SILVER MOUNTAIN MINES INC.

Condensed Interim Financial Statements

For the three and nine months ended September 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 nine months ended September 30, 2014 and 2013.

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

As at,	Note	September 30, 2014	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$730,193	$1,426,291
Interest and GST receivable		36,004	36,251
Prepaid expense		38,723	85,043
		804,920	1,547,585
Non-current assets:			
Property and equipment	4	69,445	73,634
Exploration and evaluation costs	5	5,953,640	5,297,784
Reclamation bond	6	27,296	27,296
		6,050,381	5,398,714
Total assets		6,855,301	6,946,299
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		4,443	121,406
Premium liability	8(b)	-	218,725
		4,443	340,131
Non-current liabilities:			
Deferred tax liability		506,688	454,919
Decommissioning liability	7	34,068	33,488
		540,756	488,407
Total liabilities		545,199	828,538
Shareholders' equity:			
Share capital	8(b)	4,826,175	4,656,775
Warrants	8(c)	1,259,335	1,259,335
Contributed surplus	8(e)	2,046,857	2,021,162
Deficit		(1,822,265)	(1,819,511)
Total shareholders' equity		6,310,102	6,117,761
Total liabilities and shareholders' equity		$6,855,301	$6,946,299
Going concern	1		
Commitments	9		
Subsequent events	10		

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 September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Expenses					
Accretion expense		$193	$191	$580	$573
Advertising and promotion		15,190	685	45,190	19,305
Automotive		115	1,369	1,514	3,434
Consulting fees		3,540	12,595	26,648	45,283
Depreciation	4	1,187	1,241	3,559	3,723
Insurance		5,416	6,700	16,577	17,921
Licenses		-	-	8,766	9,907
Meals and entertainment		77	863	2,601	3,343
Office		3,325	13,176	23,045	29,486
Professional fees		10,451	7,285	16,326	21,061
Share-based compensation	8(d)	16,811	10,746	25,695	68,006
Telephone		1,094	1,647	3,237	4,178
Travel		-	676	5,841	8,497
		57,399	57,174	179,579	234,717
Interest income		3,045	5,127	9,869	13,565
Net loss before deferred income tax recovery		(54,354)	(52,047)	(169,710)	(221,152)
Deferred income tax recovery		25,734	13,976	166,956	217,385
Total net loss and comprehensive loss for the period attributable to common shareholders		$(28,620)	$(38,071)	$(2,754)	$(3,767)
Basic and diluted income (loss) per share	8(f)	$(0.00)	$(0.00)	$(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, January 1, 2013	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	-	-	68,006	-	-	68,006
Total comprehensive income	-	-	-	-	(3,767)	(3,767)
Balance, September 30, 2013	38,642,870	$4,787,842	$1,726,415	$1,368,784	$(1,646,404)	$6,236,637
Shares issued for cash, net of share issue costs	7,290,833	(131,067)	-	180,392		49,325
Share-based compensation	-	-	4,906	-		4,906
Expiry of warrants	-	-	289,841	(289,841)		-
Total comprehensive loss	-	-	-	-	(173,107)	(173,107)
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	-	-	25,695	-	-	25,695
Total comprehensive income	-	-	-	-	(2,754)	(2,754)
Balance, September 30, 2014	45,933,703	$4,826,175	$2,046,857	$1,259,335	$(1,822,265)	$6,310,102

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 September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Cash provided by (used in):					
Operations					
Total comprehensive income (loss)		$(28,620)	$(38,070)	$(2,754)	$(3,767)
Items not involving cash:					
Depreciation	4	1,187	1,241	3,559	3,723
Accretion expense		193	191	580	573
Share-based compensation	8(d)	16,811	10,746	25,695	68,006
Deferred tax recovery		(25,734)	(13,976)	51,769	(41,260)
		(36,163)	(39,868)	78,849	27,275
Change in non-cash working capital					
Interest and GST receivable		(27,281)	(11,058)	247	(18,966)
Prepaid expense		34,793	(2,191)	46,320	7,131
Accounts payable and accrued liabilities		(32,502)	17,507	(116,963)	(11,526)
		(24,990)	4,258	(70,396)	(23,361)
Net cash provided by (used in) operations		(61,153)	(35,610)	8,453	3,914
Financing					
Issuance of flow-through units, net of share issue costs	8(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					
Proceeds on disposition of property and equipment	4	630	-	630	-
Purchase of exploration and evaluation assets	5	(558,633)	(331,193)	(655,856)	(437,435)
Net cash used in investing activities		(558,003)	(331,193)	(655,226)	(437,435)
Decrease in cash and cash equivalents		(619,156)	(366,803)	(696,098)	(599,746)
Cash and cash equivalents, beginning of the period		1,349,349	1,794,031	1,426,291	2,026,974
Cash and cash equivalents, end of the period		$730,193	$1,427,228	$730,193	$1,427,228

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 November 24, 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 nine months ended September 30, 2014, the Company incurred a total net loss and comprehensive loss of ($28,620) and ($2,754), respectively. In comparison, for the three and nine months ended September 30, 2013, the Company incurred a total net loss and comprehensive loss of ($38,071) and ($3,767), respectively. As of September 30, 2014 the Company had an accumulated deficit of $1,822,265 (December 31, 2013 - $1,819,511).

