No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been, and will not be, registered under the United States Securities Act Of 1933, as amended (the "1933 Act"), and may not be offered, sold or delivered, directly or indirectly, in the United States Of America or to a U.S. Person (as defined in regulations promulgated under The 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act.

Prospectus

Initial Public Offering June 21, 2011

SILVER MOUNTAIN MINES INC.

14,695,533 CLASS "A" COMMON SHARES AND 7,347,767 COMMON SHARE PURCHASE WARRANTS ISSUABLE UPON EXERCISE OF SPECIAL WARRANTS
and

1,142,608 AGENT'S COMPENSATION WARRANTS ISSUABLE UPON EXERCISE OF AGENT'S SPECIAL WARRANTS

This prospectus is being filed to qualify the distribution in Alberta and Ontario (the "**Selling Jurisdictions**") of a total of 14,695,533 Class A common shares (each, a "**Share**" or a "**Common Share**") and 7,347,767 Class A common share purchase warrants (each, a "**Warrant**") of Silver Mountain Mines Inc. (the "**Company**" or "**Silver Mountain**") issuable by the Company to the holders of 9,214,200 special warrants of the Company issued on December 22, 2010 (the "**2010 Ordinary Special Warrants**"), 3,840,000 special warrants of the Company issued on March 7, 2011 (the "**2011 Ordinary Special Warrants**") and 1,641,333 of the aggregate 1,809,333 special warrants of the Company issued on December 22, 2010 on a "flow-through" basis under the *Income Tax Act* (Canada) (the "**Flow Through Special Warrants**") (collectively, the "**Special Warrants**"), upon the exercise or deemed exercise by such holders of their right to acquire, without additional payment, one Share and one-half of one Warrant for each Special Warrant held by them. 168,000 of the Flow Through Special Warrants issued to residents of Manitoba were issued pursuant to a prospectus exemption and this Prospectus does not qualify the Common Shares and Warrants underlying such Flow Through Special Warrants. See "*Plan of Distribution*". A total of 1,809,533 Flow Through Special Warrants and 9,214,200 2010 Ordinary Special Warrants were issued on a private placement basis on December 22, 2010 (the "**Brokered Private Placement**") pursuant to an agency agreement (the "**Agency Agreement**") dated as of December 20, 2010 between the Company and D&D Securities Inc. (the "**Agent**") for aggregate gross proceeds of $3,540,950. On March 7, 2011, 3,840,000 2011 Ordinary Special Warrants were issued for gross proceeds of $960,000 (the "**Non-Brokered Private Placement**"). The Special Warrants were sold to subscribers at a price of $0.30 per Flow Through Special Warrant (the "**Flow Through Special Warrant Price**") and $0.25 per 2010 Ordinary Special Warrant and 2011 Ordinary Special Warrant (the "**Ordinary Special Warrant Price**") pursuant to prospectus exemptions under applicable securities legislation (collectively, the Brokered Private Placement and the Non-Brokered Private Placement are referred to herein as the "**Special Warrant Private Placements**").

Certificates (the "**Special Warrant Certificates**") representing the Special Warrants were issued on the applicable Special Warrant Private Placement closing date. The Special Warrant Certificates provide that the Special Warrants may be exercised by their holders at any time prior to 4:30 p.m. (Toronto time) ("**Special Warrant Expiry Time**") on the date that is the earlier of: (i) 3 business days following the completion of a Liquidity Event; and (ii) six (6) months after the applicable Special Warrant Private Placement closing date (the "**Expiry Date**"), unless amended with the consent of the holders of Special Warrants. If not exercised by the holder prior to the Expiry Date, the

Special Warrants will be automatically exercised without further action by the holder. A "**Liquidity Event**" is defined as the completion by the Company of each of the items listed under either (i) or (ii) below:

(i) (A) an initial public offering in Canada of the Common Shares (a "**Public Offering**");

(B) becoming a reporting issuer in any jurisdiction in Canada, and taking all the necessary regulatory steps and proceedings (including, if necessary, the clearing with applicable securities regulatory authorities of a prospectus) to ensure that the Common Shares will be freely tradable securities in each of Alberta and Ontario without restriction as of the time of closing of the Public Offering, except for those restrictions which may be imposed by the agent(s) of the Public Offering consistent with industry practice and not to exceed one year, without the prior consent of the Agent; and

(C) obtaining a listing of the Common Shares on the Toronto Stock Exchange, the TSX Venture Exchange or the Canadian National Stock Exchange; or

(ii) A transaction which provides the holders of Special Warrants with comparable liquidity that such holders would have if the Public Offering occurred, whether by means of a reverse take-over, merger, amalgamation, arrangement, take-over bid, insider bid, reorganization, joint venture, sale of all or substantially all assets, exchange of assets or similar transaction or other combination with a public corporation or such transaction as may be acceptable to the Agent, acting reasonably.

The Company has undertaken to use its commercially reasonable efforts to prepare and file this Prospectus in the Selling Jurisdictions to qualify the distribution of the Common Shares and Warrants issuable upon the exercise of the Special Warrants and to use its best efforts to obtain receipts for this Prospectus from the securities regulatory authority in each Selling Jurisdiction as soon as practicable following the applicable Special Warrant Private Placement closing date. Additionally, if a Liquidity Event has not occurred on or before June 22, 2011, any Flow Through Special Warrant having thereby been automatically exercised as described above will receive one Common Share and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant) upon exercise thereof, without payment of any additional consideration and any 2010 Ordinary Special Warrant having thereby been automatically exercised as described above will receive 1.1 Common Share and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant) upon exercise thereof, without payment of any additional consideration (collectively, the "**Liquidity Right**").

Any Special Warrants not exchanged prior to 4:30 p.m. (Toronto time) on the Expiry Date will be deemed to have been exchanged immediately prior thereto without any further action on the part of the holder. All Special Warrants unexercised as of the Special Warrant Expiry Time will be automatically exercised into Shares without further action from the holders thereof.

The price of the Special Warrants was determined by negotiation between the Company and the Agent as follows:

	Number of Special Warrants [(1)]	**Price to Public** [(1)]	**Agent's Commission**	**Net Proceeds to Company**[(4)]
Per Flow Through Special Warrant	1	$0.30	$0.021[(2)]	$0.279
	1,809,333	$527,799.90	$36,945.99	$490,853.91
Per 2010 Ordinary Special Warrant	1	$0.25	$0.0175[(2)]	$0.6768
	9,214,200	$2,303,550.00	$161,248.50	$2,142,301.50
Per 2011 Ordinary Special Warrant	1	$0.25	$0.0175[(3)]	$0.25
	3,840,000	$960,000.00	$67,200.00	$892,800
Total Special Warrants	14,863,533	$3,791,349.90	$265,394,49	$3,525,955.41

Notes:

(1) The offering price was determined by negotiation between the Company and the Agent in the Brokered Private Placement and by the Company in the Non-Brokered Private Placement. Each Special Warrant is exercisable into one (1) Common Share and one-half of one Warrant, subject to adjustment in certain circumstances. See "*Plan of Distribution*".

(2) Pursuant to the Special Warrant Agency Agreement, the Agent and its sub-agents received from the Company, a cash commission equal to 7% of the aggregate gross proceeds raised (the "**Subscription Amount**") paid out of the proceeds of the 2010 Ordinary Special Warrant portion and not out of the proceeds of the Flow Through Special Warrant portion of the Brokered Private Placement. The Company also issued to the Agent and its subagents that number of special broker warrants (the "**Agent's Special Warrants**") equal, in the aggregate, to 10% of the number of Special Warrants sold pursuant to the Brokered Private Placement or 1,142,608 Agent's Special Warrants. Each Agent's Special Warrant entitles the holder thereof to acquire one (1) Agent's Compensation Warrant on the same exercise terms as the 2010 Ordinary Special Warrants. Each Agent's Compensation Warrant is exercisable by the Agent into one Common Share and one half of one share purchase warrant (an "**Agent's Warrant**") until June 20, 2012, upon payment by the Agent of $0.50 per Agent's Compensation Warrant. Each whole Agent's Warrant is exercisable by the Agent into one Common Share until June 20, 2012, upon payment by the Agent of $0.75 per Common Share. The Company also paid certain reasonable fees and expenses of the Agent in connection with the Brokered Private Placement, as set out in the Agency Agreement. This prospectus is additionally being filed to qualify the distribution in Ontario of the Agent's Compensation Warrants issuable by the Company to the holders of the Agent's Special Warrants.

(3) Eligible firms (the "**Finders**") received a cash commission equal to 7% of the aggregate Subscription Amount paid out of the proceeds of the 2011 Ordinary Special Warrant Private Placement. The Company also issued to the Finders that number of broker warrants (the "**Finder's Compensation Warrants**") equal, in the aggregate, to 7% of the number of Special Warrants sold pursuant to the 2011 Ordinary Special Warrant Private Placement or 314,298 Finder's Compensation Warrants. Each Finder's Compensation Warrant is exercisable by a Finder into one Common Share until September 15, 2012, upon payment by the Finder of $0.50 per Common Share. The Finder's Compensation Warrants were issued pursuant to a prospectus exemption and this Prospectus does not qualify the Finder's Warrants issuable upon the exercise of the Finder's Compensation Warrants. Accordingly, the Finder's Compensation Warrants, the Common Shares issuable upon exercise of the Finder's Compensation Warrants (the "**Finder's Compensation Warrant Shares**"), the Finder's Warrants and the Common Shares issuable upon exercise of the Finder's Warrants (the "**Finder's Warrant Shares**") will be subject to resale restrictions under NI 45-102.

(4) Before deduction of the expenses of the Offering estimated at $90,000.

The Company is not a related or connected party (as such terms are defined in National Instrument 33-105 - Underwriting Conflicts) to the Agent. See "*Relationship Between the Company and the Agent*".

There is no market through which the Special Warrants or the Shares or Warrants acquired upon the exercise of the Special Warrants may be sold and purchasers may not be able to resell the Shares or Warrants acquired upon exercise of the Special Warrants. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

There is no market through which the Special Warrants or the Shares or Warrants acquired upon the exercise of the Special Warrants may be sold and purchasers may not be able to resell the Shares or Warrants acquired upon exercise of the Special Warrants. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*".

