SILVER MOUNTAIN MINES INC.

Condensed Interim Financial Statements

For the three months ended March 31, 2014 and 2013

Unaudited condensed interim financial statements

In accordance with National Instrument 51-102 released by the Canadian Securities administrators, the Company discloses that its auditors have not reviewed these condensed interim financial statements for the three months ended March 31, 2014 and 2013.

SILVER MOUNTAIN MINES INC.
Condensed Interim Balance Sheets
(Unaudited)

As at,	Note	March 31, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$1,405,104	$1,426,291
GST receivable		38,169	36,251
Prepaid expense		90,493	85,043
		1,533,767	1,547,585
Non-current assets:			
Property and equipment	4	72,394	73,634
Exploration and evaluation costs	5	5,342,541	5,297,784
Reclamation bond	6	27,296	27,296
		5,442,231	5,398,714
Total assets		$6,975,997	$6,946,299
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$46,287	$121,406
Premium liability	9(b)(i)	-	218,725
		46,287	340,131
Non-current liabilities:			
Deferred tax liability		479,741	454,919
Decommissioning liability	8	33,681	33,488
		513,422	488,407
Total liabilities		$559,709	$828,538
Shareholders' equity:			
Share capital	9(b)	4,826,175	4,656,775
Warrants	9(c)	1,259,335	1,259,335
Contributed surplus	9(e)	2,026,069	2,021,162
Deficit		(1,695,291)	(1,819,511)
Total shareholders' equity		6,416,288	6,117,761
Total liabilities and shareholders' equity		$6,975,997	$6,946,299
Going concern	1		
Commitments	10		
Subsequent events	11		

Approved on behalf of the Board:

"Steve Konopelky"	*"Daniel Belot"*
Director, President and CEO – Steve Konopelky	Director – Daniel Belot

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

SILVER MOUNTAIN MINES INC.
Condensed Interim Statements of Comprehensive Income
(Unaudited)

	Note	For the three months ended March 31, 2014	2013
Expenses			
Accretion expense		$193	$191
Advertising and promotion		15,000	15,325
Automotive		597	1,510
Consulting fees		11,374	17,233
Depreciation	4	1,241	1,241
Insurance		5,532	5,611
Licenses		8,766	10,115
Meals and entertainment		1,748	1,911
Office		15,142	12,284
Professional fees		2,093	11,332
Share-based compensation	9(e)	4,907	28,630
Telephone		1,200	1,570
Travel		4,123	7,784
		71,916	114,737
Interest income		2,233	3,216
Loss before deferred tax recovery		(69,682)	(111,521)
Deferred tax recovery		193,903	196,622
Total comprehensive income for the period attributable to the shareholders		$124,220	$85,101
Basic and diluted income per share	9(f)	$0.00	$0.00

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

SILVER MOUNTAIN MINES INC.
Condensed Interim Statements of Changes in Equity
(Unaudited)

	Number of Shares	Amount	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2012	38,642,870	$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 loss	-	-	-	-	85,101	85,101
Balance, March 31, 2013	38,642,870	$4,787,842	$1,687,039	$1,368,784	$(1,557,536)	$6,286,129
Shares issued for cash, net of share issue costs	7,290,833	(131,067)	-	180,392		49,325
Share-based compensation	-	-	44,282	-		44,282
Expiry of warrants	-	-	289,841	(289,841)		-
Total comprehensive loss	-	-	-	-	(261,975)	(261,975)
Balance, December 31, 2013	45,933,703	$4,656,775	$2,021,162	$1,259,335	$(1,819,511)	$6,117,761
Shares issued for cash, net of share issue costs	-	169,400	-	-	-	169,400
Share-based compensation	-	-	4,907	-	-	4,907
Total comprehensive loss	-	-	-	-	124,220	124,220
Balance, March 31, 2014	45,933,703	$4,826,175	$2,026,069	$1,259,335	$(1,695,291)	$6,416,288

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

SILVER MOUNTAIN MINES INC.
Condensed Interim Statements of Cash Flows
(Unaudited)

	Note	For the three months ended March 31, 2014	2013
Cash provided by (used in):			
Operations			
Total income and comprehensive income		$124,220	$85,101
Items not involving cash:			
Depreciation	4	1,241	1,241
Accretion expense		193	191
Share-based compensation	9(e)	4,907	28,630
Deferred tax expense (recovery)		24,822	(20,497)
		155,384	94,666
Change in non-cash working capital			
GST receivable		(1,918)	(5,976)
Prepaid expense		(5,450)	11,212
Accounts payable and accrued liabilities		(75,119)	(29,385)
		(82,488)	(24,149)
Net cash provided by operations		72,895	70,517
Financing			
Issuance of flow-through units, net of share issue costs	9(b)	169,400	9,900
Change in non-cash working capital			
Premium liability		(218,725)	(176,125)
Net cash used in financing activities		(49,325)	(166,225)
Investing			
Purchase of exploration and evaluation assets	5	(44,758)	(64,680)
Decrease in cash and cash equivalents		(21,187)	(160,388)
Cash and cash equivalents, beginning of the period		1,426,291	2,026,974
Cash and cash equivalents, end of the period		$1,405,104	$1,866,586

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

1. Nature of Operations and Continuance of Operations

Silver Mountain Mines Inc. (the "Company"), formerly Rupestris Mines Inc., was incorporated on May 12, 2008 under the laws of Alberta and on 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 issuance on May 30, 2014 by the Board of Directors. The registered office of the Company is 223 Riverview Circle SE, Calgary, Alberta T2C 4H6.

