$1,000,000 in property expenditures. The net profits interest will be subject to a minimum payment of US\$30,000 per quarter for any calendar quarter that the Company does not spend at least US\$100,000 in property expenditures.

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9. FUTURE ENVIRONMENTAL TREATMENT

On May 15, 2007, the Company was served with a third party complaint in ongoing litigation between the United States Environmental Protection Agency and an adjoining mine pertaining to past water treatment costs. The Company considers that the lawsuit can be settled for a one time payment of US\$60,000 – US\$200,000, however the actual amount cannot be determined at this time. The Company has recorded a provision of \$221,340 (US\$200,000). A further provision or recovery will be recognized when the actual amount is determinable.

10. SHAREHOLDERS' EQUITY

Share capital

[a] Authorized: 100,000,000 common shares without par value.

[b] Issued: 40,706,310 common shares.

	Number of Shares	Stated Capital \$	Contributed Surplus \$
Balance, July 31, 2007	40,405,300	29,150,935	3,023,133
Shares issued for cash:			
Exercise of warrants - at \$0.80	159,189	127,351	—
Shares for services - at \$0.79	116,821	91,866	—
Exercise of options - at \$0.45	12,500	5,625	—
- at \$0.43	12,500	5,375	—
Stock-based compensation charge	—	—	1,077,754
Transfer from contributed surplus on exercise of options	—	5,862	(5,862)
Share issuance expenses recovered	—	7,353	—
Balance July 31, 2008	40,706,310	29,394,367	4,095,025
Stock-based compensation charge	—	—	90,549
Balance October 31, 2008	40,706,310	29,388,506	4,185,574

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10. SHAREHOLDERS' EQUITY (continued)

Warrants

A summary status of the Company's outstanding warrants as of October 31, 2008 is as follows:

	Shares	Weighted Average Exercise Price \$
Balance, July 31, 2007	12,461,356	1.34
Exercised	(159,189)	
Balance, July 31, 2008	12,302,167	
Expired	(6,266,206)	
Balance, October 31, 2008	6,035,961	

At October 31, 2008, the Company had 6,035,961 share purchase warrants outstanding entitling the holders to purchase one common share for each share purchase warrant.

Warrants	Weighted Average Exercise Price \$	Expiry
533,606	\$1.30	December 7, 2008
4,899,851	\$1.50	December 7, 2008
33,654	\$1.30	December 21, 2008
568,850	\$1.50	December 21, 2008
6,035,961	\$1.48	

Subsequent to October 31, 2008, all outstanding share purchase warrants expired unexercised.

Stock option plan and stock-based compensation

The Company has an established stock option plan (the "Plan") which is administered by the Board of Directors, allowing the Board of Directors to grant stock options. The Company adopted a 10% Rolling Stock Option Plan, which allows for the purchase of up to 10% of the outstanding shares of the Company.

Additionally, options may not be granted to any one person, any one consultant or any persons performing investor relations duties in any twelve month period which could, when exercised, result in the issuance of shares exceeding 5% or 2%, respectively of the issued and outstanding shares of the Company. All options granted under the Plan shall expire not later than the fifth anniversary of the date the options were granted.

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10. SHAREHOLDERS' EQUITY (continued)

Stock option plan and stock-based compensation (cont'd)

The exercise price of an option is to be determined by the Board of Directors, but shall not be less than the market price of the common shares of the Company on the TSX Venture Exchange on the last business day before the date on which the options are granted, less any discount permitted by the rules of the exchange. Vesting of the options will occur no earlier than 25% at award date and 25% at each of six, twelve and eighteen months following award date. A summary of the status of the stock option plan as of April 30, 2007 is presented below:

	Shares #	Weighted Average Exercise Price \$	Weighted Average Grant Date Fair Value \$	Expiry
Balance, July 31, 2007	3,352,500	1.21		
Granted October 31, 2007	225,000	1.25	0.72	Oct. 31, 2012
Granted February 14, 2008	490,000	1.25	0.52	Feb. 14, 2013
Exercised	(25,000)			
Expired	(965,000)			
Balance, July 31, 2008	3,077,500	1.19		
Expired	(1,377,500)			
Balance, July 31, 2008	1,700,000	1.23		

Of the 1,700,000 stock options outstanding at October 31, 2008, 1,090,000 stock options were exercisable at that date. The weighted average contractual life of all stock options granted is 4.2 years.

Options	Average Exercise Price \$	Expiry
25,000	\$0.45	January 23, 2011
380,000	\$0.80	January 04, 2011
710,000	\$1.40	February 27, 2012
220,000	\$1.50	April 16, 2012
40,000	\$1.25	July 31, 2012
125,000	\$1.25	October 31, 2012
200,000	\$1.25	February 14, 2013
1,700,000		

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10. SHAREHOLDERS' EQUITY (continued)

Stock option plan and stock-based compensation (cont'd)

Compensation costs of stock options and warrants granted during the three months ended April 30, 2008 and the years ending July 31, 2007 and 2006 have been estimated using an option-pricing model. Assumptions used in the pricing model are as follows:

	2008	2007	2006
Average risk-free interest rate	4.56%	4.16% to 4.56%	3.84% to 4.26%
Expected life	Five years	Two to five years	One to five years
Expected volatility	75%	65% to 82%	76% to 83%
Expected dividends	Nil	Nil	Nil

The granted options were accounted for using the fair value-based methodology. Accordingly, a total of \$4,185,574 has been recorded as contributed surplus which includes \$2,760,467 charged to the statement of loss and \$1,425,107 charged to share issue costs. Due to the vesting provisions of these options it is expected that future stock-based compensation amounts of \$47,785 and \$6,533 will be charged to the statement of loss for the 2009 and 2010 fiscal years, respectively.

11. COMMITMENTS

The Company has entered into an office lease expiring June 30, 2012 which calls for monthly payments of \$3,588 during the first two years and \$3,738 during the remaining two years, plus an applicable portion of operating costs. Operating costs are subject to change but are currently \$1,296 per month. The total estimated commitment over the remaining term of the lease, based on the current amount of operating costs is \$229,578.