MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated April 4, 2013 for the fiscal year ended December 31, 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

BUSINESS DESCRIPTION AND READER GUIDANCE

Silver Mountain Mines Inc. (the "Company") is a Canadian exploration and mining company incorporated on May 12, 2008. The principal business activities of the Company are the exploration and development of mining properties and are considered to be in the exploration stage.

On June 21, 2011, the Company listed on the Canadian National Stock Exchange under the symbol SMM. On February 15, 2012, the Company moved its listing from the Canadian National Stock Exchange to the TSX venture exchange trading under the symbol SMM.

The Company's financial statements were prepared in accordance with IFRS that are applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. At December 31, 2012 the Company had accumulated losses of $1,642,637 since inception (December 31, 2011 – $1,286,444), and a working capital surplus of $1,937,434 (December 31, 2011 – $3,160,917).

The Company's ability to continue as a going concern is dependent upon the ability to generate profitable operations and/or raise the necessary debt or equity financing to meet obligations and repay liabilities as they come due. The Company plans to explore all alternatives possible for securing its financial viability including joint ventures, debt and equity financings, merger opportunities and asset dispositions. There are no assurances that the Company will be successful with these initiatives and there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Company to implement its strategic initiatives, the availability and price of precious metal commodities, government and regulatory decisions, plant availability, competitive factors in the mining industry and prevailing economic conditions in the regions the Company operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Company believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

OVERALL PERFORMANCE

Performance Highlights

	2012	2011	2010
Revenue	$ -	$ -	$ -
Net loss	$ (356,193)	$ (836,853)	$ (107,552)
Net loss per share – basic and diluted	$ (0.01)	$ (0.02)	$ (0.01)
Funds used in operations	$ (284,636)	$ (717,149)	$ (16,350)
Total assets	$ 6,804,662	$ 6,734,984	$ 5,680,282
Capital expenditures	$ 1,226,638	$ 1,447,723	$ 491,375

During the 2012 year, capital expenditures were $1,226,638 compared to $1,447,723 in 2011 which related to the exploration of the Upper and East Ptarmigan Property. The total comprehensive loss decreased by $480,660 to $356,193 in 2012 compared to $836,853 in 2011, resulting from the decrease of share-based compensation due to the issuance of 2,272,000 stock options in 2011 compared to 1,990,000 in 2012 with an increase in vesting period on the 2012 grants. Professional fees and consulting fees for 2012 decreased, resulting from the additional costs required in 2011 in preparation for the stock exchange listing in 2011. Cash used in operating activities in 2012 was $284,636 versus $717,149 in 2011 as a result of the decrease in the total comprehensive loss in the year.

On October 29, 2012 the Company closed a private placement offering of 3,522,500 flow-through units for gross proceeds of $422,700. Each unit consisted of one flow-through common share and one purchase warrant to purchase one common share at $0.20 expiring eighteen months from the date of issuance.

In 2012, a total of 45, NQ size diamond drill holes were completed for a total of 4,053 m. The holes were drilled to further evaluate mineral potential surrounding workings associated with the Ptarmigan Mine as well as in the East Ptarmigan area (specifically, mineralization correlating to that documented in PT11-55). Of the 45 holes, three were abandoned; with rods burned into the rock in hole PT12-58, and PT12-90 and PT12-100 aborted. All holes were surveyed using a Flex-it Downhole Survey tool for azimuth and inclination. Most holes were surveyed at approximately 20 m (i.e. below casing), 20 m above the bottom of the hole and at the mid-point. Short holes may have only had one (i.e. below casing) or two (i.e. below casing and 20 m above bottom) surveys, while longer holes may have had an additional survey. A total of 21 drill holes were drilled in the Ptarmigan Mine area, for a total of 1,576 m. Of these holes, two holes PT12-74 and PT12-75, were drilled for initial evaluation of potential high grade silver-bearing, semi-massive to massive sulphide and/or sulphosalt mineralization and alteration associated with Level 3 Workings in the sub-surface.

RESULTS OF OPERATIONS

Consulting Fees

	2012	2011
Consulting fees	$ 87,604	$ 117,794

Consulting fees decreased by $30,190 to $87,604 in 2012 compared to $117,794 in 2011. The decrease is attributed to the reduction of consultants required for accounting and management services, and investor relations.