An application has been made to list the Company's common shares, including the Shares issuable on the exercise of the Special Warrants, Agent's Special Warrants and Warrants, on the Canadian National Stock Exchange ("**CNSX**"). The CNSX has conditionally approved the listing of these securities. Listing is subject to the Company fulfilling all of the listing requirements of the CNSX, including the issuance of a receipt for this prospectus, confirmation of public distribution to meet CNSX's listing requirements, completion of any outstanding CNSX application documentation as required by CNSX's policies and payment of the balance of the listing fee. As at the date of this prospectus, Silver Mountain does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This preliminary prospectus contains forward-looking statements within the meaning of applicable securities legislation. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" and the risks set out below, any of which may cause the Company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

- risks and uncertainties relating to the interpretation of sampling results, the geology, grade and continuity of mineral deposits;
- risks and uncertainties that results of initial sampling and mapping will not be consistent with our expectations;
- mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production;
- the potential for delays in exploration activities;
- risks related to the inherent uncertainty of cost estimates and the potential for unexpected costs and expenses;
- risks related to commodity price fluctuations;
- the uncertainty of profitability based upon our limited history;
- risks related to failure to obtain adequate financing on a timely basis and on acceptable terms for our planned exploration project;
- risks related to environmental regulation and liability;
- risks that the amounts reserved or allocated for environmental compliance, reclamation, post-closure control measures, monitoring and on-going maintenance may not be sufficient to cover such costs;
- risks related to tax assessments;
- political and regulatory risks associated with mining development and exploration; and
- other risks and uncertainties related to our mineral property and business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements.

Forward looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

GLOSSARY OF TECHNICAL TERMS

Unless the context indicates otherwise, the following terms when used in this prospectus have the following meanings:

alteration	Chemical and mineralogical changes in a rock mass resulting from reaction with hydrothermal fluids or changes in pressure and temperature.
anomalous	Adjective describing a sample, location or area at which either the concentration of an element or a geophysical measurement is significantly different from (generally higher than) the average background concentrations in an area. Though it may not constitute mineralization, an anomalous sample or area may be used as a guide to the possible location of mineralization.
assay	Quantitative test of minerals and ore by chemical and/or fire techniques.
batholiths	A large, generally discordant plutonic mass that has more than 40 square miles (100 km^2) of surface exposure and no known floor. Its formation is believed by most investigators to involve magmatic processes.
Cretaceous	A geological period between 66 and 135 million years ago and which identifies the formation date of strata (see Mesozoic).
fault	A fracture in a rock across which there has been displacement.
grade	The amount of valuable mineralization in each ton of ore, expressed as ounces per ton or grams per tonne (g/t), parts per billion (ppb) or parts per million (ppm) for precious metal and as a percentage by weight (%) or ppm for other metals.
granodiorite	A group of coarse-grained plutonic rocks intermediate in composition between quartz diorite and quartz monzonite, containing quartz, oligoclase or andesine, and potassium feldspar, with biotite, hornblende, or, more rarely, pyroxene, as the mafic components; also, any member of that group; the approximate intrusive equivalent of rhyodacite.
hornblende	The most common mineral of the amphibole group. It has a variable composition, and may contain potassium and appreciable fluorine. It is a primary constituent of many acid and intermediate igneous rocks and less commonly of basic igneous rocks, and is a common metamorphic mineral.
intrusion	A body of igneous that involves other rock.
intrusive	A rock formed by the process of emplacement of magma in pre-existing rock.
limestone	A sedimentary rock consisting of more than 50% calcium carbonate.
mafic	Said of an igneous rock composed chiefly of dark, ferromagnesian minerals; also said of those minerals. It is the complement of felsic.
magma	Naturally occurring mobile rock material, generated within the earth and capable of intrusion and extrusion and from which igneous rocks are thought to have been derived through solidification and related processes.
magnetite	An important ore of iron. Magnetite is a very common and widely distributed accessory mineral in rocks of all kinds. It also occurs in heavy mineral sands.

Mesozoic	The era of geological time ranging from 225 to 66 million years ago; includes the Triassic, Jurassic and Cretaceous periods.
mineral resource	A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
mineralization	The process by which a mineral or minerals are introduced into a rock resulting in an economically valuable or potentially valuable deposit.
monzonite	The principal ore mineral of molybdenum.
ore	A common mineral in gneisses and schists, in granites and pegmatites, and in many sedimentary rocks, especially sandstones.
oligoclase	A mineral common in igneous rocks of intermediate to high silica content.
ounce (or oz.)	A mineral or aggregate of measurement for precious metals.
outcrop	An exposure on the surface of the underlying rock.
Paleozoic	An era of geologic time, from the end of the Precambrian to the beginning of the Mesozoic, or from about 570 to about 225 million years ago.
pegmatite	An exceptionally coarse-grained igneous rock, with interlocking crystals, usually found as irregular dikes, lenses, or veins, especially at the margins of batholiths. Pegmatite represents the last and most hydrous portion of magma to crystallize and hence contain high concentrations of minerals present only in trace amounts in granitic rocks.
ppb	Parts per billion.
ppm	Parts per million.
Precambrian	All geologic time, and its corresponding rocks, before the beginning of Paleozoic; it is equivalent to about 90% of geologic time.
Ptarmigan Mine	The Ptarmigan mine is situated at 2683 metres elevation above sea level near the headwaters of Red Line Creek, a tributary of MacDonald Creek, in the Golden Mining Division. The property consists of a single Crown grant (Lot 5345) which is belongs to the Corporation.
Ptarmigan Property	Property which lies about 35 km west of Radium, British Columbia within the Kootenay Mountains in the Golden Mining Division which consists of 23 mineral claim blocks (9287 ha) and 5 District Lots (76.68 ha) with mineral rights attached. The mine site is located at 50^{o} 29' 46" N latitude and 116^{o} 24' 25" W longitude.
quartz	A common rock forming mineral composed of silicon and oxygen.
rhyolite	An extrusive igneous (volcanic) rock with phenocrysts of quartz and alkalic feldspar, commonly of porphyritic texture.
sedimentary	Rock formed of sediment, as conglomerate, sandstone and shale, formed of fragments of other rock transported from their sources and deposited in water; rocks formed by

	precipitation from solution as rock salt or gypsum or non-organic secretions of organisms, e.g., most limestone.
skarn	A type of hydrothermal alteration that overprints carbonates and other calcareous rocks; commonly contains garnet and pyroxene-bearing gangue mineral assemblages, and may be associated with Cu, Mo, Zn, Pb and/or Au mineralization.
stockwork	A dense, intersecting network of veins and veinlets. These are often quartz-rich and may contain Cu, Mo, Au or other types of mineralization.
strata	A tabular or sheet-like body of sedimentary rock.
sulphide or sulphide	Group of minerals consisting of metals combined with sulphur; common metallic ores.
survey	The process of finding and delineating the physical or chemical characteristics of the earth's surface, subsurface, or internal constitution by topographic, geologic, geophysical, or geochemical measurements.
Technical Report	Means the Technical Report dated March 1, 2011 prepared by Richard T. Walker, B.Sc, M.Sc., P.Geo. and co-authored by Robert Didur, BASc, PEng.
Tertiary	The period of geological time extending from 66 to 2 million years ago, which includes the Palaeogene and Neogene epochs.
volcanic	Pertaining to the activity, structures or rock types of a volcano.

Conversions: The Metric System is the primary system of measure and length used in this Report and is generally expressed in kilometres (km), metres (m) and centimetres (cm); volume is expressed as cubic metres (m^3), mass expressed as metric tonnes (t), area as hectares (ha), and gold and silver concentrations as grams per tonne (g/t). Conversions from the Metric System to the Imperial System are provided below and quoted where practical. Many of the geologic publications and more recent documents now use the Metric System but older documents almost exclusively refer to the Imperial System. Metals and minerals acronyms in this report conform to mineral industry accepted usage and the reader is directed to www.maden.hacettepe.edu.tr/dmmrt/index.html for a glossary.
Conversion factors utilized in this report include:

- 1 troy ounce/ton = 34.285714 grams/tonne
- 1 gram/tonne = 0.029167 troy ounces/ton
- 1 troy ounce = 31.103477 grams
- 1 gram = 0.032151 troy ounces

The term gram/tonne or g/t is expressed as "gram per tonne" where 1 gram/tonne = 1 ppm (part per million) = 1000 ppb (part per billion). The mineral industry accepted terms Au g/t and g/t Au are substituted for "grams gold per metric tonne" or "g Au/t". Other abbreviations include ppb = parts per billion; ppm = parts per million; oz/t = troy ounce per short ton; Moz = million ounces; Mt = million tonne; t = tonne (1000 kilograms); SG = specific gravity; lb/t = pound/ton; and, st = short ton (2000 pounds).

Dollars are expressed in Canadian currency (CAD$) unless otherwise noted. Zinc (Zn), copper (Cu) and lead (Pb) are reported in US$ per pound (US$/lb) or US$ per metric tonne (US$/t). Gold (Au) and silver (Ag) are stated in US$ per troy ounce (US$/oz).

SUMMARY OF PROSPECTUS

The following is a summary of the information contained in this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

Capitalized terms used in this summary, which are not defined in the summary, have the meanings ascribed to them elsewhere in this prospectus. Unless otherwise indicated, references to the "Company", "Silver Mountain", "we", "us" and similar terms are to Silver Mountain Mines Inc.

Principal Business of the Company

Silver Mountain is currently a private Canadian-based mining exploration company incorporated in the province of Alberta on May 12, 2008, and extra-provincially registered in British Columbia on August 13, 2008, under the name "Rupestris Mines Inc." On December 6, 2010, the Company amended its articles of incorporation to remove the private company restrictions thereon. It changed its name to "Silver Mountain Mines Inc." on January 24, 2011. Silver Mountain is focused on exploring and developing the Company's principal property, which it calls the "Ptarmigan Property", a high-grade silver and gold ore body in the Golden Mining District of south-eastern British Columbia. The Ptarmigan Property consists of 23 mineral claim blocks (9287 ha) and five District Lots (76.68 ha) with mineral rights attached.

The Company's plan of operation is to carry out exploration work on the Ptarmigan Property in order to ascertain whether it possesses commercially exploitable quantities of silver, gold and other metals. The Company intends to primarily explore for silver, gold, lead, zinc and copper. If it is determined that the Ptarmigan Property holds potential for other minerals that the Company's management determines are worth exploring further, then the Company expects it will explore for those other minerals. The Company will not be able to determine whether or not the Ptarmigan Property contains a commercially exploitable mineral deposit, or reserve, until appropriate exploratory work is done and an economic evaluation based on such work indicates economic viability. See "*Narrative Description of the Business*".

The Special Warrant Private Placements

A total of 1,809,333 Flow Through Special Warrants and 9,214,200 2010 Ordinary Special Warrants were issued on a private placement basis on December 22, 2010 pursuant to the Agency Agreement for gross proceeds of $3,540,950. On March 7, 2011 a further 3,840,000 2011 Ordinary Special Warrants were issued on a non-brokered basis for gross proceeds of $960,000. The Special Warrants were sold to subscribers at the Flow Through Special Warrant Price and Special Warrant Price, respectively, pursuant to prospectus exemptions under applicable securities legislation.

