

Condensed Interim Financial Statements of

SILVER MOUNTAIN MINES INC.

Three and nine months ended September 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 September 30, 2013 and December 31, 2012
(In Canadian Dollars)

	2013	2012
Assets		
Current assets:		
Cash	\$ 1,427,228	\$ 2,026,974
GST receivable	122,489	103,523
Prepaid expenses	18,077	25,208
	<u>1,567,794</u>	<u>2,155,705</u>
Non-current assets:		
Property and equipment	74,875	78,598
Exploration and evaluation costs (note 3)	4,980,794	4,543,359
Reclamation bond	27,000	27,000
	<u>5,082,669</u>	<u>4,648,957</u>
Total Assets	\$ 6,650,463	\$ 6,804,662
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,619	\$ 42,146
Premium liability	-	176,125
	<u>30,619</u>	<u>218,271</u>
Non-current liabilities:		
Deferred income taxes	349,902	391,162
Asset retirement obligation	33,305	32,731
	<u>383,207</u>	<u>423,893</u>
Total Liabilities	413,826	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))	1,726,415	1,658,409
Deficit	(1,646,404)	(1,642,637)
	<u>6,236,637</u>	<u>6,162,498</u>
Total Liabilities and Shareholders' Equity	\$ 6,650,463	\$ 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 and nine months ended September 30, 2013 and 2012
(In Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Expenses:				
Accretion	\$ 191	\$ 35	\$ 573	\$ 105
Advertising	685	2,239	19,305	35,019
Amortization	1,241	1,055	3,723	3,164
Automotive	1,369	1,770	3,434	3,176
Bank and interest charges	-	-	55	348
Consulting fees	12,595	18,045	45,283	77,908
Insurance	6,700	6,101	17,921	19,101
Licenses	-	-	9,907	36,821
Meals and entertainment	863	2,203	3,343	5,877
Office	13,176	13,768	29,431	36,704
Payroll	-	-	-	21,882
Professional fees	7,285	12,329	21,061	31,776
Share-based compensation	10,746	113,815	68,006	115,109
Telephone	1,647	2,083	4,178	3,972
Travel	676	2,602	8,497	11,937
	57,174	176,045	234,717	402,899
Interest income	5,127	7,930	13,565	18,716
Net loss before deferred income tax expense	52,047	168,115	221,152	384,183
Deferred income tax recovery (expense)	13,976	(5,183)	217,385	(59,454)
Total net loss and comprehensive loss for the period attributable to common shareholders	38,071	173,298	3,767	443,637
Basic and diluted income per share	\$ (0.00)	\$ (0.00)	\$ (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)
(unaudited)

Period ended September 30, 2013 and September 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
Expiry of warrants	-	-	993,501	(993,501)	-	-
Share-based compensation	-	-	47,743	-	-	47,743
Total comprehensive loss	-	-	-	-	(443,637)	(443,637)
Balance, September 30, 2012	35,120,598	\$ 4,731,285	\$ 1,658,409	\$ 1,180,866	\$ (1,730,081)	\$ 5,840,479
Shares issued for cash, net of share issue costs	3,522,500	46,657	-	187,918	-	234,575
Total comprehensive loss	-	-	-	-	87,444	87,444
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	-	-	68,006	-	-	68,006
Total comprehensive income	-	-	-	-	(3,767)	(3,767)
Balance, September 30, 2013	38,643,098	\$ 4,787,842	\$ 1,726,415	\$ 1,368,784	\$ (1,646,404)	\$ 6,236,637

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 nine month periods ended September 30, 2013 and 2012
(In Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Cash provided by (used in):				
Operations				
Total comprehensive (loss) income	\$ (38,070)	\$ (173,299)	\$ (3,767)	\$ (443,637)
Items not involving cash:				
Amortization	1,241	1,055	3,723	3,164
Accretion expense	191	35	573	105
Share-based compensation	10,746	113,815	68,006	115,109
Deferred income tax (recovery) expense	(13,976)	5,183	(41,260)	147,269
	(39,868)	(53,211)	27,275	(177,990)
Change in non-cash working capital				
GST receivable	(11,058)	(63,325)	(18,966)	(90,630)
Accounts payable and accrued liabilities	17,507	113,520	(11,526)	57,497
Interest receivable	-	-	-	22,567
Prepaid expenses	(2,191)	4,654	7,131	10,035
	4,258	54,849	(23,361)	(531)
Net cash from (used in) operations	(35,610)	1,638	3,914	(178,521)
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	(331,193)	(823,178)	(437,435)	(1,023,978)
Property and equipment	-	-	-	(12,833)
Reclamation bond	-	-	-	(20,000)
	(331,193)	(823,178)	(437,435)	(1,056,811)
Increase (decrease) in cash	(366,803)	(821,540)	(599,746)	(1,323,147)
Cash, beginning of period	1,794,031	2,625,941	2,026,974	3,127,548
Cash, end of period	\$ 1,427,228	\$ 1,804,401	\$ 1,427,228	\$ 1,804,401

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 nine months ended September 30, 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 November 25, 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 September 30, 2013, the Company incurred a total net income and comprehensive loss of \$3,767 (September 30, 2012 loss - \$443,637) and as at September 30, 2013 had an accumulated deficit of \$1,646,404 (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 nine months ended September 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 nine months ended September 30, 2013
(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	437,435
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Balance, September 30, 2013	\$ 4,980,794

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 and nine months ended September 30, 2013, the Company capitalized \$39,750 and \$122,104 (2012 - \$39,375 and \$130,358) 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 nine months ended September 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, September 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	68,006
Balance, September 30, 2013	\$ 1,726,415

(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 September 30, 2013 was 38,643,098 (2012 – 35,120,598) for both the three and nine month periods.

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 nine months ended September 30, 2013, Daryn Gordon Professional Corporation, a privately held company owned by an officer of the Company, provided management services amounting to \$42,420 (2012 - \$45,000). 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 nine months ended September 30, 2013
(Amounts in Canadian dollars)

5. Related Party Transactions *(continued)*

During the three months ended September 30, 2013, Daryn Gordon Professional Corporation, a privately held company owned by an officer of the Company, provided management services amounting to \$12,420 (2012 - \$15,000). Of this amount \$7,791 (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.