Advertising and Promotion

	2012	2011
Advertising and promotion	$ 40,011	$ 17,529

Advertising and promotion for the year increased $22,482 to $40,011 in 2012 from the $17,529 for the comparative period in 2011. This increase results from the costs associated with Company promotions with investors and financial institutions.

Licenses

	2012	2011
Licenses	$ 41,968	$ 22,198

Licenses have increased $19,770 from $22,198 in 2011 to $41,968 in 2012. The increase in the license fees in 2012 is the result of the costs incurred to become listed on the TSX-Venture exchange. These costs include the initial listing fee and the annual maintenance fee.

Meals and Entertainment

	2012	2011
Meals and entertainment	$ 8,217	$ 19,253

Meals and entertainment decreased $11,036 from $19,253 in 2011 to $8,217 in 2012. The decrease in the expenses in the year is the result of fewer travel days relating to investor presentations and financing activities.

Office Expense

	2012	2011
Office expense	$ 38,424	$ 83,517

Office expense has decreased $45,093 to $38,423 for the year ended December 31, 2012 from $83,517 in December 31, 2011 resulting from the reduction of office supplies, and one time office set up costs incurred in 2011.

Professional Fees

	2012	2011
Professional fees	$ 53,110	$ 190,581

The decrease in the professional fees from $190,581 at December 31, 2011 to $53,110 for the year ended December 31, 2012 is the result of the costs incurred in the preparation of the prospectus to become a listed entity in 2011. These costs include legal and accounting fees.

Share-based Compensation

	2012	2011
Share-based compensation	$ 47,743	$ 336,522

During the first quarter of 2011, the Company issued 2,235,000 stock options to its employees, directors and key consultants. As a result, Silver Mountain recognized $336,522 in share-based compensation expense in 2011. In 2012, the Company granted 1,990,000 stock options in the third quarter, with a vesting period of 12 months. As a result, the Company recognized share-based compensation expense of $47,743 in 2012.

Interest Income

	2012	2011
Interest income	$ 28,142	$ 39,505

During 2012, the Company received interest income of $28,142 compared to $39,505 in 2011. The reduction in interest income is attributable to the lower average cash and cash equivalent balance in the year.

Deferred Tax Expense (Recovery)

	2012	2011
Deferred tax expense (recovery)	$ (15,616)	$ 5,015

During the year ended December 31, 2012, the Company has recognized a deferred tax recovery of $15,616 compared to a future income tax expense of $5,015 in 2011. This is the result of the difference in the amount of the renouncement of the flow-through expenditures and the amount recognized as a deferred tax recovery on the premium on the flow-through shares in the first quarter of 2012 compared to the amounts renounced in the first quarter of 2011.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company utilizes existing cash and the issuance of equity instruments to provide liquidity to the Company and finance development projects. The Company plans for major capital programs and preserves cash and plans equity issuances to finance these programs.

The following table shows how the activities of the Company were financed:

	2012	2011
Cash on hand, January 1	$ 3,127,548	$ 3,648,332
Cash flow from operations:		
Cash used in operations	(319,235)	(492,916)
Changes in working capital	34,599	(224,233)
Cash flow from financing	410,700	1,643,849
Available for investments	3,253,612	4,575,032
Cash flow used in investing	(1,226,638)	(1,447,484)
Cash on hand, December 31	$ 2,026,974	$ 3,127,548

The 2012 decrease in cash used in operations of $173,681 is a result of the decrease in cash based expenses such as consulting fees, general and administrative costs, professional fees, insurance, office expense, and transfer and regulatory fees. Fluctuations in working capital represented a cash inflow of $34,599 in 2012 compared to an outflow of $224,233 in 2011, resulting from the decrease in GST receivable, interest receivable, prepaid expenses, and increase in premium liability offset by the decrease in trade accounts payable.

Cash flow from financing resulted from the proceeds received on the issuance of the common and flow through shares in the period of $410,700.

During 2012, the Company spent $1,226,638 on investing activities compared to 2011 of $1,447,484. The decrease in the expenses relate to the differences in scope of the planned exploration program. These activities include the exploration of mineral properties, including drilling and analysis.

The following table shows the capital of the Company:

	2012	2011
Cash and cash equivalents	$ 2,026,974	$ 3,127,548
Shareholders' equity	$ 6,162,498	$ 6,236,373

The decrease in the shareholders' equity in the year is primarily the result of the increase in the accumulated deficit due to operations offset by the issuance of equity instruments to finance the Company's investing activities.