The Special Warrant Certificates representing the Special Warrants were issued on the Special Warrant Private Placement closing dates. The Special Warrant Certificates provide that the Special Warrants may be exercised by their holders at any time prior to 4:30 p.m. (Toronto time) (the "**Special Warrant Expiry Time**") on the date that is the earlier of: (i) 3 business days following the completion of a Liquidity Event (as such term is defined in the certificates representing the Special Warrants), within six (6) months of closing; and (ii) six (6) months after the applicable Special Warrant Private Placement closing date (the "**Expiry Date**"), unless amended with the consent of the holders of Special Warrants. If not exercised by the holder prior to the Expiry Date, the Special Warrants will be automatically exercised without further action by the holder.

The Company has undertaken to use its commercially reasonable efforts to prepare and file this Prospectus in the Selling Jurisdictions to qualify the distribution of the Common Shares and Warrants issuable upon the exercise of 14,695,533 of the aggregate 14,863,533 Special Warrants and to use its best efforts to obtain receipts for this Prospectus from the securities regulatory authority in each Selling Jurisdiction as soon as practicable following the applicable Special Warrant Private Placement closing date. Additionally, if a Liquidity Event has not occurred on or before June 22, 2011, any Flow Through Special Warrant having thereby been automatically exercised as described above will receive one Common Share and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant) upon exercise thereof, without payment of any additional consideration and any 2010 Ordinary Special

Warrant having thereby been automatically exercised as described above will receive 1.1 Common Share and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant) upon exercise thereof, without payment of any additional consideration. See "*Narrative Description of the Business*".

Agent's Special Warrants

A total of 1,142,608 Agent's Special Warrants were issued to the Agent and its subagents according to the Brokered Private Placement on December 22, 2010, pursuant to the Agency Agreement. The Agent's Special Warrants were issued pursuant to prospectus exemptions under applicable securities legislation.

Each Agent's Special Warrant entitles the holder thereof to acquire one Agent's Compensation Warrant at a price of $0.50 per Agent's Compensation Warrant on the same exercise terms as the 2010 Ordinary Special Warrants. Each Agent's Compensation Warrant is exercisable by the Agent into one Common Share and one half of one Agent's Warrant until June 20, 2012, upon payment by the Agent of $0.50 per Agent's Compensation Warrant. Each Agent's Warrant is exercisable by the Agent into one Common Share until June 20, 2012, upon payment by the Agent of $0.75 per Common Share. See "*Narrative Description of the Business*".

Finder's Compensation Warrants

A total of 433,508 Finder's Compensation Warrants were issued to the Finders according to the Non-Brokered Private Placements closed on December 6, 2010, March 7, 2011 and April 8, 2011. The Finder's Compensation Warrants were issued pursuant to prospectus exemptions under applicable securities legislation.

Each Finder's Compensation Warrant entitles the holder thereof to acquire one Common Share until September 15, 2012, upon payment by the Agent of $0.50 per Common Share. The Finder's Compensation Warrants were issued pursuant to a prospectus exemption and this Prospectus does not qualify the Finder's Compensation Warrants. See "*Narrative Description of the Business*".

Plan of Distribution

This Prospectus qualifies the distribution to the public of 14,695,533 Common Shares and 7,347,767 Warrants of the Company issuable upon the exercise, without additional consideration, of 14,695,533 issued and outstanding Special Warrants. This Prospectus also qualifies the distribution to the public of 1,142,608 Agent's Compensation Warrants issuable upon the exercise, without additional consideration, of 1,142,608 issued and outstanding Agent's Special Warrants. See "*Plan of Distribution*"

Use of Proceeds

The Company's estimated net proceeds received from the sale of the Special Warrants totalled $3,806,350. As at April 30, 2011, the Company had estimated working capital of $4,742,417 which the Company intends to use, in order of priority, as follows:

	Description	Amount
1.	To pay the estimated remaining expenses of this Offering (including legal, audit and printing expenses)	$90,000
2.	To pay balance of CNSX Listing Fee	$8,000
3.	Exploration Program (See "*Selected Financial Information and Management's Discussion and Analysis – Plan of Operation Phase 1*")	$2,186,681
4.	Estimated ongoing legal, accounting, auditing, stock exchange, transfer agent and filing fees	$72,000
5.	Estimated administration, rent, telephone, internet, travel, office expenses	$109,000
6.	Management and consulting fees pursuant to management services agreement and consulting agreements (12 months)	$437,875
7.	Estimated investor relations and corporate development (12 months)	$12,500
8.	To provide general working capital	$51,324
TOTAL		$2,967,380

See "*Use of Available Funds*". The Company intends to spend the funds available to it as stated in this Prospectus. There may be circumstances, however, where for sound business reasons a reallocation of funds may be necessary. See "*Risk Factors*".

The Listing

The Company has applied to list its Common Shares on the CNSX, including the Shares in connection with the Special Warrants. Listing will be subject to the Company fulfilling all of the listing requirements of the CNSX, including, without limitation, the distribution of the Company's Common Shares to a minimum number of public shareholders and the Company meeting certain financial and other requirements.

Summary Financial Information

The following selected financial information is subject to the detailed information contained in the financial statements of the Company and related notes thereto appearing elsewhere in this prospectus. The selected financial information is derived from the audited financial statements for the Company for the years ended December 31, 2010, 2009 and 2008.

	Year ended December 31, 2010 $	**Year ended December 31, 2009 $**	**Year ended December 31, 2008 $**
Revenue	-	-	-
Net Income (Loss)	(107,552)	(211,754)	(130,285)
Earnings (Loss) per Common Share	(0.01)	(0.02)	(0.04)
Total Assets	5,680,282	1,650,292	461,993
Long-term debt	-	-	-
Number of Common Shares	28,704,301	10,939,100	7,776,100
Total Liabilities	483,170	155,998	72,065

See "*Selected Financial Information and Management's Discussion and Analysis*".

Risk Factors

An investment in an exploration stage mining company involves a significant degree of risk, including risks related to cash flow and liquidity, the ongoing need for financing, a volatile stock price, operational risks and costs, regulatory matters and environmental legislation, risks related to property contracts, regulatory and permitting delays, fluctuation of key indicators such as interest and exchange rates, and competition for key personnel. The above list of risk factors is not intended to be a definitive list of all risks associated with the Company. See "*Risk Factors*".

Interpretation

In this preliminary prospectus, unless otherwise specified, all dollar amounts are expressed in Canadian dollars and all references to "stock", "Common Shares", "shares" or "units" refer to the Class "A" common shares in the capital of the Company.

As used in this prospectus, the terms "we", "us", "our", "Company" and "Silver Mountain" mean Silver Mountain Mines Inc., unless the context clearly requires otherwise.

Our financial statements are stated in Canadian dollars (CDN$) and are prepared in accordance with IFRS.

Dollars are expressed in Canadian currency (CAD$) unless otherwise noted. Zinc (Zn), copper (Cu) and lead (Pb) are reported in US$ per pound (US$/lb) or US$ per metric tonne (US$/t). Gold (Au) and silver (Ag) are stated in US$ per troy ounce (US$/oz). Where quoted, Universal Transverse.

CORPORATE STRUCTURE

Name and Incorporation

The Company was incorporated under the *Business Corporations Act* (Alberta) in the province of Alberta in May 12, 2008 under the name "Rupestris Mines Inc." and extra-provincially registered under the laws of the Province of British Columbia on August 13, 2008. On December 6, 2010, the Company amended its articles of incorporation to remove the private company restrictions thereon. It changed its name to "Silver Mountain Mines Inc." on January 24, 2011.

The Company's head office is located at 223 Riverview Circle S.E. Calgary, Alberta, T2C 4K6, Tel: (403) 720-0335, Fax: (403) 720-3157. The Company's registered office is 1250, 639 – 5th Ave. SW, Calgary, Alberta T2P 0M9.

NARRATIVE DESCRIPTION OF THE BUSINESS

Our Current Business

The Company is a private Canadian-based mineral exploration company. Our principal property is a 100% undivided interest in the Ptarmigan Property, which is located about 35 km west of Radium, British Columbia within the Kootenay Mountains in the Golden Mining Division District. The Golden Mining District lies in the South Eastern part of British Columbia and contains 83 documented mineral occurrences. In total, the Ptarmigan Property comprises 23 mineral claim blocks (9287 ha) and 5 District Lots (76.68 ha) with mineral rights attached ("**Crown Grants**").

We are currently focused on exploring, developing and re-opening the Ptarmigan Mine, a high-grade silver and gold ore body located on the Ptarmigan Property at 50° 29' 46" N latitude and 116° 24' 25" W longitude.

15 of the 23 claims comprising the Ptarmigan Property were purchased effective March 1, 2009 for aggregate consideration of $750,000 pursuant to two agreements: an Acquisition Agreement dated August 1, 2008 with Eugen Seel pursuant to which the Company purchased one mineral claim and five District Lots in exchange for 1,000,000 units of the Company having a deemed value of $250,000, and an Acquisition Agreement dated August 1, 2008 with Steve Konopelky, David Campbell, Charles Burgess and Robert Didur pursuant to which the Company purchased 14 mineral claims in exchange for an aggregate of 2,000,000 units of the Company having a deemed value of $500,000. Each unit of the Company consisted of one Common Share in the capital of the Company and one Common Share purchase warrant exercisable for a period of 24 months from the date of issue into an additional Common Share upon payment by the holder of $0.25 per share. Messrs Konopelky, Burgess and Didur are Directors of the Company. Messrs Seel and Campbell were formerly Directors of the Company.

The remaining eight mineral claims which comprise the rest of the Ptarmigan Property were purchased by the Company from the Crown from January 2010 to November 2010.

The Company has also agreed to pay net smelter return royalties to Messrs Konopelky, Seel and Campbell pursuant to Net Smelter Returns Royalty Agreements dated May 16, 2008. Under the terms of each of these agreements, the Company must pay net smelter returns royalties equal to 3% of the gross value of all products shipped from the Ptarmigan Property to a smelter or refinery and 2% of the gross value of recoverable metals and minerals contained in products sold to parties other than a smelter or refinery.

Three-Year History and Significant Acquisitions and Dispositions

On May 12, 2008, we were incorporated under the laws of Alberta and on August 13, 2008, we were extra-provincially registered in British Columbia.

15 of the 23 claims, 5 Crown Grants comprising the Ptarmigan Property were purchased effective March 1, 2009 and the remaining 8 mineral claims were purchased between January 2010 and November 2010.

