MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated August 21, 2013 and should be read in conjunction with the unaudited interim financial statements of Silver Mountain Mines Inc. ("Silver Mountain" or the "Company") for the three and six months ended June 30, 2013 and the audited annual financial statements for Silver Mountain for the year ended December 31, 2012. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

BUSINESS DESCRIPTION AND READER GUIDANCE

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

The Company's financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") that are applicable to a going concern that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. At June 30, 2013 the Company had accumulated losses of $1,715,668 since inception (December 31, 2012 – $1,658,409), a working capital surplus of $1,908,234 (December 31, 2012 – $1,937,434).

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 energy commodities, government and regulatory decisions, plant availability, competitive factors in the oil and gas 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 Corporation 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 Corporation 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 AND RESULTS OF OPERATIONS

Performance Highlights

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenue	$ -	$ -	$ -	$ -
Net (loss) income	(44,632)	(81,119)	34,303	(270,338)
Net (loss) income per share – basic and diluted	(0.00)	(0.00)	0.00	(0.01)
Cash from (used) in operations	$ (30,993)	$ (149,806)	$ 39,524	$ (180,159)
Total assets	$ 6,674,066	$ 6,464,267	$ 6,674,066	$ 6,464,267
Capital expenditures	$ 41,562	$ 163,020	$ 106,242	$ 233,633

The net loss for the three month period ended June 30, 2013 decreased to $44,632 from $81,119 in 2012. The decrease in the net loss for the period is the result of the decrease in consulting fees, office expenses, travel and the increase in deferred income tax recovery in the period, offset by the increase in stock based compensation. The decrease in consulting fees is the result of the reduction in the number of consultants the Company uses for the management of the corporation. The decrease in the office expense results from the sublease on certain office space to a third party and the decrease in travel expense is the result of the decrease in trips for the purpose of shareholder communications. The increase in the deferred income tax recovery is the result in the timing of recognition of certain tax losses. Stock based compensation increase resulting from the granting of stock options at the end of 2012 with a vesting period of 12 months. For the six months ended June 30, 2013, the Company recognized net income of $34,303 compared to a net loss of $270,338 for the same period of 2012. The increase in net income for the period is attributed to the decrease in advertising, consulting, licenses and salaries and benefits, along with an increase in the deferred income tax recovery. This was offset by the increase in stock based compensation. The decrease in consulting fees and salaries and benefits is the result of the reduction in the number of consultants and employees the Company uses for the management of the corporation. Licenses and fees decreased in the period as a result of the payment to become a listed company on the TSX-Venture exchange paid in 2012. The increase in the deferred income tax recovery is the result in the timing of recognition of certain tax losses along with the recognition of the premium on the flow through shares renounced in 2013. During the first half of the year, capital expenditures were $106,242 compared to $233,633 in 2012 from the planning of the summer exploration program. Cash provided by operating activities in the first six months was $39,524 versus cash used by operating activities of $180,159 in 2012 resulting from the reduction in the increase in net income in the period along with the timing of the payments and collections of the working capital.

During the second quarter of this year, the Company developed and approved a 2013 exploration program to be carried out on the Ptarmigan property. These exploration activities include mapping, sampling (soils, silts, rocks) and a defined gravity survey throughout the property. Subsequent to June 30, 2013, the Company began these activities and expects to complete the program in the third quarter of 2013 with all assays and analysis to be completed by year end.

On May 30, 2013, the Company announced that the Board of Directors established a special strategic alternatives committee to review the Company's cost structure and strategic options over the next 12 to 24 months. During this review, both the committee and management approved and carried out certain cost reduction measures for both field and corporate administrative activities. In addition, the committee reviewed and evaluated several potential acquisition and merger opportunities consistent with the

Company's growth objectives. The special committee and management continue to review certain potential opportunities; however no binding agreements have been executed to date.

RESULTS OF OPERATIONS

Consulting Fees

	Three months ended June 30,		Six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Consulting fees	$ 15,455	$ 29,430	$ 32,688	$ 59,863

Consulting fees for the three and six month periods was $15,455 and $32,688 in 2013 compared to $29,430 and $59,863 for the comparative periods in 2012. This is the result of the individuals required for accounting and management services.

