

Condensed Interim Financial Statements of

SILVER MOUNTAIN MINES INC.

Three months ended March 31, 2013 and 2012

SILVER MOUNTAIN MINES INC.

Interim Balance Sheet
(Unaudited)

As at March 31, 2011 2013 and December 31, 2012
(In Canadian Dollars)

	2013	2012
Assets		
Current assets:		
Cash	\$ 1,866,586	\$ 2,026,974
GST receivable	109,499	103,523
Prepaid expenses	13,996	25,208
	<u>1,990,081</u>	<u>2,155,705</u>
Non-current assets:		
Property and equipment	77,357	78,598
Exploration and evaluation costs (note 3)	4,608,039	4,543,359
Reclamation bond	27,000	27,000
	<u>4,712,396</u>	<u>4,648,957</u>
Total Assets	\$ 6,702,477	\$ 6,804,662
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,761	\$ 42,146
Premium liability	-	176,125
	<u>12,761</u>	<u>218,271</u>
Non-current liabilities:		
Deferred income taxes	370,665	391,162
Asset retirement obligation	32,922	32,731
	<u>403,587</u>	<u>423,893</u>
Total Liabilities	416,348	642,164
Shareholders' equity:		
Share capital (note 4(b))	4,787,842	4,777,942
Warrants	1,368,784	1,368,784
Contributed surplus (note 4(c))	1,687,039	1,658,409
Deficit	(1,557,536)	(1,642,637)
	<u>6,286,129</u>	<u>6,162,498</u>
Total Liabilities and Shareholders' Equity	\$ 6,702,477	\$ 6,804,662

The notes to the condensed interim financial statements are an integral part of these condensed interim financial statements.

SILVER MOUNTAIN MINES INC.

Interim Statement of Comprehensive Loss
(Unaudited)

For the three months ended March 31, 2013 and 2012
(In Canadian Dollars)

	2013	2012
Expenses:		
Advertising and promotion	\$ 15,325	\$ 30,135
Accretion	191	35
Amortization	1,241	991
Automotive	1,510	1,200
Consulting fees	17,233	30,433
Insurance	5,611	6,500
Licensing and listing fees	10,115	32,321
Meals and entertainment	1,911	1,527
Office	12,284	11,442
Professional fees	11,332	16,456
Salaries and benefits	-	14,740
Share-based compensation	28,630	647
Telephone	1,570	1,105
Travel	7,784	3,158
	114,737	150,690
Interest income	3,216	5,380
Net loss before deferred income tax expense	111,519	145,310
Deferred income tax recovery (expense)	196,622	(43,909)
Net income (loss) and comprehensive income (loss) for the period attributable to common shareholders	85,101	(189,219)
Basic and diluted income per share	\$ 0.00	\$ (0.01)

The notes to the condensed interim financial statements are an integral part of these condensed interim financial statements.

SILVER MOUNTAIN MINES INC.

Interim Statement of Changes in Equity
(in Canadian dollars)

Period ended March 31, 2013 and March 31, 2012

	Share Capital		Contributed Surplus	Warrants	Deficit	Total Equity
	Number of Shares	Amount				
Balance, December 31, 2011	35,120,598	\$ 4,731,285	\$ 617,165	\$ 2,174,367	\$ (1,286,444)	\$ 6,236,373
Shares issued for cash, net of share issue costs	-	-	-	-	-	-
Share-based compensation	-	-	647	-	-	647
Total comprehensive loss	-	-	-	-	(189,219)	-
Balance, March 31, 2012	35,120,598	\$ 4,731,285	\$ 617,812	\$ 2,174,367	\$ (1,475,663)	\$ 6,047,801
Shares issued for cash, net of share issue costs	3,522,500	46,657	-	187,918	-	234,575
Share-based compensation	-	-	47,743	-	-	47,743
Expiry of warrants	-	-	993,501	(993,501)	-	-
Total comprehensive loss	-	-	-	-	(166,974)	(166,974)
Balance, December 31, 2012	38,643,098	\$ 4,777,942	\$ 1,658,409	\$ 1,368,784	\$ (1,642,637)	\$ 6,162,498
Shares issued for cash, net of share issue costs	-	9,900	-	-	-	9,900
Share-based compensation	-	-	28,630	-	-	28,630
Total comprehensive income	-	-	-	-	85,101	85,101
Balance, March 31, 2013	35,120,598	\$ 4,787,842	\$ 1,687,039	\$ 1,368,784	\$ (1,557,536)	\$ 6,286,129

The notes to the condensed interim financial statements are an integral part of these condensed interim financial statements.

SILVER MOUNTAIN MINES INC.