On December 22, 2010, we completed a private placement offering of an aggregate of 10,973,533 Special Warrants for aggregate gross proceeds of $2,831,350. 1,809,333 of the Special Warrants were issued as Flow Through Special Warrants at a price of $0.30 per Flow Through Special Warrant and 9,214,200 were issued as 2010 Ordinary Special Warrants at a price of $0.25 per 2010 Ordinary Special Warrants. Each Flow Through Special Warrant and 2010 Ordinary Special Warrant is exercisable, for no additional consideration, into one Common Share and one-half of one Warrant. Each whole Warrant entitles the holder to purchase one Common Share at an exercise price of $0.50 per Common Share until June 20, 2012. The Flow Through Special Warrants and 2010 Ordinary Special Warrants are subject to adjustment in the event the Company has not completed a Liquidity Event, as such term is defined in the certificates representing the Special Warrants, within 6 months of closing. D&D Securities Inc. acted as lead agent under the Brokered Private Placement (see "***Material Contracts***"). The Common Shares and Warrants issuable upon exercise of 1,641,000 of the aggregate 1,809,000 the Flow Through Special Warrants and the 2010 Ordinary Special Warrants are being qualified for distribution hereunder. Additionally, if a Liquidity Event has not occurred on or before June 22, 2011, any Flow Through Special Warrant having thereby been automatically exercised will receive one Common Share and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant) upon exercise thereof, without payment of any additional consideration and any 2010 Ordinary Special Warrant having thereby been automatically exercised will receive 1.1 Common Share and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant) upon exercise thereof, without payment of any additional consideration.

A total of 1,142,608 Agent's Special Warrants were issued to the Agent and its subagents according to the Brokered Private Placement on December 22, 2010 pursuant to the Agency Agreement. Each Agent's Special Warrant entitles the holder thereof to acquire one Agent's Compensation Warrant at a price of $0.50 per Agent's Compensation Warrant on the same exercise terms as the 2010 Ordinary Special Warrants. Each Agent's Compensation Warrant is exercisable by the Agent into one Common Share and one half of one Agent's Warrant until June 20, 2012 upon payment by the Agent of $0.50 per Agent's Compensation Warrant. Each Agent's Warrant is exercisable by the Agent into one Common Share until June 20, 2012 upon payment by the Agent of $0.75 per Common Share. The Agent's Compensation Warrants issuable upon exercise of the Agent's Special Warrants are being qualified for distribution hereunder.

From July 2010 through December 31, 2010, we completed private placement offerings of an aggregate of 5,141,668 units of the Company for aggregate gross proceeds of $1,487,000 (the "**2010 Unit Private Placements**"). 4,031,668 of the units were issued as flow-through units ("**Flow Through Units**") at a price of $0.30 per Flow Through Unit, and 1,110,000 were issued as ordinary (non-flow-through) units ("**Ordinary Units**") at a price of $0.25 per Ordinary Unit. Each Flow Through Unit consisted of one Common Share of the Company issued on a 'flow-through' basis pursuant to the Tax Act and one-half of one Common Share purchase warrant (each whole warrant, a "**Unit Warrant**"). Each Ordinary Unit consists of one ordinary (non-flow-through) Common Share and one-half of one Unit Warrant. Each whole Unit Warrant entitles the holder to purchase one Common Share at an exercise price of $0.50 per Common Share until the date that is 18 months from the date of issuance. The Flow Through Units and Ordinary Units were issued pursuant to a prospectus exemption and this Prospectus does not qualify the Common Shares underlying the Flow Through Units and Ordinary Units. Accordingly, the Common Shares issuable upon exercise of the Unit Warrants will also be subject to resale restrictions under NI 45-102.

A total of 47,716 Finder Compensation Warrants were issued to an eligible firm with respect to the 2010 Unit Private Placement closed on December 6, 2010. Each Finder's Compensation Warrant is exercisable by the Finder into one Common Share until the date that is 18 months from closing upon payment by the Finder of $0.50 per Finder's Compensation Warrant. The Finder's Compensation Warrants were issued pursuant to a prospectus exemption and this Prospectus does not qualify the Common Shares issuable upon the exercise of the Finder's Compensation Warrants. Accordingly, the Finder's Compensation Warrants and the Common Shares issuable upon

exercise of the Finder's Compensation Warrants (the "**Finder's Compensation Warrant Shares**") will be subject to resale restrictions under NI 45-102.

On March 7, 2011, we completed a private placement offering of an aggregate of 3,840,000 Special Warrants ("**2011 Ordinary Special Warrants**") at a price of $0.25 per 2011 Ordinary Special Warrant for aggregate gross proceeds of $960,000 (the "**2011 Special Warrant Private Placement**"). Each 2011 Ordinary Special Warrant is exercisable, for no additional consideration, into Common Share and one-half of one Warrant. Each whole Warrant entitles the holder to purchase one additional ordinary Common Share at an exercise price of $0.50 per Common Share until September 15, 2012. The Common Shares and Warrants issuable upon exercise of the 2011 Ordinary Special Warrants are being qualified for distribution hereunder.

On March 7, 2011, we completed a private placement offering of an aggregate of 2,576,297 Units of the Company for aggregate gross proceeds of $731,889 (the "**2011 Unit Private Placement**"). 1,756,297 of the Units consisted of Flow Through Units at a price of $0.30 per Flow Through Unit, and an aggregate of 820,000 of the units consisted of Ordinary Units at a price of $0.25 per Ordinary Unit.

A total of 378,908 Finder Compensation Warrants were issued with respect to the 2011 Special Warrant Private Placement and Unit Private Placement closed on March 7, 2011.

A total of 54,600 Finder Compensation Warrants were issued with respect to the Unit Private Placement closed on April 8 2011.

In the current financial year, the Company intends to begin its three phase exploration program. See "*Narrative Description of the Business – Mineral Projects - Technical Report*".

Mineral Projects

The Property lies about 35 km west of Radium, British Columbia within the Kootenay Mountains. It is in the Golden Mining Division, and the actual mine site is located at 50^{o} 29' 46" N latitude and 116^{o} 24' 25" W longitude. Silver Mountain Mines Inc. has purchased 100% ownership and the company has spent approximately $1,593,025 on property exploration to date.

We own 100% of 23 mineral claim blocks (9287 ha) and 5 District Lots (76.68 ha) with mineral rights attached. We are focused on exploring, developing and re-opening the Ptarmigan Mine, a high-grade silver and gold ore body in the Golden Mining District of British Columbia, a silver-rich region, having produced silver since the late 19^{th} century. Mineralization on the Ptarmigan Property occurs in two forms: (1) as sheared quartz-pyrite+/-galena+/-sphalerite+/-tetrahedrite veins within north trending normal fault zones; and (2) as massive pyrite replacement zones (manto deposit) within argillaceous dolomite units in proximity to the north trending faults.

The Property hosts the Ptarmigan and Iron Cap Mines which were first exploited in the early 1900s and as late as 1957-59 for high grade silver-gold-lead-zinc-copper mineralization. Most of the historical production was focused on exploiting narrow high-grade silver veins (with lesser Au-Pb-Zn-Cu) with most of the ore being hand sorted. Additionally, the mine contains a massive pyrite replacement zone which contains significant silver-gold mineralization and this style of mineralization has not been adequately explored.

Technical Report

The Company received a technical report entitled "Project Report, Ptarmigan Project, British Columbia" dated March 1st, 2011 from its lead consulting geologist Rick Walker, B.Sc, M.Sc., P.Geo., and co-authored by Robert Didur, BASc, PEng. on the Ptarmigan Property (the "**Report**"). Pursuant to the Report, Mr. Walker recommended a three-phase exploration program on the Ptarmigan Property to explore potential mineralization on the property, with the third phase being an optional phase. The Report found that mineralization on the Ptarmigan Property occurs in two forms: (1) as sheared quartz-pyrite+/-tetrahedrite +/-galena+/-sphalerite+/-tetrahedrite veins within north trending normal fault zones; and (2) as massive pyrite replacement zones (manto deposit) within argillaceous dolomite units in proximity to the north trending faults.

The Report documents results of the 2009 and 2010 exploration program, which included prospecting, detailed geological mapping of the southern portion of the Ptarmigan Basin, surface and underground (adit) geochemical sampling, limited trenching and 1,557.7 m of diamond drilling. The 2010 program continued, and benefitted from, exploration programs previously completed in 2008 and 2009, including airborne and ground geophysical surveys, trenching, surface and underground mapping, surface and underground geochemical sampling and diamond drilling. To date, data has been collected to advance the project by characterizing and determining the extent of silver-gold+/-lead+/-zinc+/-copper mineralization, with an emphasis on the Ptarmigan Mine workings, Upper Ptarmigan Showing and immediately surrounding area in order to provide a basis for evaluation of the mineral potential for the remainder of the property.

From the information collected to date, it is evident that two prevalent styles of mineralization have been documented within the Ptarmigan Basin structural panel, specifically, Vein and Carbonate Replacement mineralization. Vein style mineralization is evidenced by mineralization described and sampled along the workings in the No. 3 Adit and the Iron Cap adits. Mineralization is characterized by increased pyrite content relative to the host lithologies, ranging from disseminated through semi-massive to massive sulphide mineralization and, locally, with high grade lenses containing tetrahedrite.

Carbonate Replacement style mineralization is represented by pyrite-dominant, massive sulphide replacement zones documented within the Ptarmigan Mine and at the Upper Ptarmigan Showing. These occurrences are interpreted to present a similar style of mineralization, hosted within a similar geological setting, as that documented at the Mineral King and Paradise Mines.

Most of the previous historical exploration has emphasized evaluation and exploitation of high-grade, tetrahedrite-bearing vein mineralization and has largely ignored the potential represented by massive sulphide mineralization. Therefore, at this point in evaluation of the Property, the exploration potential for identification of additional mineralized occurrences on the property is considered high. As evidence of this potential, the recent discovery of additional pyrite dominated, massive sulphide mineralization at the Upper Ptarmigan Showing (2009) and high grade mineralization discovered at the Hidden and North Vein occurrences (2010), is interpreted to demonstrate the exploration potential of the property. Subsequent exploration and drilling in 2011 is expected to result in additional mineralized occurrences at surface and evaluate the potential of these occurrences in the sub-surface through trenching and drilling. Further exploration is expected to demonstrate that pyrite-dominated, semi-massive to massive, precious metal-bearing Carbonate Replacement style mineralization is more widespread than previously thought. In addition, with detailed mapping and better control on the surface and sub-surface expression of the north trending fault system, further identification and delineation of tetrahedrite-bearing, vein-style mineralization is expected in the Ptarmigan Basin, grading to galena-dominant, vein style mineralization farther south in the Iron Cap Basin. Finally, on the basis of exploration successes resulting from three field seasons in the Ptarmigan Basin, the authors believe considerable exploration potential exists throughout the remainder of the Property for identification of more of these styles of mineralized occurrences.