Advertising

	Three months ended June 30,		Six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Advertising	$ 3,295	$ 2,645	$ 18,620	$ 32,780

Advertising for the three and six month periods was $3,295 and $18,620 in 2013 compared to $2,645 and $32,780 for the comparative periods in 2012. The decrease results from the cancelation of contracts associated with Company promotions with investors and financial institutions.

Licenses

	Three months ended June 30,		Six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Licenses	$ 24	$ 4,500	$ 10,139	$ 36,821

Licenses for the three and six month periods was $24 and $10,139 in 2013 compared to $4,500 and $36,821 for the comparative periods in 2012. The decrease in the license fees in 2013 is the result of the costs incurred in 2012 to become listed on the TSX-Venture exchange. These costs include the initial listing fee.

Salaries and benefits

	Three months ended June 30,		Six months ended June 30,	
	2013	**2012**	**2013**	**2012**
Salaries and benefits	$ -	$ 7,142	$ -	$ 21,882

Salaries and benefits for the three and six month periods of 2013 was nil and nil compared to $7,142 and $21,882 for the comparative periods in 2012. The decrease results from the reduction of administrative staff employed by the Company. During the three and six months ended June 30, 2013, the Company capitalized $40,037 and $82,354 (2012 - $90,983 and $51,634) of the President and CEO's salary and wages. All other management compensation is recognized under consulting fees.

Stock Based Compensation

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Stock based compensation	$ 28,629	$ 647	$ 57,259	$ 1,294

In 2012, the Company granted 1,990,000 stock options in the third quarter, with a vesting period of 12 months. As a result, the Company recognized share-based compensation expense of $28,630 in the second quarter and $57,259 for the six months of 2013. There was no comparable grants that have a significant stock based compensation expense in the first half of 2012.

Deferred Income Tax Expense

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Deferred income tax expense (recovery)	$ (14,223)	$ 10,362	$ (203,409)	$ 54,271

During the six month period in 2013, the company has recognized a deferred income tax recovery of $203,409 compared to an expense of $54,271 in 2012. This is the result of the difference in the amount of the renouncement of the flow through expenditures in the first quarter of 2013 compared to the amounts renounced in the first quarter of 2012.

During the three month period in 2013, the company has recognized a future income tax recovery of $14,223 compared to an expense of $10,362 in 2012. This is the result of the timing of recognition of tax deductions related to the deductibility of certain income tax expenses.

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:

	2013	2012
Cash on hand, January 1	$ 2,026,974	$ 3,127,548
Cash flow from operations:		
Cash from (used in) operations	67,142	(124,779)
Changes in working capital	(27,618)	(55,380)
Cash flow from financing	(166,225)	(87,815)
Available for investments	1,900,273	2,859,574
Cash flow used in investing	(106,242)	(233,633)
Cash on hand, June 30	$ 1,794,031	$ 2,625,941

The 2013 increase in cash from operations of $191,921 is a result of the decrease in cash based expenses such as consulting fees, general and administrative costs, professional fees, insurance, office expense, and licenses. Fluctuations in working capital represented a cash outflow of $27,618 in 2013 compared to $55,380 in 2012, resulting from the increase in GST receivable and decrease in premium liability offset by the decrease in trade accounts payable and prepaid expenses.

Cash flow from financing resulted from the renouncement of the flow through expenditures resulting in the reduction of premium liability account.

During 2013, the Company spent $106,242 on investing activities compared to 2012 of $233,633. The decrease in the expenses relate to the differences in scope of the planned exploration program. These activities include the exploration of mineral properties, including drilling and analysis.

The following table shows the capital of the Company:

	2013	2012
Cash and cash equivalents	$ 1,794,031	$ 2,026,974
Shareholders' equity	$ 6,263,960	$ 6,162,498

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

Working Capital

Working capital increased from $1,937,434 at December 31, 2012 to $1,908,234 at June 30, 2013 resulting from the decrease in current assets, due to the results from operations in the year, and the decrease in the current liabilities due to the reduction in trade accounts payable and the premium liability.