Interim Statement of Cash Flows

For the three month periods ended March 31, 2013 and 2012
(In Canadian Dollars)

	2013	2012
Cash provided by (used in):		
Operations		
Total comprehensive income (loss)	\$ 85,101	\$ (189,219)
Items not involving cash:		
Amortization	1,241	991
Accretion expense	191	35
Share-based compensation	28,630	647
Deferred income tax (recovery) expense	(20,497)	131,724
	94,666	(55,822)
Change in non-cash working capital		
GST receivable	(5,976)	(6,321)
Interest receivable	-	22,567
Accounts payable and accrued liabilities	(29,385)	(17,484)
Prepaid expenses	11,212	26,707
	(24,149)	25,469
Net cash from (used in) operations	70,517	(30,353)
Financing		
Issuance of common shares, net of share issue costs	9,900	-
Change in non-cash working capital		
Premium liability	(176,125)	(87,815)
Net cash provided from financing activities	(166,225)	(87,815)
Investing		
Exploration and evaluation costs	(64,680)	(70,613)
Increase (decrease) in cash	(160,388)	(188,781)
Cash, beginning of year	2,026,974	3,127,548
Cash, end of year	\$ 1,866,586	\$ 2,938,767

The notes to the condensed interim financial statements are an integral part of these condensed interim financial statements.

SILVER MOUNTAIN MINES INC.

Notes to Condensed Interim Financial Statements, Page 1

For the three months ended March 31, 2013
(Amounts in Canadian Dollars)

1. Basis of Presentation

Silver Mountain Mines Inc. (the "Company"), formerly Rupestris Mines Inc., was incorporated on May 12, 2008 under the laws of Alberta and August 13, 2008 under the laws of British Columbia. The Company's principal business activity is the exploration of mineral properties in British Columbia. These financial statements were approved and authorized for issue on May 27, 2013 by the Board of Directors. The registered office of the Company is suite 301 1301 8th Street SW, Calgary, Alberta T2R 1B7.

The financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. For the period ended March 31, 2013, the Company incurred a total net income and comprehensive income of \$78,935 (March 31, 2012 loss - \$189,219) and as at March 31, 2013 had an accumulated deficit of \$1,563,702 (December 31, 2012 - \$1,642,637).

The Company is in the process of exploring its mineral property interests and has not yet determined whether the project contains mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral properties, obtaining the necessary permits to mine, and future profitable production or proceeds from the disposition of the mineral properties.

The financial statements are stated in Canadian dollars and have been prepared on a going concern basis, under the historical cost convention.

This condensed interim financial information for the three months ended March 31, 2013 have been prepared in accordance with IAS 34 "Interim financial reporting". The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2. Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year. Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. There are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

SILVER MOUNTAIN MINES INC.

Notes to Condensed Interim Financial Statements, Page 2

For the three months ended March 31, 2012
(Amounts in Canadian dollars)

2. Significant Accounting Policies *(continued)*

The preparation of these interim financial statements requires management to make use of judgments, estimates and assumptions when transactions affecting the current accounting period cannot be finalized until future periods. These estimates will affect assets, liabilities and the disclosure of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting periods. Such estimates are based on informed judgments made by management.

Actual results could differ from those estimates as future confirming events occur. Significant assumptions and estimates about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amount of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the estimates of environmental restoration obligation, useful life and salvage values of property and equipment, recovery of assets, income taxes, share-based compensation and warrant valuation.

3. Exploration and Evaluation Costs

Cost	
Balance, January 1, 2013	\$ 4,543,359
Additions	64,680
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Balance, December 31, 2012	\$ 4,608,039
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Cost	
Balance, January 1, 2012	\$ 3,322,145
Additions	1,221,214
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Balance, December 31, 2012	\$ 4,543,359

During the three month period ended March 31, 2013, the Company capitalized \$46,314 (2012 - \$59,126) of salary and wages.

4. Share Capital and Reserves

(a) Authorized Share Capital

The Company has authorized an unlimited number of common shares without nominal or par value.

SILVER MOUNTAIN MINES INC.

Notes to Condensed Interim Financial Statements, Page 3

For the three months ended March 31, 2012

(Amounts in Canadian dollars)

4. Share Capital and Reserves (continued)

(b) Issued:

Share capital:

	Number	Share Capital
Common shares		
Balance, January 1, 2012	35,120,598	\$ 4,731,285
Private placement offering - flow-through	3,522,500	47,702
Share issue costs	-	(1,045)
Balance, December 31, 2012	38,643,098	4,777,942
Private placement offering - flow-through	-	12,000
Share issue costs	-	(2,100)
Balance, March 31, 2013	38,643,098	\$ 4,787,842

(c) Contributed surplus

Balance, January 1, 2012	\$ 617,165
Share based compensation	47,743
Expiry of warrants	993,501
Balance, December 31, 2011	1,658,409
Share based compensation	28,630
Balance, December 31, 2012	\$ 1,687,039

(d) Loss per share

Basic loss per share amounts are calculated by dividing the total net loss and comprehensive loss for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

The weighted average number of shares outstanding for purposes of calculating basic income or loss per share at March 31, 2013 was 38,643,098 (2012 – 35,120,598).

The Company's dilutive instruments consist of stock options and warrants.

The basic and diluted loss per share amounts are the same as the stock options and warrants were excluded from the dilution calculation, as no options or warrants were in the money.

5. Related Party Transactions

During 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.