For example, the north trending, steeply east dipping fault system that is well documented in the Ptarmigan Mine area and workings, associated with all of sulphide mineralization identified to date on the Property, is interpreted to extend approximately 2.5 km south and 7 km north from the Ptarmigan Mine, representing a minimum of approximately 9.5 km of largely unexplored strike length. Prospecting in 2010 resulted in identification of high grade mineralization exposed at surface, spatially associated with an apparent fault zone, interpreted to be another, previously unidentified north trending fault. In addition, the authors noted rusty, iron stained gossans associated with linear arrays of gullies in a series of limited traverses along the ridge immediately west of the Ptarmigan Basin. Limited sampling (i.e. WP027 – 2.079 g/t Au, 3,928 g/t Ag, 3.973% Cu; and WP 188 – 0.857 g/t Au, 3,916 g/t Ag, 0.570 % Cu and 77.17% Pb) are interpreted to suggest considerable potential exists for identification of similar high grade mineralization in an analogous set of north trending faults in the next structural panel to the west

Mineralization in the Ptarmigan Mine occurs in two forms as (1) Ag-Au-Cu-Pb-Zn bearing quartz-pyrite veins and high-grade shoots (Silver-Base Metal Epithermal Veins) and (2) massive to semi-massive gold-silver bearing pyrite pods and lenses contained within an argillaceous dolomite. Observations and conclusions reached by Mr. Walker from the data collected thus far from 2009were as follows:

1. The silver-gold bearing high grade veins mined in the past occur along two north trending, steeply east dipping normal faults. These faults are likely Tertiary in age as they cut the Cretaceous age folds and thrust faults and continue unperturbed for several kilometres.

2. Mapping shows that drag folds are common along the north trending Tertiary faults due to the normal motion along them.

3. Intense silicification grading outward to Fe-carbonate forms alteration halos on either side of these faults. Locally, silicification completely replaces host dolomite units and grades into dolomite over 5-25 m away from the faults; this may have been mis-mapped by historical workers as "quartzite".

4. The silver-gold bearing veins along these faults are rarely more than 20 cm wide and pinch out completely in many locations. Also, grab samples and drill hole results show that their gold and silver contents are generally low and only very locally reach significant levels. Hence, these veins appear to be a lower priority exploration target.

5. Massive to semi-massive pyrite layers, lenses, and irregularly shaped pods occur within a dark gray argillaceous dolomite to dolomitic argillite within the Ptarmigan Mine which has produced highly variable silver assay values from grab and chip sampling (10 to 2410 g/t Ag) and consistent gold assay values between 0.26 to 1.06 g/t Au.

6. High grade silver assays in the massive pyrite body within the Level #1 workings appears to occur along a central north-south oriented axis within the pyrite zone. A total of 32.2 tonnes of this material produced from Level #1 in 1959 averaged 1.7 g/t Au, 2,638 g/t Ag and 0.58% Pb. (Source: MINFILE Detail Report, BC Geological Survey, Ministry of Energy, Mines & Petroleum Resources).

7. Samples of massive to semi-massive pyrite zones from trenches in the Upper Ptarmigan showing returned consistent gold grades (0.13 to 1.1 g/t Au) similar to those from the Ptarmigan Mine but lower silver values between 2 and 45 g/t Ag.

8. Sulphide drilling in the Ptarmigan Mine area and in the Upper Ptarmigan area intersected several zones of massive to semi-massive failed to intersect any of the spectacular silver grades observed in the Ptarmigan Mine workings. The distribution and cause of the high-grade silver mineralization in the Ptarmigan Mine area needs to be better understood and should be addressed in upcoming field programs.

9. Sampling and drilling in the Upper Ptarmigan area shows a general increase in Pb content within the pyrite zones (up to 6.81% over 0.21 m in hole PT10-30) and a fairly consistent level of Ag in the ~10 to 50 g/t range which is typical of the mineralization in the Mineral King mine area that historically produced Pb-Zn-Ag-Ba ore that contained approximately 27 g/t Ag, 1.78% Pb.

10. Ground IP data around the Ptarmigan Mine appears to show conductivity associated with the pyrite zones as well as conductivity associated with dolomitic argillite units. Therefore caution must be used when interpreting this data and picking targets based solely on conductive anomalies.

11. The AeroTEM data may be influenced by graphitic and argillaceous dolomite formations in the area which may obscure the known massive pyrite. This may be due to a discontinuous nature of the pyrite zones and/or due to the large affect from the graphitic and argillaceous dolomite formations in the area. In fact, the Ptarmigan Mine and the Upper Ptarmigan areas are located in conductivity lows and this may be due to resistive silicified rocks that occur along the north trending normal faults and may suggest areas of increased hydrothermal activity.

12. The gradient aeromagnetic survey flown over the Ptarmigan Property also does not directly detect pyrite mineralization however it is able to delineate some of the major geological structures and formations in the area and shows the continuity of the north trending faults which are associated with silver mineralization on the Ptarmigan Property.

It is clear that the most productive style of mineralization in the district is the carbonate replacement mineralization (i.e. Mineral King and Paradise deposits) and the pyrite replacement zones which occur in the Ptarmigan Mine represent a similar style of mineralization and in a similar geological setting. At this point the Ptarmigan Property is still in an early exploration phase, but as most historical exploration in this area was focussed toward high-grade vein mineralization and not the massive sulphide mineralization the exploration potential of the area is great.

Also, the discovery of additional pyrite mineralization south of the Ptarmigan Mine during the drilling program, the Upper Ptarmigan showing, demonstrates that this pyrite mineralization is more widespread than previously thought and there is considerable exploration potential on the Ptarmigan Property for more of these zones. The north trending fault system that cuts through the Ptarmigan Mine and is associated with all of the mineralization on the Ptarmigan Property extends for 2.5 km south and approximately 7 km north from current exploration work for a total of 9.5 km of unexplored strike length.

A summary of key accomplishments of the 2010 exploration season include:

- 960 metres of drill access trails completed
- 1,557.7 metres of diamond drilling completed in 15 holes, including intersections:
    - Ptarmigan Mine East Vein: 0.15 m at 1,014 g/t Ag, 0.69 g/t Au, 13.3% Pb,
    - Upper Ptarmigan : 0.21 m at 130 g/t Ag, 0.03 g/t Au, 6.8% Pb
        - Visible tetrahedrite (silver mineral) in 3 drill holes
- 159 samples assayed (core, trench, chip, grab); assessment of Ptarmigan Mine and Iron Cap sample geochemistry interpreted to suggest different mineralizing events/fluids
- Inspection of Level #1 Pyrite zone (Ptarmigan Mine) identified significant 'pay streaks' of high grade tetrahedrite throughout the massive pyrite – revealed by extensive malachite (copper carbonate) developed in the mineralization subsequent to washing of drift in 2009. Evidence of copper mineralization interpreted to support presence of tetrahedrite and historical 1963 level plan indicating #1 Pyrite body grades > 40 oz/t silver (>1,200 g/t)
- Adit #2 pyrite zone sampled across 3 panels up to 6 metres wide over a 5 metre vertical interval shows grade increasing with depth (6 m at 642 g/t Ag, 2 g/t Au)
- 170 metres of Level #3 (Ptarmigan Mine) inspected, with 11 chip samples taken. Consistent 2 – 4 g/t gold grade largely independent of silver assays. Drift chip sample south of stope area ran an impressive 4,024 g/t Ag, 2.9 g/t Au and 1.9% Cu. Mineralized veins appear to be en echelon and/or splays; tetrahedrite mineralized veins on end drift faces suggest potential unexplored vein extensions
- All five historic Iron Cap adits located: three of which have collapsed; two accessed. Vein mineralization observed includes galena (Pb), tetrahedrite (Ag), pyrite, quartz and iron carbonate. Average grade of samples selected from historic bagged ore found in Adit #3 is 788 g/t Ag, 0.27 g/t Au, 19.1% Pb
- Silver King adits (on the Nip and Tuck property) approximately 300 metres south of Iron Cap were located. Float/talus shows similarities to Iron Cap mineralization
- North Ridge discovery: 2 to 10 metre wide vein; sulphides completely leached out but rock retains high silver (300 - 600 g/t) and gold (1.4 - 1.8 g/t) values; interpreted to be associated with an unidentified north-trending fault, located between the surface traces of the West Bounding Fault and the West Drift Fault.
- "Hidden Vein" discovery 200 metres west of Iron Cap vein system, comprised of high grade copper-silver-gold float (3,928 g/t Ag, 2 g/t Au, 4% Cu) consisting of tetrahedrite (malachite/azurite alteration) in a quartz vein breccia. Source is considered to be proximal due to rock alteration on hillside. Absence of galena (Pb) which is characteristic of nearby Iron Cap & Silver King veins and the anomalous high gold content suggest this sample may indicate a tetrahedrite vein similar to the Ptarmigan Mine #3 Vein located 800 metres to the north.

Data arising from the 2010 program, detailed geological mapping in the Ptarmigan basin, extending south from the Ptarmigan Mine to the pass, is interpreted to document stratigraphy correlated to the middle of the Mt. Nelson Formation, from the uppermost Lower Dolomite to the White Marker Unit. Correlation of the Siltstone – Argillite strata stratigraphically above the uppermost dolomitic outcrops remains uncertain.

1) Structural data is interpreted to indicate a tight fold outlined by arenitic outcrops within the Siltstone – Argillite. A broad, open fold is interpreted to characterize exposures of the dolomite-dominated Mt. Nelson Formation.

2) A delamination zone (fault zone) is interpreted to separate the Siltstone – Argillite-dominated succession from the dolomite-dominated Mt. Nelson Formation. Moderate to extensive silicification of the uppermost dolomitic exposures of the Mt. Nelson Formation is associated with fluid movement along, and adjacent to, this delamination zone.

3) "Crackle" textured rock, comprised of one or more generations of quartz and/or dolomite veining and grading from 20% veining to a moderate stockwork, is interpreted to be indicative of proximity to mineralized zones and to represent ground preparation of the host rock prior to precipitation of mineralization from metal-bearing fluids.

