SILVER MOUNTAIN MINES INC.

Condensed Interim Financial Statements

For the three and six months ended June 30, 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 and six months ended June 30, 2014 and 2013.

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

As at,	Note	June 30, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$ 1,349,349	$ 1,426,291
Interest and GST receivable		8,722	36,251
Prepaid expense		73,516	85,043
		1,431,587	1,547,585
Non-current assets:			
Property and equipment	4	71,262	73,634
Exploration and evaluation costs	5	5,395,007	5,297,784
Reclamation bond	6	27,296	27,296
		5,493,565	5,398,714
Total assets		6,925,152	6,946,299
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		36,944	121,406
Premium liability	9(b)	-	218,725
		36,944	340,131
Non-current liabilities:			
Deferred tax liability		480,954	454,919
Decommissioning liability	8	33,875	33,488
		514,829	488,407
Total liabilities		551,773	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)	2,030,046	2,021,162
Deficit		(1,742,177)	(1,819,511)
Total shareholders' equity		6,373,379	6,117,761
Total liabilities and shareholders' equity		$ 6,925,152	$ 6,946,299

Going concern	1
Commitments	10
Subsequent events	11

Approved on behalf of the Board:

"Steve Konopelky"
Director, President and CEO – Steve Konopelky

"Daniel Belot"
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, June 30, 2014	For the three months ended, June 30, 2013	For the six months ended, June 30, 2014	For the six months ended, June 30, 2013
Expenses					
Accretion expense		$ 194	$ 191	$ 387	$ 382
Advertising and promotion		15,000	3,295	30,000	18,620
Automotive		802	878	1,399	2,065
Consulting fees		11,734	15,455	23,108	32,688
Depreciation	4	1,131	1,241	2,372	2,481
Insurance		5,630	5,610	11,161	11,222
Licenses		-	24	8,766	10,139
Meals and entertainment		776	884	2,524	2,480
Office		4,578	3,920	19,720	16,080
Professional fees		3,782	2,444	5,875	13,776
Share-based compensation	9(d)	3,977	28,629	8,884	57,259
Telephone		943	1,267	2,143	2,531
Travel		1,718	239	5,841	7,821
		50,265	64,077	122,180	177,544
Interest income		4,591	5,222	6,824	8,438
Net loss before deferred income tax recovery (expense)		(45,674)	(58,855)	(115,356)	(168,876)
Deferred tax recovery (expense)		(1,213)	14,223	192,690	203,409
Total comprehensive income (loss) for the period attributable to common shareholders		$ (46,887)	$ (44,632)	$ 77,334	$ 34,303
Basic and diluted loss per share	9(f)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)

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	-	-	57,259	-	-	57,259
Total comprehensive income	-	-	-	-	34,303	34,303
Balance, June 30, 2013	38,642,870	$4,787,842	$1,715,668	$1,368,784	$(1,608,334)	$6,263,960
Shares issued for cash, net of share issue costs	7,290,833	(131,067)	-	180,392		49,325
Share-based compensation	-	-	15,653	-		15,653
Expiry of warrants	-	-	289,841	(289,841)		-
Total comprehensive loss	-	-	-	-	(211,177)	(211,177)
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	-	-	8,884	-	-	8,884
Total comprehensive income	-	-	-	-	77,334	77,334
Balance, June 30, 2014	45,933,703	$4,826,175	$2,030,046	$1,259,335	$(1,742,177)	$6,373,379

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 June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Cash provided by (used in):					
Operations					
Total comprehensive income (loss)		$ (46,887)	$ (44,632)	$ 77,334	$ 34,303
Items not involving cash:					
Depreciation	4	1,131	1,241	2,372	2,482
Accretion expense		194	191	387	382
Share-based compensation	9(d)	3,977	28,629	8,884	57,259
Deferred tax recovery		1,213	(14,223)	26,035	(27,284)
		(40,372)	(28,794)	115,012	67,142
Change in non-cash working capital					
Interest and GST receivable		29,447	(1,971)	27,529	(7,908)
Prepaid expense		16,977	(1,890)	11,527	9,322
Accounts payable and accrued liabilities		(9,342)	1,662	(84,462)	(29,032)
		37,082	(2,199)	(45,406)	(27,618)
Net cash provided by (used in) operations		(3,290)	(30,993)	69,606	39,524
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	(52,465)	(41,562)	(97,223)	(106,242)
Decrease in cash and cash equivalents		(55,755)	(72,555)	(76,942)	(232,943)
Cash and cash equivalents, beginning of the period		1,405,104	1,866,586	1,426,291	2,026,974
Cash and cash equivalents, end of the period		$1,349,349	$1,794,031	$1,349,349	$1,794,031

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. The registered office of the Company is 223 Riverview Circle SE, Calgary, Alberta T2C 4H6. These financial statements were approved and authorized for issuance on August 12, 2014 by the Board of Directors.

