

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated May 29, 2012 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, 2012 and the audited annual financial statements for Silver Mountain for the year ended December 31, 2011. 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, 2012 the Company had accumulated losses of \$1,475,663 since inception (December 31, 2011 – \$1,286,444), a working capital surplus of \$3,034,481 (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 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	
	2012	2011
Revenue	\$ -	\$ -
Net loss	(189,219)	(289,221)
Net loss per share – basic and diluted	(0.01)	(0.01)
Cash from (used) in operations before working capital	(55,822)	190,146
Total assets	\$ 6,572,881	\$ 7,049,394
Capital expenditures	\$ 70,613	\$ 142,648

The net loss for the three month period ended March 31, 2012 decreased to \$189,219 in 2012 from \$289,221 in 2011. The decrease in the net loss for the period is the result of the decrease in future income tax expense, resulting from the renouncement of the flow through expenditures, the increase in the advertising and promotion of the company, the listing fees paid to the TSX Venture Exchange, and the salaries and benefits paid in the period. This was offset by the reduction in stock based compensation as the Company did not grant stock options in the first quarter of 2012. During the quarter, capital expenditures were \$70,613 compared to \$142,648 in 2011 from the planning of the summer exploration program. Cash used in operating activities was \$55,822 versus cash provided by operating activities of \$190,146 in 2011 resulting from the reduction in the premium liability on the renouncement of the flow through expenditures.

RESULTS OF OPERATIONS

Advertising and Promotion

	Three months ended March 31	
	2012	2011
Advertising and promotion	\$ 30,135	\$ -

Advertising and promotion for the three month period was \$30,135 in 2012 compared to \$nil in 2011. This is the result of the individuals required for marketing and promotion of the company.

Consulting Fees

	Three months ended March 31	
	2012	2011
Consulting fees	\$ 30,433	\$ 43,916

Consulting fees for the three month period was \$30,433 in 2012 compared to \$43,916 in 2011. The reduction in the year is the result of less reliance on consultants.

Professional Fees

	Three months ended March 31	
	2012	2011
Professional fees	\$ 16,456	\$ 9,363

The increase in the professional fees in 2012 is the result of the costs incurred to become a listed entity on the TSX Venture Exchange. These costs include legal and accounting fees.

Licensing and Listing Fees

	Three months ended March 31	
	2012	2011
Licensing and listing fees	\$ 32,321	\$ -

Licensing and listing fees are the fees paid to the TSX Venture Exchange to become eligible to be listed on the exchange.

Salaries and Benefits

	Three months ended March 31	
	2012	2011
Salaries and benefits	\$ 14,740	\$ -

Salaries and benefits were \$14,740 for the period ending March 31, 2012 compared to \$nil for the same period in 2011. The increase is attributed to addition of an employee to replace consultants used in the prior year.

Stock Based Compensation

	Three months ended March 31	
	2012	2011
Stock based compensation	\$ 647	\$ 83,968

During the prior quarter, the Company issued 2,235,000 stock options to its employees, directors and key consultants. As a result, Silver Mountain has recognized \$83,968 in stock based compensation expense in the first quarter of 2011. For the period ended March 31, 2012, the Company did not issue stock options, as a result, it continued to amortize the prior issuances over the vesting period.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Silver Mountain 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 the liquidity of the Company:

	2012	2011
Cash	\$ 2,938,767	\$ 3,127,548
Working capital, net of cash	95,714	33,369
Working capital	\$ 3,034,481	\$ 3,160,917

Working capital decreased \$126,436 as cash was utilized to finance of the on-going operations of the Company in the first quarter of 2012.

Capital

The following table represents the capital of the Company:

	2012	2011
Cash	\$ 2,938,767	\$ 3,127,548
Shareholders' equity	\$ 6,047,801	\$ 6,236,373

The Company uses shareholders' equity to fund the Company. The decrease in both the cash and shareholders' equity balance is the result of the on-going operations of the Company during the three month period ended March 31, 2011.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

	2012		2011	
	Mar 31	Dec 31	Sept 30	June 30
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	\$ (189,219)	\$ (169,086)	\$ (165,607)	\$ (212,939)
Basic and diluted 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

	2011		2010	
	Mar 31	Dec 31	Sept 30	June 30
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss	\$ (289,221)	\$ (40,492)	\$ (7,754)	\$ (16,675)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total assets	\$ 7,049,394	\$ 5,680,282	\$ 2,373,000	\$ 1,988,437

In the first quarter of 2012, the Company recognized a future income 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 fourth and third quarter 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 stock base compensation expense on the granting of stock options. During the first quarter of 2010, the Company recognized a significant loss as the result of the issuance of stock option and the resulting stock based compensation expense, compared to the second and third quarters. During the fourth quarter of 2010, The Company recognized a significant loss as a result of professional fees and stock based compensation offset by a deferred income tax recovery.

During the fourth quarter of 2009, the Company incurred a significant loss as a result of the issuance of stock options and incurring costs for unsuccessful financing efforts.

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 that are economical;
- 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 environmental damage;
- obtaining timely regulatory approvals;
- third party related operational risks including the ability to obtain access to third party processing facilities, railway and other transportation infrastructure;
- fluctuations in commodity prices;
- adverse factors including climate, geographical and weather conditions;
- timing of future debt and other obligations;
- 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. These estimates, including those related to the depletion of oil and gas properties (which incorporates the ceiling test as described below in oil and gas properties), proved reserves, income taxes, asset retirement obligations, stock 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 consolidated balance sheet 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 five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities.

Held-for-trading 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 held-for-trading on initial recognition even if it would otherwise not satisfy the definition. As at March 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 held-for-trading are measured at fair value, with gains and losses recorded in net earnings 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 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, 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 March 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 income 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 held-for-trading. The Company will assess at each reporting period whether there is any objective evidence that a financial asset, other than those classified as held-for-trading, 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 can be related directly 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 or 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.

Asset retirement obligations

An obligation to incur environmental restoration obligation 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 obligation 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.

The Company does not have any material environmental restoration obligation costs as the disturbance to date is insignificant.

Stock 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.

TRANSACTIONS WITH RELATED PARTIES

During the period ended March 31, 2012, the Company paid \$15,000 (2010 - \$15,000) 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:

Total common shares December, 31, 2011	35,120,598
Total outstanding stock options	3,217,220
Total outstanding warrants	19,975,870
Total diluted common shares at May 29, 2012	58,313,688