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 September 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 8(c) and (d))

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
Cost			
Balance, January 1, 2013	$6,413	$72,185	$78,598
Less: Depreciation	(1,325)	(2,398)	(3,723)
Balance, September 30, 2013	**5,088**	**69,787**	**74,875**
Less: Depreciation	(424)	(817)	(1,241)
Balance, December 31, 2013	4,664	68,970	73,634
Disposition of assets	(630)	-	(630)
Less: Depreciation	(1,394)	(2,165)	(3,559)
Balance, September 30, 2014	**$2,640**	**$66,805**	**$69,445**

For the three and nine months ended September 30, 2014, the Company recognized a depreciation expense of $1,187 and $3,559. In comparison, for the three and nine months ended September 30, 2013 the Company recognized a depreciation expense of $1,241 and $3,723, respectively.

5. Exploration and Evaluation Costs

Cost	
Balance, January 1, 2013	$4,543,359
Additions	437,435
Balance, September 30, 2013	**$4,980,794**
Additions	316,990
Balance, December 31, 2013	$5,297,784
Additions	655,856
Balance, September 30, 2014	**$5,953,640**

For the three and nine months ended September 30, 2014, the Company capitalized $558,633 and $655,856 of exploration and evaluation costs, respectively. The capitalized costs for the nine months ended September 30, 2014 is comprised of the following: President and Chief Executive Officer's salary was $117,980 and costs associated with the field exploration program were $537,876.

In comparison, for the three and nine months ended September 30, 2013, the Company capitalized $331,193 and $437,435 of exploration and evaluation costs, respectively. The capitalized costs for the nine months ended September 30, 2013 is comprised of the following: President and Chief Executive Officer's salary was $122,104 and costs associated with the field exploration program were $315,331.

6. Reclamation Bond

As at September 30,		**2014**		2013
Guaranteed investment certificate bearing interest at 0.80% maturing May 29, 2015	**$**	**20,240**	$	-
Guaranteed investment certificate bearing interest at 0.80% maturing August 28, 2015		**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. 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 will be incurred in approximately twenty-one years from the date of these financial statements.

As at September 30,	2014	2013
Balance at January 1,	$33,488	$32,732
Accretion expense	580	573
Total	**$34,068**	**$33,305**

8. 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	-	12,000
Share issue costs	-	(2,100)
Balance, September 30, 2013	**38,642,870**	**4,787,842**
Private placement offering - flow-through	7,290,833	(131,067)
Balance, December 31, 2013	45,933,703	$4,656,775
Subscriptions received	-	169,400
Balance, September 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 September 30, 2014.

(c) Warrants

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

	Number	Warrant Value	Average Exercise Price	Weighted Average Remaining Life
Balance, January 1, 2014	14,134,901	$1,259,335	$0.22	0.75
Balance at September 30, 2014	**14,134,901**	**$1,259,335**	**$0.22**	**0.75**

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

	Issue Date
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 September 30, 2014 are as follows:

	Number	Weighted Average Exercise Price
Balance, January 1, 2013	5,145,220	$0.19
Expired	(15,000)	(0.10)
Granted, November 29, 2013	1,020,000	0.05
Balance, December 31, 2013	6,150,220	0.17
Granted, January 28, 2014	315,000	0.05
Granted, September 26, 2014	50,000	0.07
Expired	(1,700,000)	(0.14)
Balance at September 30, 2014	**4,815,220**	**$0.13**

Options were priced using the Black-Scholes option-pricing model using the weighted average assumptions to estimate the fair value of options granted:

	November 2013	January 2014	September 2014
Risk-free interest rate	1.51%	1.33%	1.66%
Expected life	5.0 years	5.0 years	5.0 years
Expected volatility	181%	248%	233%
Weighted average grant date share price	$0.03	$0.04	$0.04
Expected dividend yield	0%	0%	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		68,006
Balance, September 30, 2013		**1,726,415**
Share-based compensation expense		4,906
Expiry of warrants		289,841
Balance, December 31, 2013		2,021,162
Share-based compensation expense		25,695
Balance at September 30, 2014	**$**	**2,046,857**

(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 for the three and nine months ended September 30, 2014 was 45,933,703 (2013 – 38,642,870).

9. Commitments

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.

10. Subsequent Events

On April 17, 2014, the Company announced a private placement (the "Flow-Through Private Placement") of 12,000,000 Flow-Through Units at a price of $0.06 per unit issued on a "flow-through" basis under the Income Tax Act (Canada) for total proceeds of up to $720,000. Funds have been successfully raised since September 30, 2014. The private placement is expected to close by December 31, 2014.