MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 22, 2012 for the fiscal year ended December 31, 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

BUSINESS DESCRIPTION AND READER GUIDANCE

Silver Mountain Mines Inc. (the "Company") is a Canadian exploration and mining company incorporated on May 12, 2008. The principal business activities of the Company are the exploration and development of mining properties and are considered to be in the exploration stage.

On June 21, 2011, the Company listed on the Canadian National Stock Exchange under the symbol SMM. On February 15, 2012, the Company moved its listing from the Canadian National Stock Exchange to the TSX venture exchange trading under the symbol SMM.

The Company's financial statements were prepared in accordance with IFRS that are applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. At December 31, 2011 the Company had accumulated losses of $1,286,444 since inception (December 31, 2010 – $449,591), a working capital surplus of $3,160,917 (December 31, 2010 – $3,299,233).

The Company's ability to continue as a going concern is dependent upon the ability to generate profitable operations and/or raise the necessary debt or equity financing to meet obligations and repay liabilities as they come due. The Company plans to explore all alternatives possible for securing its financial viability including joint ventures, debt and equity financings, merger opportunities and asset dispositions. There are no assurances that the Company will be successful with these initiatives and there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Company to implement its strategic initiatives, the availability and price of precious metal commodities, government and regulatory decisions, plant availability, competitive factors in the mining industry and prevailing economic conditions in the regions the Company operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Company believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

OVERALL PERFORMANCE

Performance Highlights

	2011	2010	2009
Revenue	$ -	$ -	$ -
Net loss	(836,853)	(107,552)	(211,754)
Net loss per share – basic and diluted	(0.02)	(0.01)	(0.02)
Cash used in operations	(454,418)	(16,350)	(8,954)
Total assets	$ 6,734,984	$ 5,680,282	$ 1,650,292
Capital expenditures	$ 1,447,723	$ 491,375	$ 446,590

During the 2011 year, capital expenditures were $1,447,723 compared to $491,375 in 2010 from the exploration of the Upper and East Ptarmigan Property. The net loss was $836,853 in 2011 compared to $107,552 in 2010, resulting from the increase is the consulting and professional fees resulting from the stock exchange listing, office resulting from the office lease obtained in the year, and the increase in the stock based compensation due to the issuance of 2,272,000 stock options. Cash used in operating activities was $454,418 versus $16,350 in 2010 due to the increase in the net loss in the year.

During the year, the Company drilled 22 surface holes totalling 3,712 metres. Eight of the holes tested the Upper Ptarmigan massive sulphide trend; one hole tested the Iron Cap Pb-AG trend; and 13 holes were drilled in the anticline structure, now called the East Ptarmigan trend.

RESULTS OF OPERATIONS

Consulting Fees

	December 31	
	2011	2010
Consulting fees	$ 117,794	$ -

Consulting fees for the year was $117,794 in 2011 compared to nil in 2010. This is the result of the individuals required for accounting, management services, and investor relations.

Insurance

	December 31	
	2011	2010
Insurance	$ 26,874	$ 12,101

Insurance for the year was $26,874 in 2011 compared to $12,101 in 2010 representing an increase of $14,773. This is the result of the addition of directors and officers insurance and property insurance.

Licenses

	December 31	
	2011	2010
Licenses	$ 22,198	$ 2,152

Licenses have increased $20,046 from $2,152 in 2010 to $22,198 in 2011. The increase in the license fees in 2011 is the result of the costs incurred to become a listed entity. These costs include regulatory filing costs.

Salaries and Benefits

	December 31	
	2011	**2010**
Salaries and Benefits	$ 14,730	$ -

Salaries and benefits have increased $14,730 from nil in 2010 to $14,730 in 2011. The increase in the salaries and benefits in 2011 is the result of the hiring of certain staff members.

Professional Fees

	December 31	
	2011	**2010**
Professional fees	$ 190,581	$ 57,089

Professional fees have increased $133,492 from $57,089 in 2010 to $190,581 in 2011. The increase in the professional fees in 2011 is the result of the costs incurred to become a listed entity. These costs include legal and accounting fees.

Office Expenses

	December 31	
	2011	**2010**
Office expense	$ 83,517	$ 13,160

Office expense has increased $72,265 to $83,517 for the year ended December 31, 2011 from $13,160 in 2010 resulting from an increase in general office stationary and courier expenses.