Working Capital

Working capital decreased from $3,160,917 in 2011 to $1,937,434 resulting from the decrease in current assets, due to the results from the exploration program in the year, and the increase in the current liabilities due to the reduction in trade accounts payable and the increase in the premium liability.

GST receivable decreased $48,149 to $103,523 in 2012 from $151,672 in 2011 primarily due to the decrease in the exploration program and the increase in the cash expenses in the year. Interest receivable decreased $22,567 in the year resulting from the timing of collections of the interest. Prepaid expenses decreased due to the advances for investor relation services which were terminated in the year.

Trade accounts payable and accrued liabilities decreased in the period as a result of the timing of the payment of the vendors. The premium liability account increased as a result of the increase in the number of flow-through shares in the period.

Contractual Obligations

In the normal course of operations, the Company assumes various contractual obligations and commitments. The Company considers these obligations and commitments in its assessment of liquidity.

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2014 – 2015
Trade accounts payable and accrued liabilities	$ 42,146	$ 42,146	$ 42,146	$ -	$ -
Total	$ 42,146	$ 42,146	$ 42,146	$ -	$ -

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

	2012			
	Dec 31	Sept 30	Jun 30	Mar 31
Revenue	$ -	$ -	$ -	$ -
Total comprehensive loss	$ 87,443	$ (173,298)	$ (81,119)	$ (189,219)
Basic loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Diluted loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Total assets	$ 6,804,662	$ 6,523,521	$ 6,464,267	$ 6,572,881

	2011			
	Dec 31	Sept 30	Jun 30	Mar 31
Revenue	$ -	$ -	$ -	$ -
Total comprehensive loss	$ (169,086)	$ (165,607)	$ (212,939)	$ (289,221)
Basic loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Dilute loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Total assets	$ 6,734,984	$ 6,780,097	$ 6,940,838	$ 7,049,394

In the fourth quarter of 2012, the Company had net income as a result of the deferred tax recovery recognized on the increase in loss carryforward's in the period. In the third quarter of 2012, the Company's loss was created by the increase in share-based compensation resulting from the grant of stock options, office expenses, consulting fees, and professional fees as a result of the on-going operations of the Company. In the second quarter of 2012, the Company incurred expenses related to consultants, office, salaries, and travel as a result of the financing of the on-going operations of the Company. In the first quarter of 2012, the Company recognized a deferred tax expense resulting from the renouncement of the flow-through expenditures, incurred professional fees and listing fees for the listing on the TSX Venture Exchange, and incurred consulting fees, promotion and salaries and benefits for the on-going operating of the Company. During the third and fourth quarters of 2011, the Company incurred consulting fees related to the management of the Company, along with costs associated with the new office lease. In the second quarter of 2011, the Company incurred legal and accounting fees as a result of the issuance of the preliminary prospectus, along with the expenses incurred with the commencement of the office lease. In the first quarter of 2011, the Company renounced flow through expenditures to certain shareholders resulting in a large future income tax expense for the quarter, along with recognition of share-based compensation expense on the granting of stock options

BUSINESS RISKS

In the normal course of business the Company is exposed to a variety of risks and uncertainties. In addition to the risks associated with liquidity and capital resources, critical accounting estimates, financial instruments, credit risk and market risk described in this MD&A, the Company is exposed to various operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect future results. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, the ability to attract and retain employees and contractors on a cost-effective basis, commodity and marketing risk and seasonality.

The Company is exposed to considerable risks and uncertainties including, but not limited to;

- finding mineral reserves on an economical basis;
- uncertainties related to estimating the Company's reserves;
- financial risks including access to debt or equity markets which the Company is dependent upon in order to meet obligations and liabilities as they fall due;
- technical problems which could lead to unsuccessful drilling programs and environmental damage;
- obtaining timely regulatory approvals;
- third party related operational risks including the ability to obtain access to certain properties, access to third party processing facilities, railway and other transportation infrastructure;
- fluctuations in commodity prices;
- adverse factors including climate, geographical and weather conditions and labour disputes;
- timing of future debt and other obligations;
- regulatory legislation and policies, including the fulfilment of contractual minimum work programs, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties, production restrictions, suspensions or revocations of contracts;
- changes to taxation policies, laws and interpretations thereof; and,
- obtaining comprehensive and appropriate insurance coverage at reasonable rates;

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Use of estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments and contingent liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Proved reserves, income taxes, decommissioning liability, share-based compensation, accruals, contingent liabilities and commitments are reviewed on an ongoing basis. These estimates are subject to measurement uncertainty and the impact on the financial statements of changes in such estimates and actual results could be material.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the statement of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

These instruments can be classified into one of the following categories: financial assets at fair value through profit and loss, loans and receivables, and other financial liabilities.