4) The Ptarmigan structural panel is interpreted to be bounded by the East and West Bounding Faults. The Ptarmigan panel is further segmented by a north-trending normal fault system. To date, the East Drift, Ptarmigan and West Drift faults are interpreted to exemplify this fault system and the associated mineral potential. The Upper Ptarmigan East and West faults are interpreted to comprise bounding faults for mineralization identified at the Upper Ptarmigan Showing. A sixth north-trending, normal fault may be associated with high grade surface mineralization identified at the North Ridge Vein. Similar high grade mineralization may be associated with analogous north-trending, normal faults in the next structural panel to the west, as exemplified by the high grade Hidden Vein.

5) Projection of the north-trending, normal faults farther to the north along strike results in a spatial association with a prominent yellow gossan developed at surface along which several, very short adits have been driven. The yellow gossan and shearing at this location is interpreted to be localized along the West Drift and/or Ptarmigan faults or fault zones and to, potentially, offer similar potential for mineralization as that documented at, and in the vicinity of, the Ptarmigan Mine

6) Silver-gold-bearing, high grade veins mined in the past are interpreted to occur along, and be controlled by, three north trending, steeply east dipping normal faults, specifically, the West Drift Fault, the Ptarmigan Fault and the East Drift Fault. These faults are likely Tertiary in age as they cut Cretaceous age folds and thrust faults and appear to extend for several kilometres.

7) The underground workings of the Ptarmigan Mine appear to pass obliquely southeast through the above mentioned north trending, steeply dipping normal faults, which may explain, in part, the highly variable character of the sub-surface mineralization exposed.

8) Mapping shows that drag folds are common along the north-trending Tertiary faults due to the normal motion along the faults

9) Intense silicification, referred to as "crackle" texture and grading outward to Fe-carbonate, is interpreted to represent alteration halos on either side of these faults. Locally, silicification completely replaces host dolomite units and grades into dolomite over 5-25 m away from the faults. This may have been mis-mapped by historical workers as "quartzite".

10) Silver-gold-bearing veins along these faults are rarely more than 20 cm wide and pinch out completely in many locations. However, grab samples and drill hole results confirm historical mining results that gold and, in particular, silver contents can be extremely anomalous, locally, and are, therefore, considered a high priority exploration target.

11) Massive to semi-massive pyrite layers, lenses, and irregularly shaped pods within the Ptarmigan Mine have returned consistently elevated, highly variable silver assay values from grab and chip sampling (10 to 2410 g/t Ag) and consistent gold assay values between 0.26 to 1.06 g/t Au. (See *"Narrative Description of the Business – Sample Preparation, Analysis and Security*").

12) Elevated gold and high grade silver analyses have been documented in the massive pyrite bodies at surface (Adit #2) and exposed with the Level #1 workings and are interpreted to have been localized along, and/or immediately adjacent to, the north-trending faults referred to as the West Drift and Ptarmigan faults. The high grade mineralization is interpreted to extend as an irregular rod from Adit #2, through the Pyrite #1 zone and rake at a shallow plunge to the south along the Ptarmigan Fault, localized near the basal contact of the Middle Quartzite unit. Drill holes PT10-24 and 26, in particular, are interpreted to have missed the proposed high grade, irregular massive pyrite rod, perhaps by only meters

.

13) Samples of massive to semi-massive pyrite zones from trenches and diamond drilling in the Upper Ptarmigan Showing returned consistent gold grades (0.13 to 1.1 g/t Au) similar to, but slightly lower than, those from the Ptarmigan Mine and consistently lower silver values, between 2 and 130 g/t Ag

14) Drilling in the Ptarmigan Mine area and in the Upper Ptarmigan area has documented multiple intersections of massive to semi-massive sulphides, however, drilling in the Upper Ptarmigan has failed to intersect any spectacular silver grades comparable to those observed in the Ptarmigan Mine. The distribution and cause of the high-grade silver mineralization in the Ptarmigan Mine area needs to be better understood and should be directly addressed in upcoming field programs.

15) Sampling and drilling in the Upper Ptarmigan area shows a general increase in Pb content within the pyrite zones (up to 6.81% over 0.21 m in hole PT10-30) and a fairly consistent level of Ag between approximately 10 and 130 g/t, which is comparable to mineralization described from the Mineral King area that historically produced Pb-Zn-Ag-Ba ore that contained approximately 27 g/t Ag, 1.78% Pb.

16) Ground IP data around the Ptarmigan Mine appears to show conductivity spatially associated with pyrite zones as well as conductivity spatially associated with dolomitic argillite units. Graphitic films have been noted in siltstones and, in particular, argillitic lithologies, both at surface and in drill core and in both the Siltstone – Argillite succession and the Mt. Nelson Formation. Therefore, caution must be used in interpreting these (and other) EM data and picking targets based solely on conductive anomalies.

17) The AeroTEM data may also be influenced by graphitic siliciclastic and argillaceous dolomite strata in the area, which may obscure known massive pyrite. This may be due to discontinuous sulphide zones and/or graphitic siliciclastic and/or argillaceous dolomite strata in the area. In fact, the Ptarmigan Mine and the Upper Ptarmigan areas are located in conductivity lows and this may be due to resistive silicified rocks occurring along north-trending normal faults and may suggest areas of increased hyrdrothermal activity.

18) The gradient aeromagnetic survey flown over the Ptarmigan Property also does not directly detect pyrite mineralization, however, it does appear to delineate some major geological structures and formations in the area and is interpreted to document the continuity of the north-trending faults associated with silver mineralization on the Property.

The report recommended a three-phase exploration program, with the third phase being an option phase, focused on the Ptarmigan Property at an aggregate estimated cost of $3,000,000 subject to receiving additional financing. It is anticipated that the 2011 program activity will yield a resources delineation and resource value.

The recommended phase of work on the Ptarmigan Property (Phase 4) should occur in three distinct parts. The first part (Phase 4a) should be a general exploration, geophysical modelling of data, extended ground truthing and mapping on the property, extension of ground IP throughout the Ptarmigan basin, follow up on 2010 drill intersection and area sampling on Upper Ptarmigan and Mine areas, Trail construction in support of diamond drilling and trenching initiatives, and drill target generation in support of Phase 4(b) drilling. Phase 4(b) activities, diamond drilling and sampling targeted at defining a resource of silver-rich sulphides within the Ptarmigan and Iron Cap area and exploration of the East Block anomaly discovery, trenching, sampling, and mapping. Once we

complete phase 4a & 4b, we will consult with our independent geologist and mining engineers as to whether or not we proceed with 4(c) the feasibility of bulk extraction initiative. Phase 4c, extracting ore from Adit #1, Adit #2 and Adit #3 and potentially the waste dumps.

We will not be able to determine whether or not the Ptarmigan Property contains a commercially exploitable mineral deposit, or reserve, until appropriate exploratory work is done and an economic evaluation based on that work indicates economic viability.

Description of Property, Location and Ownership

The Ptarmigan Property is in south eastern British Columbia in the Kootenay Region of the Purcell Mountains; the Ptarmigan Property lies about 35 km west of Radium Hot Springs, British Columbia and 210 km west of Calgary, Alberta, Canada. It is in the Golden Mining Division, and the historical mine portals are located approximately 50° 29' 46" N latitude and 116° 24' 25" W longitude and are within the 082K/08 NTS Map Sheet. The property consist of 23 registered mineral claim blocks (9287 ha) and 5 District Lots (76.68 ha) with mineral rights attached.

The Company owns a 100% undivided interest in the Ptarmigan Property.

The Company has agreed to pay net smelter return royalties equal to 3% of the gross value of all products shipped from the Ptarmigan Property to a smelter or refinery and 2% of the gross value of recoverable metals and minerals contained in products sold to parties other than a smelter or refinery.

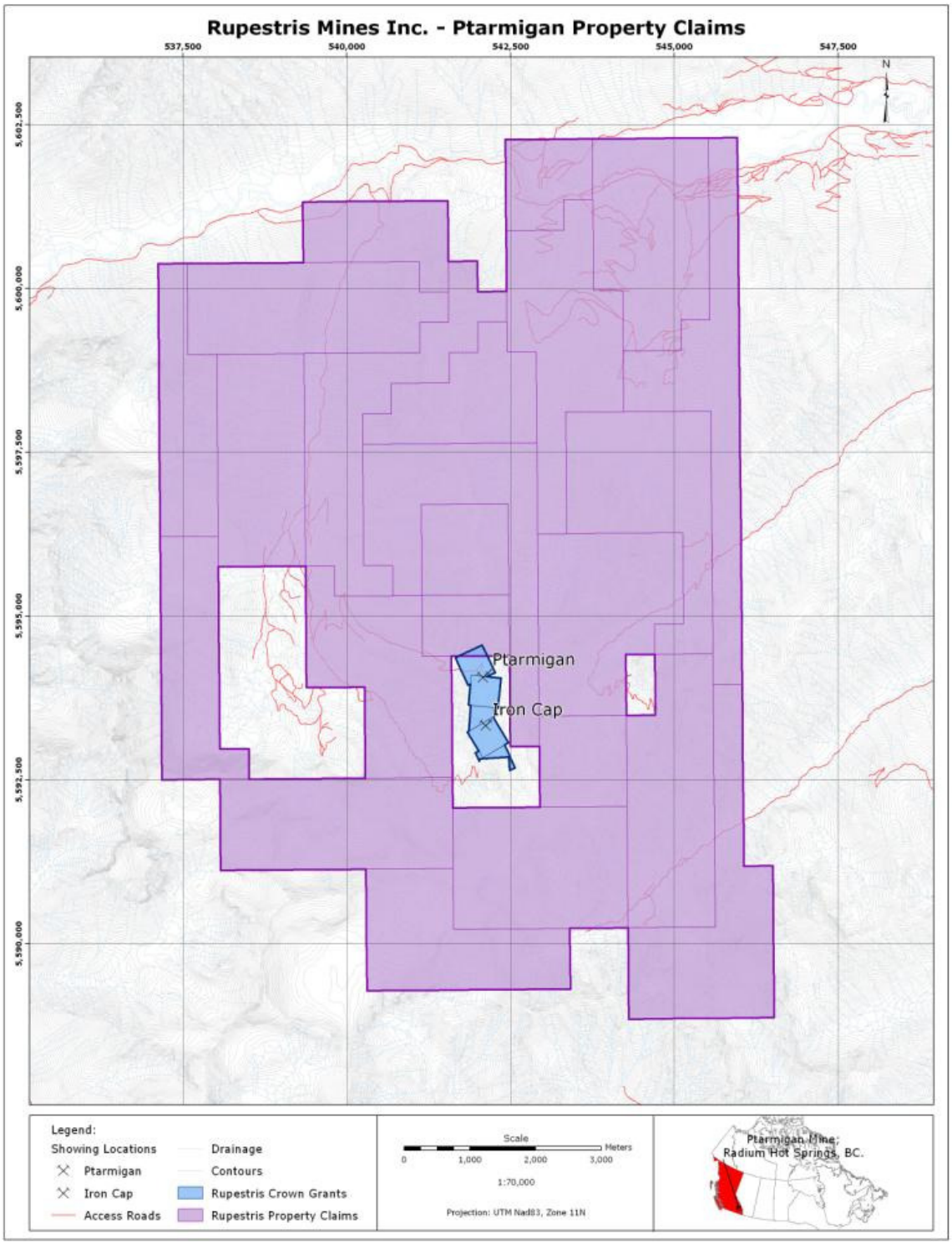
The Ptarmigan Property hosts the historical Ptarmigan and Iron Cap Mines which were first explored in the early 1900s and as late as 1957-59 for high grade silver-gold-lead-zinc-copper mineralization. Most of the historical production was focused on exploiting narrow high-grade silver veins (with lesser Au-Pb-Zn-Cu) with most of the ore being hand sorted. Additionally, the mine contains a massive pyrite replacement zone which contains significant silver-gold mineralization and this style of mineralization has not been adequately explored. The mine workings are located on a set of north trending steeply dipping normal faults which host the high-grade silver mineralization and are the locus for iron-carbonate alteration in the area. The Ptarmigan Mine occurs in Mt Nelson Formation which is characterized by layers of dolomite and argillaceous dolomite with lesser amounts of argillite/phyllite, slate, greywacke, and quartzite.