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 and six months ended June 30, 2014, the Company incurred a total comprehensive income (loss) of ($46,887) and $77,334, respectively. In comparison, for the three and six months ended June 30, 2013, the Company incurred a total comprehensive income (loss) of ($44,632) and $34,303, respectively. As of June 30, 2014 the Company had an accumulated deficit of $1,742,177 (December 31, 2013 - $1,819,511).

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 June 30, 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 audited 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
Less: Depreciation	(1,037)	(1,444)	(2,481)
Balance, June 30, 2013	**5,376**	**70,741**	**76,117**
Less: Depreciation	(1,040)	(1,443)	(2,483)
Balance, December 31, 2013	**4,336**	**69,298**	**73,634**
Less: Depreciation	(930)	(1,442)	(2,372)
Balance, June 30, 2014	**$3,406**	**$67,856**	**$71,262**

For the three and six months ended June 30, 2014, the Company recognized a depreciation expense of $1,131 and $2,372. In comparison, for the three and six months ended June 30, 2013 the Company recognized a depreciation expense of $1,241 and $2,481, respectively.

5. Exploration and Evaluation Costs

Balance, January 1, 2013	$	4,543,359
Additions		106,242
Balance, June 30, 2013		**4,649,601**
Additions		648,183
Balance, December 31, 2013		**5,297,784**
Additions		97,223
Balance, June 30, 2014	**$**	**5,395,007**

For the three and six months ended June 30, 2014, the Company capitalized $44,758 and $85,599, respectively, of the President and Chief Executive Officer's salary and wages. In comparison, for the three and six months ended June 30, 2013, the Company capitalized $40,037 and $82,354, respectively, of the President and Chief Executive Officer's salary and wages. The remaining expenditures relate to licensing fees and geological work performed on the property.

6. Reclamation Bond

As at June 30,		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		-
Total	**$**	**27,296**	**$**	**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 three and six months ended June 30, 2014, Daryn Gordon Professional Corporation, a privately held company owned by a former senior officer of the Company, provided consulting services amounting to $7,140 and $10,220, respectively. Of this amount nil was due to the related party as of June 30, 2014. These amounts have been recorded in consulting fees.

For the three and six months ended June 30, 2013, Daryn Gordon Professional Corporation, a privately held company owned by a former senior officer of the Company, provided consulting services amounting to $15,000 and $30,000, respectively. Of this amount $5,000 was due to the related party as of June 30, 2013. These amounts were recorded in consulting fees

The terms and conditions of the transactions with Daryn Gordon Professional Corporation were no more favourable 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 and are expected to be incurred twenty-one years from the date of these financial statements.

As at June 30,	2014	2013
Balance at January 1,	$33,488	$32,731
Accretion expense	387	382
Total	**$33,875**	**$33,113**

9. Share Capital and Reserves

(a) Authorized Share Capital

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

(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, June 30, 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 period ended June 30, 2014.

(c) Warrants

Warrants issued and outstanding at June 30, 2014 are as follows:

	Number	Warrant Value	Average Exercise Price	Weighted Average Remaining Life
Balance, January 1, 2013	10,489,484	$1,368,784	$0.25	0.50
Private placement offering – flow-through December 31, 2013	3,645,417	180,392	$0.15	2.45
Expiry of warrants		(289,841)	-	-
Balance at June 30, 2014	**14,134,901**	**$1,259,335**	**$0.22**	**1.00**

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 June 30, 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 at June 30, 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		57,259
Balance, June 30, 2013		**1,715,668**
Share-based compensation expense		15,653
Expiry of warrants		289,841
Balance, December 31, 2013		2,021,162
Share-based compensation expense		8,884
Balance at June 30, 2014	**$**	**2,030,046**

(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 June 30, 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

There have been no subsequent events since June 30, 2014.