Financial assets and financial liabilities at fair value through profit or loss instruments are financial assets and liabilities typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate any financial instrument as financial assets and financial liabilities at fair value through profit or loss on initial recognition even if it would otherwise not satisfy the definition. As at December 31, 2012, the Company does not hold any financial instruments that do not satisfy the definition. Financial assets and financial liabilities required to be classified or designated as financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with gains and losses recorded in profit or loss for the period in which the change occurs.

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturity dates that an entity has the intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. As at December 31, 2012, the Company does not have any financial assets classified as held-to-maturity.

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. As at December 31, 2012, the Company does not have any financial assets classified as available-for-sale.

Financial assets classified as loans and receivables are measured at amortized cost using the effective-interest method. An impairment in the fair value of financial assets which is not temporary will be included in the determination of profit and loss for the period in which the impairment occurs.

Other financial liabilities are measured at amortized cost using the effective interest method and include all liabilities other than derivatives or liabilities that have been identified as financial assets and financial liabilities at fair value through profit or loss. The Company will assess at each reporting period whether there is any objective evidence that a financial asset, other than those classified as financial assets and financial liabilities at fair value through profit or loss, is impaired.

Exploration and evaluation costs

Exploration and evaluation expenditures include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained legal rights to explore an area are recognized in profit and loss.

Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs are related to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Decommissioning Liability

An obligation to incur environmental restoration costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. These costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such cost arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Estimated costs for environmental restoration costs are adjusted as changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capital costs of the related assets, in which case the capitalized cost is reduced to zero and the difference is recognized in profit or loss.

Share-based compensation

The share purchase option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by employees.

The fair value is measured at the grant date and each tranche is recognized on a straight-line basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes pricing model taking into account the terms and conditions upon which the share purchase options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

FUTURE ACCOUNTING STANDARDS

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after January 1, 2013 or later. These include:

(i) IFRS 7, Financial Instruments, Disclosure – in December 2011, the International Accounting Standards Board (IASB) issued final amendments to the disclosure requirements for the offsetting of a financial asset and financial liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013.

(ii) IFRS 9, Financial Instruments, Classifications and Measurement – in November 2009, the IASB issued IFRS 9 to address the classification and measurement of financial assets. In October 2010, the IASB revised the standard to include financial liabilities. The standard is required to be adopted for periods beginning on or after January 1, 2015. Portions of the standard remain in de*velopment a*nd the full impact of the standard will not be known until the project is complete.

(iii) IFRS 13 Fair Value Measurement – in May 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning on or after January 1, 2013.

(iv) IAS 1 Presentation of Items of Other Comprehensive Income – in June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to separate items of other comprehensive income between those that are reclassed to income and those that are not. The standard is required to be adopted for periods beginning on or after July 1, 2012.

(v) IAS 32 Financial Instruments: Presentation – In December 2011, the IASB issued amendments to address inconsistencies when applying the offsetting criteria outlined in this standard. These amendments clarify certain of the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities. The standard is required to be adopted retrospectively for periods beginning on or after January 1, 2013.

(vi) IAS 34 Interim Financial Statements - The amendment to IAS 34, issued in August 2012, clarify the requirements on segment information for total assets and total liabilities for each reportable segment. The amendment is effective for annual periods beginning on or after January 1, 2013.

The Company does not anticipate the adoption of these standards and interpretations will have a material impact on the financial statements.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2012, the Company paid $60,000 (2011 - $164,236) to directors, officers, former officers or companies controlled by directors or officers for management, administrative, and accounting 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.

OUTSTANDING SHARE DATA

Common shares

The following table sets forth the Company's outstanding share data:

Issued common shares at January 1, 2012	35,120,598
Shares issued for cash	3,522,500
Total common shares December, 31, 2012	38,643,098
Total outstanding stock options	5,145,220
Total outstanding warrants	12,215,584
Total diluted common shares at April 4, 2013	56,003,902