GST receivable increased $7,908 to $111,431 at June 30, 2013 from $103,523 at December 31, 2012 primarily due to the exploration program and the cash expenses in the year. Prepaid expenses decreased due to the reduction of the prepaid rent and insurance amounts.

Trade accounts payable and accrued liabilities decreased in the period as a result of the timing of the payment of the vendors. The premium liability account decreased as a result of the renouncement of the flow through expenditures occurred in the first quarter of 2013.

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.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

	2013		2012	
	Jun 30	Mar 31	Dec 31	Sept 30
Revenue	$ -	$ -	$ -	$ -
Comprehensive income (loss)	$ (44,632)	$ 78,935	$ 87,443	$ (173,298)
Basic income loss per share	$ (0.00)	$ 0.00	$ (0.00)	$ (0.00)
Diluted income loss per share	$ (0.00)	$ 0.00	$ (0.00)	$ (0.00)
Total assets	$ 6,674,066	$ 6,702,438	$ 6,804,662	$ 6,523,521

	2012		2011	
	Jun 30	Mar 31	Dec 31	Sept 30
Revenue	$ -	$ -	$ -	$ -
Total comprehensive loss	$ (81,119)	$ (189,219)	$ (169,086)	$ (165,607)
Basic loss per share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.00)
Dilute loss per share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.00)
Total assets	$ 6,464,267	$ 6,572,881	$ 6,734,984	$ 6,780,097

During the second quarter of 2013, the Company had net loss of $44,632 resulting in the operating costs for general purposes. The decrease in the loss for the quarter compared to the previous quarters is the result of the decrease in consulting fees, office expenses, travel and the increase in deferred income tax recovery in the period, offset by the increase in stock based compensation. In the first quarter of 2013, the Company had net income of $78,935 as a result of the renouncement of the flow through expenditures. As these costs were renounced, the Company allocated the premium liability to the deferred income tax recovery. In the fourth quarter of 2012, the Company had net income as a result of the deferred tax recovery recognized on the increase in loss carryforward's in the period. In the third quarter of 2012, the Company's loss was created by the increase in share-based compensation resulting from the grant of stock options, office expenses, consulting fees, and professional fees as a result of the on-going operations of the Company. In the second quarter of 2012, the Company incurred expenses related to consultants, office, salaries, and travel as a result of the financing of the on-going operations of the Company. In the first quarter of 2012, the Company recognized a deferred tax expense resulting from the renouncement of the flow-through expenditures, incurred professional fees and listing fees for the listing on the TSX Venture Exchange, and incurred consulting fees, promotion and salaries and benefits for the on-going operating of the Company. During the third and fourth quarters of 2011, the Company incurred consulting fees related to the management of the Company, along with costs associated with the new office lease.

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 that are economical;
- 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 obligations and liabilities as they fall due;
- technical problems which could lead to environmental damage;
- obtaining timely regulatory approvals;
- third party related operational risks including the ability to obtain access to third party processing facilities, railway and other transportation infrastructure;

- fluctuations in commodity prices;
- adverse factors including climate, geographical and weather conditions;
- timing of future debt and other obligations;
- 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 on-going 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 June 30, 2012, 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 June 30, 2012, 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 June 30, 2012, 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.

CONTROLS AND PROCEDURES

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI- 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosures of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended June 30, 2013, Daryn Gordon Professional Corporation, a privately held company owned by an officer of the Company, provided management services amounting to $30,000 (2012 - $30,000). Of this amount $5,000 (2012 - $5,000) was due to the related party at the end of the reporting period. These amounts have been recorded in consulting services.

During the three months ended June 30, 2013, Daryn Gordon Professional Corporation, a privately held company owned by an officer of the Company, provided management services amounting to $15,000 (2012 - $15,000). Of this amount $5,000 (2012 - $5,000) was due to the related party at the end of the reporting period. These amounts have been recorded in consulting 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:

Total common shares December, 31, 2012	38,643,098
Total outstanding stock options	5,145,220
Total outstanding warrants	12,215,584
Total diluted common shares at August 21, 2013	56,003,902