MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated May 27, 2013 and should be read in conjunction with the unaudited interim financial statements of Silver Mountain Mines Inc. ("Silver Mountain" or the "Company") for the three months ended March 31, 2013 and the audited annual financial statements for Silver Mountain for the year ended December 31, 2012. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

BUSINESS DESCRIPTION AND READER GUIDANCE

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

The Company's financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") that are applicable to a going concern that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. At March 31, 2013 the Company had accumulated losses of $1,557,536 since inception (December 31, 20121 – $1,642,637), a working capital surplus of $1,977,320 (December 31, 2012 – $1,937,434).

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 energy commodities, government and regulatory decisions, plant availability, competitive factors in the oil and gas 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 Corporation 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 Corporation 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 AND RESULTS OF OPERATIONS

Performance Highlights

	Three months ended March 31,			
		2013		**2012**
Revenue	$	-	$	-
Net income (loss)	$	85,101	$	(189,219)
Net income (loss) per share – basic and diluted	$	0.00	$	(0.01)
Funds from (used in) operations	$	94,666	$	(55,822)
Total assets	$	6,702,477	$	6,572,881
Capital expenditures	$	64,680	$	70,613

The net income for the three month period ended March 31, 2013 increased to $85,101 in 2013 from a net loss of $189,219 in 2012. The decrease in the net loss for the period is the result of the increase in the future income tax recovery, resulting from the renouncement of the flow through expenditures, the decrease in the advertising and promotion, consulting fees, licensing and listing fees of the company and the salaries and benefits paid in the period. This was offset by the increase in stock based compensation as the Company increased the vesting period to twelve months on the stock options granted in 2012 resulting in the amortization of the compensation expense over the twelve month period. During the quarter, capital expenditures were $64,680 compared to $70,613 in 2012. These costs consist of the planning of the summer exploration program. Cash used in operating activities was $55,822 in 2012 versus cash provided by operating activities of $94,666 in 2013 resulting from the reduction in the premium liability on the renouncement of the flow through expenditures.

RESULTS OF OPERATIONS

Advertising and Promotion

		2013		**2012**
Advertising and promotion	$	15,325	$	30,135

Advertising and promotion for the three month period decreased $14,810 to $15,325 in 2013 from $30,135 for the comparative period in 2012. The decrease results from the cancelation of contracts associated with Company promotions with investors and financial institutions.

Consulting Fees

		2013		**2012**
Consulting fees	$	17,233	$	30,433

Advertising and promotion for the three month period decreased $13,200 to $17,233 in 2013 from $30,433 for the comparative period in 2012. The decrease results from the reduction of consultant's time in relation to the management of the Company's activities in relation to accounting and financing.

Licensing and Listing Fees

		2013		**2012**
Licensing and listing fees	$	10,115	$	32,321

Licenses have decreased $22,206 from $32,321 in 2012 to $10,115 in 2013. The decrease in the license fees in 2013 is the result of the costs incurred in 2012 to become listed on the TSX-Venture exchange. These costs include the initial listing fee.

Salaries and Benefits

	2013	2012
Salaries and benefits	$ -	$ 14,740

Salaries and benefits for the three month period decreased $14,740 to nil in 2013 from $14,740 for the comparative period in 2012. The decrease results from the reduction of administrative staff employed by the Company.

Stock Based Compensation

	2013	2012
Stock based compensation	$ 28,630	$ 647

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 $28,630 in the first quarter of 2013. There was no comparable grants that have a significant stock based compensation expense in the first quarter of 2012.

Deferred Tax Expense (Recovery)

	2013	2012
Deferred tax expense (recovery)	$ (196,622)	$ 43,909

During the first quarter of 2013, the Company has recognized a deferred tax recovery of $196,622 compared to a future income tax expense of $43,909 in 2012. 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 2012.

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	2012
Cash on hand, January 1	$ 2,026,974	$ 3,127,548
Cash flow from operations:		
Cash from (used in) operations	94,666	(319,235)
Changes in working capital	(24,149)	34,599
Cash flow from financing	(166,225)	410,700
Available for investments	1,931,266	3,253,612
Cash flow used in investing	(64,680)	(1,226,638)
Cash on hand, December 31	$ 1,866,586	$ 2,026,974

The 2013 increase in cash from operations of $413,901 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 outflow of $24,149 in 2013 compared to an inflow of $319,235 in 2012, 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 renouncement of the flow through expenditures resulting in the reduction of premium liability account.

During 2013, the Company spent $64,680 on investing activities compared to 2012 of $1,226,638. 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	2012
Cash and cash equivalents	$ 1,866,586	$ 2,026,974
Shareholders' equity	$ 6,286,129	$ 6,162,498

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

Working Capital

Working capital increased from $1,937,434 at December 31, 2012 to $1,977,320 at March 31, 2013 resulting from the decrease in current assets, due to the results from operations in the year, and the decrease in the current liabilities due to the reduction in trade accounts payable and the premium liability.

GST receivable increased $5,976 to $109,499 at March 31, 2013 from $103,523 at December 31, 2012 primarily due to the exploration program and the cash expenses in the year. Prepaid expenses decreased due to the reduction of the prepaid rent and insurance amounts.

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 decreased as a result of the renouncement of the flow through expenditures occurred in the first quarter of 2013.

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.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

	2013		2012					
		Mar 31		Dec 31		Sept 30		Jun 30
Revenue	$	-	$	-	$	-	$	-
Comprehensive income (loss)	$	85,101	$	87,443	$	(173,298)	$	(81,119)
Basic income loss per share	$	0.00	$	(0.00)	$	(0.00)	$	(0.00)
Diluted income loss per share	$	0.00	$	(0.00)	$	(0.00)	$	(0.00)
Total assets	$	6,702,477	$	6,804,662	$	6,523,521	$	6,464,267

	2012		2011					
		Mar 31		Dec 31		Sept 30		Jun 30
Revenue	$	-	$	-	$	-	$	-
Total comprehensive loss	$	(189,219)	$	(169,086)	$	(165,607)	$	(212,939)
Basic loss per share	$	(0.01)	$	(0.00)	$	(0.00)	$	(0.01)
Dilute loss per share	$	(0.01)	$	(0.00)	$	(0.00)	$	(0.01)
Total assets	$	6,572,881	$	6,734,984	$	6,780,097	$	6,940,838

In the first quarter of 2013, the Company had net income of $85,101 as a result of the renouncement of the flow through expenditures. As these costs were renounced, the Company allocated the premium liability to the deferred income tax recovery. 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 on-going 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 March 31, 2013, 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 March 31, 2013, 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 March 31, 2013, 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.

CONTROLS AND PROCEDURES

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI- 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosures of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2013, the Company paid $15,000 (2011 - $15,000) to a company owned by an officer if the company 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:

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 May 27, 2013	56,003,902