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 three months ended March 31, 2014, the Company incurred a total net income and comprehensive income of $124,220 (March 31, 2013 - $85,101) and as at March 31, 2014 had an accumulated deficit of $1,695,291 (March 31, 2013 - $1,557,536).

During 2013, the Company raised $437,450 (2012 - $422,700) through private placements to fund the operations of the Company.

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. Management currently assesses the Company’s ability to continue as a going concern using financial forecasts of 12 months to ensure the Company has adequate capital to meet its financial obligations.

2. Basis of Presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), in effect on March 31, 2014.

(b) Basis of presentation and measurement

These condensed interim financial statements have been prepared using the historical cost convention, except for certain financial instruments measured at fair value through profit and loss (“FVTPL”) and share-based payment transactions measured at fair value.

(c) Functional and presentation currency

The condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(d) Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key areas of estimation where management has made difficult, complex or subjective assumptions, often as a result of matters inherently uncertain are as follows:

(i) Measurement of share based payments and warrant valuation (Note 9(c))

The Company uses an option-pricing model to determine the fair value of share-based payments and warrants. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the equity instruments issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

(ii) Income taxes

The Company follows the liability method for calculating deferred taxes. Differences between the amounts reported in the annual financial statements of the Company and their respective tax bases are applied to tax rates in effect to calculate the deferred tax asset or liability. In addition, the Company recognizes the future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

(iii) Determination of fair values

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

3. Significant Accounting Policies

These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013. Details outlining the Company's accounting policies are contained in the notes to the financial statements for the year ended December 31, 2013.

4. Property and Equipment

	Office Equipment	Buildings	Total
Balance, January 1, 2013	$6,413	$72,185	$78,598
Additions	-	-	-
Less: Depreciation	(519)	(722)	(1,241)
Balance, March 31, 2013	5,894	71,463	77,357
Additions	-	-	-
Less: Depreciation	(1,558)	(2,165)	(3,723)
Balance, December 31, 2013	4,336	69,298	73,634
Additions	-	-	-
Less: Depreciation	(520)	(721)	(1,241)
Balance, March 31, 2014	$3,816	$68,577	$72,394

During the period ended March 31, 2014, recognized a depreciation expense of $1,241 (March 31, 2013 - $1,241).

5. Exploration and Evaluation Costs

Balance, January 1, 2013	$4,543,359
Additions	46,314
Balance, March 31, 2013	$4,589,673
Additions	708,111
Balance, December 31, 2013	$5,297,783
Additions	44,758
Balance, March 31, 2014	$5,342,541

During the period, the Company capitalized $44,758 (2013 - $46,314) of the President and Chief Executive Officer's salary and wages.

6. Reclamation Bond

For the three months ending March 31,		2014		2013
Guaranteed investment certificate bearing interest at 0.80% maturing May 29, 2014	$	20,240	$	-
Guaranteed investment certificate bearing interest at 1.20% maturing August 28, 2014		7,056		-
	$	27,296	$	27,000

The reclamation bond is required by the Province of British Columbia in order to pursue drilling in the province. The cash is held in custody by the issuing bank in the form of guaranteed investment certificates and is restricted as to withdrawal or use. Interest income earned from the certificates is paid to the Company upon maturation of the deposit.

7. Related Party Transactions

For the period ended March 31, 2014, Daryn Gordon Professional Corporation, a privately held company owned by a senior officer of the Company, provided consulting services amounting to $7,497 (2013 - $15,000). Of this amount $7,497 (2013 - nil) was due to the related party at the end of the reporting period. These amounts have been recorded in consulting fees.

The terms and conditions of the transactions with Daryn Gordon Professional Corporation were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

8. Decommissioning Liability

The Company's decommissioning liability is based on its net ownership in property and equipment and represents management's estimate of the costs to abandon and reclaim those assets as well as an estimate of the future timing of the costs to be incurred. Estimated cash flows have been discounted at the Company's nominal risk free rate of 2.31% and an inflation rate of 2.0%.

The total undiscounted amount of future cash flows required to settle the decommissioning liability is estimated to be $35,000 (2012 - $35,000) and are expected to be incurred twenty-one years from the date of these financial statements.

	2014	2013
Balance at January 1,	$33,488	$32,731
Accretion expense	193	191
Balance at March 31,	$33,681	$32,922

9. Share Capital and Reserves

(a) Authorized Share Capital

The Company has authorized an unlimited number of common shares without nominal or par value. The Company has 544,350 shares held in escrow by the TSX Venture exchange under National Policy 46-201 Escrow for Initial Public Offerings. These shares will be released from escrow in 2014.