The topography is typical of glaciated alpine terrains: U-shaped flat bottomed valleys grading into steep and locally precipitous slopes along the upper walls of cirques and arêtes. Several ice sheets still remain at upper elevations, and tree line typically occurs around 200 m AMSL. Outcrop is abundant along ridge and mountain tops, but valley bottoms and lower slopes are typically covered by talus, moraine and below tree line a thick cover of partially decayed forest litter.

Most outcrops on slopes and valley bottoms occur where creeks have incised through the rock debris or along logging road cuts. Because of this, most historical showings occur above tree line and near ridge/mountain tops where outcrop is plentiful

The mineral concession lies within the northern Purcell Mountains approximately 30 km west of the Rocky Mountain Trench. Elevations in the Rocky Mountain Trench, the lowest points in the area, are approximately 750 m above mean sea level ("AMSL"). Most of the Ptarmigan Property is south of the Horsethief Creek valley and is rugged and mountainous. Relief on the Ptarmigan Property is 2,300 m, ranging from 1,100 m AMSL in the Horsethief Creek Valley at the extreme north end of the claims, to about 3,400 m AMSL at the south end of the claims at the peak of Mount Delphine. Most of the peaks and ridge tops on the Ptarmigan Property occur ~3000 m AMSL.

Figure 1 – Location of Ptarmigan Claim



Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The Ptarmigan Property is serviced by the Horsethief Creek Forest Service Road which emanates from Radium, BC approximately 35 km east of the Ptarmigan Property. Several branch logging roads exist which afford access to most areas of the Ptarmigan Property . In addition to the logging roads, several historical mining trails to access the various workings in the area have been established. One such road runs to the Ptarmigan Mine along Redline Creek, a tributary of MacDonald Creek that flows north into Horsethief Creek. This road has been refurbished and is capable of handling transport of heavy machinery during the summer months.

Climate

The climate in the Radium Hot Springs-Invermere area, which is located in the Rocky Mountain Trench/upper Columbia River Valley, is considered to be temperate and semi-arid as it lies within the rain shadow of the Purcell Mountains. The region is characterized by warm dry summers and cold winters. Temperatures in the Rocky Mountain Trench typically average 20^{o} C during the summer and -10^{o} C during winter months, with snowfall between 170 and 200 cm annually.

The Ptarmigan Property, being within the Purcell Mountains, receives considerably more snow than the Radium Hot Springs area, with an average of 479 cm per year falling at the local ski resort Panorama Mountain Village, located approximately 14 km southeast of the Ptarmigan Property and at a similar elevation.

As the elevation on the Ptarmigan Property varies substantially temperatures from one area to another can vary more than 10^{o}C from valley to ridge tops. Generally, the Ptarmigan Mine area is free of snow from late June to September.

Forests in the valleys are commonly comprised of western hemlock, western red cedar, western white pine, Douglas-fir, western larch, grand fir, Engelmann spruce, hybrid white spruce, and subalpine fir. Typical upper elevation flora consists primarily of mixtures of Engelmann spruce, subalpine fir, lodge pole pine, white bark pine, balsam fir, larch, and finally alpine flora at the highest elevations.

Local Resources & Infrastructure

The Property is located 35 km west of the town of Radium Hot Springs (population 1,000) with the nearest large population centres being: Invermere (population ~3,000), about 40 km east; Cranbrook (population ~20,000), about 130 km southwest; and Calgary, Alberta (population ~1,000,000), about 250 km east. Basic services such as restaurants, accommodation, groceries and some supplies can be purchased in Radium Hot Springs and Invermere, but for more substantial services, Cranbrook is the closest supply point.

Services in Cranbrook include hospital, medical and dental facilities, pharmacy, restaurants, grocery stores, hotels, service stations and major automobile dealerships, small airports, banks, building supply centers and other small businesses. The nearest processing facility is approximately 180 km south-southwest of the Ptarmigan Property, in Trail, BC. The Trail Smelter, now owned by Teck Resources, has operated since 1895 and treated lead-zinc-silver ore from the Sullivan Mine and currently from the Red Dog Mine in Alaska. Many of the mineral deposits in the Kootenay Mountains have been made economical by the close proximity of the Trail Smelter, including historical production from the Ptarmigan Mine and other small mines in the immediate area.

Physiography

The Property lies within the northern Purcell Mountains approximately 30 km west of the Rocky Mountain Trench. Elevations in the Rocky Mountain Trench, the lowest points in the area, are approximately 750 m above mean sea level ("AMSL"). Most of the Ptarmigan Property is south of the Horsethief Creek valley and is rugged and mountainous. Relief on the Ptarmigan Property is 2,300 m, ranging from 1,100 m AMSL in the Horsethief Creek Valley at the extreme north end of the claims, to about 3,400 m AMSL at the south end of the claims at the peak of

Mount Delphine. Most of the peaks and ridge tops on the Ptarmigan Property occur ~3000 m AMSL. The topography is typical of glaciated alpine terrains: U-shaped flat bottomed valleys grading into steep and locally precipitous slopes along the upper walls of cirques and arêtes. Several ice sheets still remain at upper elevations, and tree line typically occurs around 200 m AMSL.

Outcrop is abundant along ridge and mountain tops, but valley bottoms and lower slopes are typically covered by talus, moraine and below tree line a thick cover of partially decayed forest litter. Most outcrops on slopes and valley bottoms occur where creeks have incised through the rock debris or along logging road cuts. Because of this, most historical showings occur above tree line and near ridge/mountain tops where outcrop is plentiful.

History of Exploration

The current Ptarmigan Property has historically been referred to as the McDonald or Red Line Group and covers two known areas of local mineralization: the Ptarmigan Mine and the Iron Cap workings / adits. This area was first worked in the late 1800's, with subsequent periods of exploration in the early 1920s and the late 1950s. Between 1900 and 1959, total production from the Ptarmigan Mine consisted of 657 tonnes of ore mined, producing 2,769,008 g of silver, 3546 g of gold, 3812 kg of copper, 3519 kg of lead, and 848 kg of zinc (BC MINFILE Report 082KSE030). According to historical BC Government MINFILE data, the Iron Cap area produced a total of 32 tonnes of ore, with 27,184 g of silver, and 8774 kg of lead recovered (BC MINFILE Report 082KSE036). However, this only takes into account production from 1920, which is not the only year ore was produced from this mine.

Ptarmigan and Iron Cap Mine History

MacDonald Mines – 1899-1901

At the turn of the century, a great deal of infrastructure was put in place at the Ptarmigan Mine site. A trail was established from Law Creek up McDonald Creek at a cost of $3,000, with horse stables and a camp constructed along the route. It was reported that ore was found outcropping at the site, up to 0.5 miles long. Through an initial tunnel shaft, the ore body was found to be 16 feet wide, returning results of moderate silver and up to 3% copper (EMPR AR 1899). By 1901, development on the Ptarmigan claims consisted of 228 feet in the No. 1 Tunnel with an upraise of 38 feet, 80 feet in the No. 2 Tunnel, and 225 feet in the No. 3 Tunnel, for a total of 581 feet (EMPR AR 1901). It was reported that a lower tunnel at the silver-lead Iron Cap showing revealed solid galena 6 feet wide (EMPR AR 1900). In 1901, the government built 20 miles of wagon road along Horsethief Creek; workers operating on the mine at this time further extended the road 8 miles to connect to the mine itself (EMPR AR 1901). This facilitated further tunnelling: at the Iron Cap locale, 528 feet were driven in the No. 1 Tunnel, 197 feet were driven in the No. 2 Tunnel, and 208 feet were driven in the No. 3 Tunnel with 62 feet of winze, 12 feet were driven into the new No. 4 Tunnel with 12 feet of open cut, and 126 feet were driven in the No. 5 Tunnel with 21 feet of winze; the total length of tunnels at this time was 1166 feet (EMPR AR 1901). Some work planned for this season was not completed due to finance and bonding issues, and due to fluctuating silver prices.

Summary of work history on the Ptarmigan and Iron Cap Mines.