Stock Based Compensation

	December 31	
	2011	**2010**
Stock based compensation	$ 336,522	$ 61,835

During the year, the Company issued 2,272,000 stock options to its employees, directors and key consultants. As a result, Silver Mountain has recognized $336,522 in stock based compensation expense in the first quarter.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company utilizes existing cash and the issuance of equity instruments to provide liquidity to the Company and finance development projects. The Company plans for major capital programs and preserves cash and plans equity issuances to finance these programs.

The following table shows how the activities of the Company were financed:

	2011	2010
Cash on hand, January 1	$ 3,648,332	$ 107,472
Cash flow from operations:		
Funds from operations	(230,424)	(121,917)
Changes in working capital	(223,994)	105,567
Cash flow from financing	1,381,357	4,048,585
Available for investments	4,575,271	4,139,707
Cash flow used in investing	(1,447,723)	(491,375)
Cash on hand, December 31	$ 3,127,548	$ 3,648,332

The 2011 decrease in funds from operations of $108,507 is a result of the increase in consulting fees, general and administrative costs, professional fees, insurance, office expense, and transfer and regulatory fees. Fluctuations in working capital represented a cash outflow of $223,994 in 2011 compared to an inflow of $105,567 in 2010, resulting in the increase in accounts payable balance from the exploration of the mineral properties.

Cash flow from financing resulted from the proceeds received on the issuance of the common and flow through shares in the period of $1,539,592 and the collection of the subscriptions receivable of $46,000, offset by the decrease in the premium liability on the issuance of flow through shares of $204,235.

During 2011, the Company spent $1,447,723 on investing activities compared to 2010 of $491,375. These activities include the exploration of mineral properties, including drilling and analysis.

The following table shows the capital of the Company:

	2011	2010
Cash	$ 3,127,548	$ 3,648,332
Shareholders' equity	$ 6,236,373	$ 5,197,112

The increase in the shareholders' equity in the year is primarily the result of the issuance of equity instruments to finance the Company's investing activities offset by the increase in the accumulated deficit due to operations.

Working Capital

Working capital decreased from $3,299,233 in 2010 to $3,160,917 resulting from the decrease in both the current assets, resulting from the exploration program in the year, and the decrease in the current liabilities due to the reduction in accounts payable and the reduction in the premium liability.

GST receivable increased $123,871 to $151,672 in 2011 from $27,801 in 2010 primarily due to the increase in the exploration program and the increase in the cash expenses in the year. Interest receivable increase $22,567 in the year resulting from the increase in average cash balance during the year. Prepaid expenses increased due to the advances in the office rent. These were offset by the decrease in the subscription receivable as the company collected all amounts during the period.

Accounts payable decreased in the period resulting in the timing of the payment of the vendors. The premium liability account decreased resulting in the reduction in the number of flow through shares in the period.

Contractual Obligations

In the normal course of operations, the Company assumes various contractual obligations and commitments. The Company considers these obligations and commitments in its assessment of liquidity.

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2011 – 2012
Accounts payable	$ 90,278	$ 90,278	$ 90,278	$ -	$ -
Operating lease obligation	-	31,567	-	31,567	-
Total	$ 90,278	$ 121,845	$ 90,278	$ 31,567	$ -

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

	2011			
	Dec 31	Sept 30	June 30	Mar 31
Revenue	$ -	$ -	$ -	$ -
Net loss	$ (169,086)	$ (165,607)	$ (212,939)	$ (289,221)
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Total assets	$ 6,734,984	$ 6,780,097	$ 6,940,838	$ 7,049,394

	2010			
	Dec 31	Sept 30	June 30	Mar 31
Revenue	$ -	$ -	$ -	$ -
Net loss	$ (40,492)	$ (7,754)	$ (16,675)	$ (82,605)
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Total assets	$ 5,680,282	$ 2,373,000	$ 1,988,437	$ 1,650,292

During the fourth and third quarter of 2011, the Company incurred consulting fees related to the management of the company, along with costs associated with the new office lease. In the second quarter of 2011, the Company incurred legal and accounting fees as a result of the issuance of the preliminary prospectus, along with the expenses incurred with the commencement of the office lease. In the first quarter of 2011, the Company renounced flow through expenditures to certain shareholders resulting in a large future income tax expense for the quarter, along with recognition of stock base compensation expense on the granting of stock options. During the first quarter of 2010, the Company recognized a significant loss as the result of the issuance of stock option and the resulting stock based compensation expense, compared to the second and third quarters. During the fourth quarter of 2010, The Company recognized a significant loss as a result of professional fees and stock based compensation offset by a deferred income tax recovery.