(b) Issued

Share capital

	Number	Share Capital
Common shares		
Balance, January 1, 2012	35,120,370	$4,731,285
Private placement offering - flow-through	3,522,500	47,702
Share issue costs	-	(1,045)
Balance, December 31, 2012	38,642,870	4,777,942
Private placement offering - flow-through	7,290,833	(119,067)
Share issue costs	-	(2,100)
Balance, December 31, 2013	45,933,703	$4,656,775
Subscriptions received	-	169,400
Balance, March 31, 2014	45,933,703	$4,826,175

In 2013, the Company closed a private placement offering of 7,290,833 flow-through units for gross proceeds of $437,450. At December 31, 2013, $169,400 had not yet been deposited in the Company's bank account. The funds were received during January 2014. Each unit consisted of one flow-through common share and one purchase warrant to purchase one common share at $0.15 expiring three years from the date of issuance. The Company recognized a premium liability of $218,725 from the flow-through units issued for the year ended December 31, 2013. The premium liability was recognized in income for the three months ended March 31, 2014.

(c) Warrants

Warrants issued and outstanding at March 31, 2014 are as follows:

	Number	Warrant Value	Average Exercise Price	Weighted Average Remaining Life
Balance, January 1, 2014	10,489,484	$1,078,943	$0.25	0.75
Private placement offering – flow-through December 31, 2013	3,645,417	180,392	$0.15	2.70
Balance, at March 31, 2014	14,134,901	$1,259,335	$0.22	1.25

The warrants were valued using the Black-Scholes option-pricing model using the weighted average assumptions to estimate the fair value as follows:

As at December 31	2013
Risk-free interest rate	1.52%
Expected life	3.0 years
Expected volatility	187%
Grant date share price	$ 0.06
Expected dividend yield	0%

(d) Share purchase options

The Company has a share purchase option plan under which employees, directors and key consultants and/or advisors are eligible to be granted options. Under the share option plan, which was approved by the shareholders, the granted share options vest to the grantee over one year and the grantee has the right to exercise those share options for five years from the date of the granting and typically terminate 90 days following the termination of the optionee's employment or engagement. The maximum number of outstanding share options under the plan is limited to 20% of the number of common shares outstanding. The number of share options and the exercise price is set by the Company's Board of Directors based on the market value at the time of granting.

Share options issued and outstanding at March 31, 2014 are as follows:

	Number	Weighted Average Exercise Price
Balance, January 1, 2013	5,145,220	$0.19
Forfeited	(15,000)	(0.10)
Granted	1,020,000	0.05
Balance, December 31, 2013	6,150,220	0.17
Expired	(1,350,000)	(0.16)
Balance, March 31, 2014	4,800,220	$0.17

The weighted average fair value of the share purchase options granted during the period is nil (2013 – $0.06). Options were priced using the Black-Scholes option-pricing model using the weighted average assumptions to estimate the fair value of options granted:

		2013
Risk-free interest rate		1.51%
Expected life		5.0 years
Expected volatility		181%
Weighted average grant date share price	$	0.03
Expected dividend yield		0%

(e) Contributed surplus

Balance, January 1, 2012	$	617,165
Share-based compensation expense		47,743
Expiry of warrants		993,501
Balance, December 31, 2012		1,658,409
Share-based compensation expense		72,912
Expiry of warrants		289,841
Balance, December 31, 2013	$	2,021,162
Share-based compensation expense		4,907
Balance, March 31, 2014	$	2,026,069

(f) Loss per share

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

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

The basic and diluted loss per share amounts are the same as the share purchase options and warrants were excluded from the dilution calculation, as they were anti-dilutive.

The weighted average number of shares outstanding for purposes of calculating basic loss per share at March 31, 2014 was 45,933,703 (2013 – 38,643,098).

10. Commitments

a) The Company entered into two Net Smelter Royalty Agreements ("NSR) on May 15, 2008 with one director and two former directors of the Company. Each NSR requires the Company to pay a 3% royalty on the gross value of all products shipped from the lease to a third party smelter less allowable expenses. If the minerals are shipped to a party other than a smelter, the royalty is decreased to 2% of the value of the recoverable metals and minerals determined by a third party testing.

b) The Company has a commitment under its issuance of flow through shares to spend approximately $118,500 in flow through expenditures in 2014.

11. Subsequent Events

On April 17, 2014, the company announced a non-brokered private placement of up to 12,000,000 flow-through units at a price of $0.06 per unit, to raise up to $720,000. (the "Offering").

Each Unit consists of one common share ("Common Share") of the Company to be issued on a flow-through basis (each, a "Flow- Through Share") and one half (1/2) of a Common Share purchase warrant (Each full Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share at a price of $0.15 per Common Share on or before 4:30 p.m. (MST) on December 31st, 2017 (the "Expiry Date") except that, in the event the Common Shares of the Corporation as quoted on the TSX Venture Exchange close at or above $0.20 per Common Share for twenty one (21) consecutive trading days, then the Company may, at its election, accelerate the Expiry Date upon not less than 30 days written notice to each subscriber. The securities issued in the Offering will be subject to a hold period of four months plus one day from closing and are further subject to such other applicable regulatory and TSX Venture Exchange approval and completion of definitive documentation.