

Condensed Interim Financial Statements of

**SILVER MOUNTAIN MINES INC.**

Three and six months ended June 30, 2013 and 2012

The accompanying unaudited interim Financial Statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim Financial Statements by an entity's auditor.

# SILVER MOUNTAIN MINES INC.

Interim Balance Sheet  
(Unaudited)

As at June 30, 2013 and December 31, 2012  
(In Canadian Dollars)

	2013	2012
<b>Assets</b>		
Current assets:		
Cash	\$ 1,794,031	\$ 2,026,974
GST receivable	111,431	103,523
Prepaid expenses	15,886	25,208
	1,921,348	2,155,705
Non-current assets:		
Property and equipment	76,117	78,598
Exploration and evaluation costs (note 3)	4,649,601	4,543,359
Reclamation bond	27,000	27,000
	4,752,718	4,648,957
<b>Total Assets</b>	<b>\$ 6,674,066</b>	<b>\$ 6,804,662</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,114	\$ 42,146
Premium liability	-	176,125
	13,114	218,271
Non-current liabilities:		
Deferred income taxes	363,878	391,162
Asset retirement obligation	33,114	32,731
	396,992	423,893
<b>Total Liabilities</b>	<b>410,106</b>	<b>642,164</b>
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))	1,715,668	1,658,409
Deficit	(1,608,334)	(1,642,637)
	6,263,960	6,162,498
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 6,674,066</b>	<b>\$ 6,804,662</b>

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 and six months ended June 30, 2013 and 2012  
(In Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Expenses:				
Accretion	\$ 191	\$ 35	\$ 382	\$ 70
Advertising	3,295	2,645	18,620	32,780
Amortization	1,241	1,118	2,482	2,109
Automotive	878	206	2,065	1,406
Bank and interest charges	55	7	55	7
Consulting fees	15,455	29,430	32,688	59,863
Insurance	5,610	6,500	11,221	13,000
Licenses	24	4,500	10,139	36,821
Meals and entertainment	884	2,147	2,480	3,674
Office	3,865	11,835	16,025	23,277
Professional fees	2,444	2,991	13,776	19,447
Salaries and benefits	-	7,142	-	21,882
Share-based compensation	28,629	647	57,259	1,294
Telephone	1,267	784	2,531	1,889
Travel	239	6,176	7,821	9,334
	64,077	76,163	177,544	226,853
Interest income	5,222	5,406	8,438	10,786
Net loss before deferred income tax expense	(58,855)	(70,757)	(168,876)	(216,067)
Deferred income tax recovery (expense)	14,223	(10,362)	203,409	(54,271)
Total net (loss) income and comprehensive (loss) income for the period attributable to common shareholders	(44,632)	(81,119)	34,303	(270,338)
Basic and diluted income per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (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)

Periods ended June 30, 2013 and 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
Expiry of warrants	-	-	823,220	(823,220)	-	-
Share-based compensation	-	-	1,294	-	-	1,294
Total comprehensive loss	-	-	-	-	(270,338)	(270,338)
Balance, June 30, 2012	35,120,598	\$ 4,731,285	\$ 1,441,679	\$ 1,351,147	\$ (1,556,782)	\$ 5,967,329
Shares issued for cash, net of share issue costs	3,522,500	46,657	-	187,918	-	234,575
Share-based compensation	-	-	46,449	-	-	46,449
Expiry of warrants	-	-	170,281	(170,281)	-	-
Total comprehensive loss	-	-	-	-	(85,855)	(85,855)
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	-	-	57,259	-	-	57,259
Total comprehensive income	-	-	-	-	34,303	34,303
Balance, June 30, 2013	38,643,098	\$ 4,787,842	\$ 1,715,668	\$ 1,368,784	\$ (1,608,334)	\$ 6,263,960

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 and six month periods ended June 30, 2013 and 2012  
(In Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Cash provided by (used in):				
Operations				
Total comprehensive (loss) income	\$ (44,632)	\$ (81,119)	\$ 34,303	\$ (270,338)
Items not involving cash:				
Amortization	1,241	1,118	2,482	2,109
Accretion expense	191	35	382	70
Share-based compensation	28,629	647	57,259	1,294
Deferred income tax (recovery) expense	(14,223)	10,362	(27,284)	142,086
	(28,794)	(68,957)	67,142	(124,779)
Change in non-cash working capital				
GST receivable	(1,971)	(20,984)	(7,908)	(27,305)
Accounts payable and accrued liabilities	1,662	(38,539)	(29,032)	(56,023)
Interest receivable	-	-	-	22,567
Prepaid expenses	(1,890)	(21,326)	9,322	5,381
	(2,199)	(80,849)	(27,618)	(55,380)
Net cash from (used in) operations	(30,993)	(149,806)	39,524	(180,159)
Financing				
Issuance of common shares, net of share issue costs	-	-	9,900	-
Change in non-cash working capital				
Subscriptions receivable	-	-	-	-
Premium liability	-	-	(176,125)	(87,815)
Net cash provided from financing activities	-	-	(166,225)	(87,815)
Investing				
Exploration and evaluation costs	(41,562)	(150,187)	(106,242)	(220,800)
Property and equipment	-	(12,833)	-	(12,833)
	(41,562)	(163,020)	(106,242)	(233,633)
Increase (decrease) in cash	(72,555)	(312,826)	(232,943)	(501,607)
Cash, beginning of period	1,866,586	2,938,767	2,026,974	3,127,548
Cash, end of period	\$ 1,794,031	\$ 2,625,941	\$ 1,794,031	\$ 2,625,941

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 and six months ended June 30, 2013  
(Amounts in Canadian Dollars)

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## 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 August 21, 2013 by the Board of Directors. The registered office of the Company is suite 103 155 Glendeer Circle SE, Calgary, Alberta T2H 2S8.

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 June 30, 2013, the Company incurred a total net income and comprehensive income of \$34,303 (June 30, 2012 loss - \$270,338) and as at June 30, 2013 had an accumulated deficit of \$1,715,668 (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 and six months ended June 30, 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 and six months ended June 30, 2013  
(Amounts in Canadian dollars)

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## 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

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<b>Cost</b>	
Balance, January 1, 2013	\$ 4,543,359
Additions	106,242
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Balance, June 30, 2013	\$ 4,649,601

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<b>Cost</b>	
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 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.

## 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 and six months ended June 30, 2013  
(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, June 30, 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, 2012	1,658,409
Share based compensation	57,259
Balance, June 30, 2013	\$ 1,715,668

(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 June 30, 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 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.

# **SILVER MOUNTAIN MINES INC.**

Notes to Condensed Interim Financial Statements, Page 4

For the three and six months ended June 30, 2013  
(Amounts in Canadian dollars)

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These transactions are in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.