During the fourth quarter of 2009, the Company incurred a significant loss as a result of the issuance of stock options and incurring costs for unsuccessful financing efforts.

BUSINESS RISKS

In the normal course of business the Company is exposed to a variety of risks and uncertainties. In addition to the risks associated with liquidity and capital resources, critical accounting estimates, financial instruments, credit risk and market risk described in this MD&A, the Company is exposed to various operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect future results. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, the ability to attract and retain employees and contractors on a cost-effective basis, commodity and marketing risk and seasonality.

The Company is exposed to considerable risks and uncertainties including, but not limited to;

- finding mineral reserves on an economical basis;
- uncertainties related to estimating the Company's reserves;
- financial risks including access to debt or equity markets which the Company is dependent upon in order to meet obligation and liabilities as they fall due;
- technical problems which could lead to unsuccessful drilling programs and environmental damage;
- obtaining timely regulatory approvals;
- third party related operational risks including the ability to obtain access to certain properties, access to third party processing facilities, railway and other transportation infrastructure;
- fluctuations in commodity prices;
- adverse factors including climate, geographical and weather conditions and labour disputes;
- timing of future debt and other obligations;
- regulatory legislation and policies, including the fulfilment of contractual minimum work programs, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties, production restrictions, suspensions or revocations of contracts;
- changes to taxation policies, laws and interpretations thereof; and
- obtaining comprehensive and appropriate insurance coverage at reasonable rates;

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Use of estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments and contingent liabilities at the date of the financial statements, and revenues and expenses during the reporting period. These estimates, including those related to the depletion of oil and gas properties (which incorporates the ceiling test as described below in oil and gas properties), proved reserves, income taxes, asset retirement obligations, stock based compensation, accruals, contingent liabilities and commitments, are reviewed on an ongoing basis. These estimates are subject to measurement uncertainty and the impact on the financial statements of changes in such estimates and actual results could be material.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated balance sheet at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

These instruments can be classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities.

Held-for-trading instruments are financial assets and liabilities typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate any financial instrument as held-for-trading on initial recognition even if it would otherwise not satisfy the definition. As at December 31, 2011, the Company does not hold any financial instruments that do not satisfy the definition. Financial assets and financial liabilities required to be classified or designated as held-for-trading are measured at fair value, with gains and losses recorded in net earnings for the period in which the change occurs.

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. As at December 31, 2011, the Company does not have any financial assets classified as held-to-maturity.

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. As at December 31, 2011, the Company does not have any financial assets classified as available-for-sale.

Financial assets classified as loans and receivables are measured at amortized cost using the effective-interest method. An impairment in the fair value of financial assets which is not temporary will be included in the determination of income for the period in which the impairment occurs.

Other financial liabilities are measured at amortized cost using the effective interest method and include all liabilities other than derivatives or liabilities that have been identified as held-for-trading. The Company will assess at each reporting period whether there is any objective evidence that a financial asset, other than those classified as held-for-trading, is impaired.

Exploration and evaluation costs

Exploration and evaluation expenditures include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained legal rights to explore an area are recognized in profit and loss.

Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence or reserves.

Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Asset retirement obligations

An obligation to incur environmental restoration obligation costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. These costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such cost arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Estimated costs for environmental restoration obligation costs are adjusted as changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capital costs of the related assets, in which case the capitalized cost is reduced to zero and the difference is recognized in profit or loss.

The Company does not have any material environmental restoration obligation costs as the disturbance to date is insignificant.

Stock based compensation

The share purchase option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by employees.

The fair value is measured at the grant date and each tranche is recognized on a straight-line basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes pricing model taking into account the terms and conditions upon which the share purchase options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2011, the Company paid $164,236 (2010 - $367,916) to directors, officers, former officers or companies controlled by directors or officers for management, administrative, and accounting services.

These transactions are in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

OUTSTANDING SHARE DATA

Common shares

The following table sets forth the Company's outstanding share data:

Issued common shares at January 1, 2011	28,704,301
Shares issued for cash	6,416,297
Total common shares December, 31, 2011	35,120,598
Total outstanding stock options	3,217,220
Total outstanding warrants	19,975,870
Total diluted common shares at March 15, 2012	58,313,688