Date	Company/Grantee	Description	Source
1899-1901	MacDonald Mines	Iron Cap: 528' on No. 1 Tunnel; 197' on No. 2 Tunnel; 208' and 62' winze on No. 3 Tunnel; 12' and 12' of open cut on No.4 Tunnel; 126' and 21' winze on No.5 Tunnel. Total development is 1166'. Red Line claim: 228' with 38' upraise on No.1 Tunnel; 80' on No.2 Tunnel; 225' on No. 3 Tunnel. Total is 581'.	AR 1899, p.667, AR 1900, p. 806, AR 1901, p.1902
1902	Paulding Farnham	Additional 365' tunnel, 50' winze, 70' long drifts from 50' level of previous year. 4-drill compressor plant installed 8000' from mine; Saw mill erected with capacity of 8000' per day; Aerial tram under construction; Three car-loads shipped; Work discontinued due to low metal prices	AR 1902, p.1903

1903-1905	Ptarmigan Mines of the Selkirks	Bleichert aerial tramway with 200 tonnes capacity under construction Total length of workings in the mine is 3030': 2645' in drifts, 150' in winzes, 235' in raises. On the smallest vein, a tunnel has been driven for 300-400'; Closed down in 1905 pending railroad construction.	AR 1903, p. 97-99, 104; AR 1905, p.146
1908	Herbert Carlyle Hammond	Awaiting railroad, no development	AR 1908, p249
1909		Practically dormant since 1903 and not further developed. Little progress due to lack of railway construction. CPR plans to build the Kootenay Central Railway.	AR 1909, p99, 100
1917	Sarah James Farnham	Ownership change	AR 1917, p452
1917	Ada Florence Scovil	Ownership change	AR 1917, p452
1919-1923	E. Watson	More surface prospecting. New rich surface showings discovered due to the retreat of the glacier. 50 tons of rich ore recovered. 150 tons of previously mined dump-ore shipped to the smelter in Trail.	AR 1919, p113, 146; AR 1920, p113-114, 139; AR 1923, p199
1955-1957	Heinz K.F. Seel	Re-opened access to Ptarmigan mine portal and mine infrastructure refurbished; removal of ice from tunnels; 6 shipments of 21 tons crude ore shipped to Trail smelter.	AR 1955,p71; AR 1956, p111; AR 1957,p45,65
1958-1960	Selkirk Ptarmigan Mines Ltd.	Continued stoping on No.3 Tunnel; and 34' of drifting was done on new vein. 181 tons of crude ore shipped by truck to Trail in 1958; 43 tons shipped in 1959. No production in 1960	AR 1958,p45,53
1963	Belle Tahsis Mines Ltd.	Work included geological and geophysical survey. 10 DDH's totalling 650' from surface and underground.	AR 1963,p86
1964	Union Carbide Exploration Ltd.	Geological mapping; 13 drill holes totalling 1250' in the lower level of the mine.	AR1964,p135
1965	International Kenville Gold Mines Ltd.	No work completed	
1971	Voyageur Petroleum Ltd.	Geological surface mapping 1"-100' scale from Iron Cap to Ptarmigan and UG mapping 1" to 20'	GEM 1971-425

Paulding Farnham - 1902

Paulding Farnham took over control of the Ptarmigan and Nip and Tuck claims, in 1902. During this year, the low price of lead and silver hampered raising capital for mining ventures. Despite this, an additional 365 feet of tunnel, 50 feet of winze, and 70 feet of drifts were excavated from the Ptarmigan Mine site. The wagon road was extended 1 mile to link up with a newly installed 4-drill compressor plant. A sawmill was also erected with a capacity of 8000 feet per day. Three car loads of ore were shipped this year; the ore is reported as a high-grade grey copper associated with iron pyrites, and sandwiched by serpentine and quartzite formations (EMPR AR 1902).

Ptarmigan Mines of the Selkirks Company Limited – 1903-1905

A new company was formed to take over mining operations at Ptarmigan, known as the Ptarmigan Mines of the Selkirks Co. Ltd., a syndicate of American investors under the local management of Mr. Thomas Starbird of Wilmer, BC. This company oversaw the construction of a Bleichert aerial tramway with a capacity of 200 tonnes leading to the mine tunnel. An air compressor and boiler were erected to supply the 3 drills on site. All housing infrastructure has been established by this time, including a blacksmith shop, two bunkhouses, general offices, compressor building, sawmill shed, assay office, two tram terminals, and stables. The bunkhouse had a capacity of 75 men. The glacier in the valley inhibited upslope surface prospecting, while rich float was found under the toe of the glacier. During this time, additional veins were found cutting in to the hillside, dipping near vertical. On the smallest vein, a tunnel was driven 300 to 400 feet, following a marked quartz fissure vein; the pay streak was reported as a few inches wide, containing ore with iron pyrite and tetrahedrite, and assaying high in silver, with some gold. This pay streak was sufficiently rich to warrant a further 125 feet of tunnelling. This showed the vein to be well defined and continuous. Selected samples from the vein yielded 600 oz of silver and 0.75 oz of gold. Small shipments of ore made to the smelter in Trail yielded values of 4.1% copper, 237 oz of silver, and 0.41 oz/t of gold.

High-grade ore sent to a lab in New York yielded concentrations of 11.09% copper, trace zinc, 22.67% iron, 31.38% sulphur, 10.78% antimony, 0.15% bismuth, 16.32% silica, 0.73 oz/t of gold, and 416.47 oz/t of silver. Under Ptarmigan Mines of the Selkirks Co. Ltd., the total development of the Ptarmigan Mines was 3030 feet: 2645 feet in drifts, 150 feet in winzes, and 235 feet in raises. The Iron Cap showing was abandoned for a few years as the ore was comprised of galena, and not rich enough to be mined due to low prices in 1903. In 1905, Ptarmigan Mines was closed down pending railway construction (EMPR AR 1903, EMPR AR 1905).

Herbert Carlyle Hammond – 1908

At this time, there was little mine development as there was no railway construction in the area (EMPR AR 1909).

E. Watson – 1919-1923

E. Watson leased the Ptarmigan Mines, likely inspired by the rising price of silver at this time. This saw a resurgence of ore being excavated from the mine site, in addition to further surface prospecting. New rich surface showings were revealed as a result of the retreat of the local glacier valley. Fifty tonnes of new, rich ore were recovered. A further 150 tonnes of previously mined dump-ore was shipped to the smelter in Trail; this ore was now profitable due to the inflated price of silver, and recovered 40 oz of silver, $15 in gold, but no lead. Later in the year, a further 300 tonnes of dump-ore were shipped to the smelter in Trail, with additional rich-ore being subsequently recovered. The dump-ore averaged 25 oz of silver per tonne. A grab sample from the dump-ore assayed 0.02 oz of gold and 15.3 oz of silver (EMPR AR 1919; EMPR AR 1920). This claim then saw a lengthy hiatus, with only minor work conducted in 1923, cleaning ice out of open-cuts (EMPR AR 1923; EMPR PF 82KSE). A chip sample taken from a quartz vein in the north trending fault zone at the Iron Cap showing assayed 800.0 g/t silver, 17.3% lead, and 0.60% zinc. Thirty-two tonnes of ore purportedly mined from the upper adit of the Iron Cap showing in 1920 yielded 27,184 grams of silver and 8774 kg of lead (BC MINFILE Report 082KSE036).

Heinz K.F. Seel – 1955-1957

After a long period of dormancy, the Ptarmigan claims were optioned by H.K.F. Seel. Construction was initiated to reopen the wagon road connecting the mine to provide access for four-wheel-drive vehicles. The portal of No. 3 Tunnel was re-timbered, an air compressor was installed, in addition to the construction of a snow shed, machine shop, and bunkhouse. In 1957 a crew was commanded to remove the ice from the old workings and to re-establish ventilation in the shafts. A small cut and fill stope was developed on the No.3 Tunnel following a narrow quartz vein with mineralised pyrite and tetrahedrite. Six shipments of 21 tons of crude ore were sent to the Trail smelter, yielding 5 oz of gold, 6058 oz of silver, 141 lbs of lead, and 91 lbs of zinc. Assays yielded 15-230 oz per tonne (EMPR AR 1955; EMPR AR 1956; EMPR AR 1957; EMPR PF 82KSE).

Selkirk Ptarmigan Mines Limited – 1958-1960

The Selkirk Ptarmigan Mines Ltd. company, with H.K.F. Seel as president and manager, was formed to continue operations at the Ptarmigan mine site, now under complete ownership by the company. Activities were focused on further developing the No. 3 Tunnel, and continued removal of ice. A 34 foot drift followed a new lead of high-grade ore. A shipment of 181 tonnes of crude ore shipped by truck to Trail yielded 60 oz of gold, 41,871 oz of silver, 1010 lbs of lead, and 1580 lbs of zinc. Silver assays ranged from 210-400 oz per tonne. A further 2.5 miles of road were relocated to improve the grade, and a building for storage and water-heating was erected (EMPR AR 1958). In 1959, a further 43 tons of crude ore shipped to Trail yielded 4 oz of gold, 4271 oz of silver, 428 lbs of lead, and 199 lbs of zinc (EMPR AR 1959; EMPR PF 82KSE). In 1960, a small crew of men worked during the summer taking samples throughout the mine workings, but no further development was done, and the site remained dormant for the next 3 years (EMPR AR 1960).

Belle Tahsis Mines Limited – 1963

The Ptarmigan mine site was optioned in 1963 by Belle Tahsis Mines Ltd., which subsequently obtained title to the property. A moderate amount of work was conducted that year including a geological and geophysical survey. A crew of 6 men was employed drilling 650 feet of rock in 10 diamond drill holes (EMPR AR 1963; EMPR PF 82KSE).

Union Carbide Exploration Limited – 1964

The Ptarmigan claims were explored by Union Carbide Exploration Ltd., under an agreement with Belle Tahsis Mines Ltd. During this season, exploration consisted of minor geological mapping, and drilling of 13 diamond drill holes totalling 1250 feet in the lower level of the mine (EMPR AR 1964; EMPR PF 82KSE).

International Kenville Gold Mines Limited – 1965

A contract was formed with International Kenville Gold Mines Ltd. to conduct further work on the property (EMPR PF 82KSE).

Voyager Petroleum Ltd. – 1971

Geological mapping was completed by G.V. Lloyd Exploration on behalf of Voyager Petroleum which covered an area from the Iron Cap workings to the Ptarmigan workings and underground mapping. Surface mapping was at a scale of 1 in. to 100 ft and the underground mapping at 1 in. to 20 ft. No underground working was recorded from this time (EMPR GEM 1971-425).

Geological Setting and Mineralization

Local Geology

The Ptarmigan Mine is located on a set of north trending steeply dipping normal faults which host the high-grade silver mineralization and are the locus for iron-carbonate alteration in the area. According to the regional geology maps, these normal faults separate units of the Mt Nelson Formation, belonging to the mid-Proterozoic Belt-Purcell Supergroup to the west, and the Toby Formation of the upper-Proterozoic Windermere Supergroup to the east. The Ptarmigan Mine is completely hosted by Mt. Nelson Formation characterized by layers of dolomite and argillaceous dolomite with lesser amounts of argillite/phyllite, slate, greywacke, and quartzite. All of these units have been affected by the aforementioned Mesozoic to Cenozoic Laramide Orogeny which resulted in the easterly verging (west dipping) closed folds and are prevalent in the stratigraphy surrounding the Ptarmigan deposit. An antiformal feature occurs immediately west of the main normal fault set which hosts the Ptarmigan mineralization.

In 2010 the basis of mapping by Pope (1990), together with more recent detailed mapping in the Ptarmigan Basin by the primary author, a series of faults are interpreted to juxtapose strata correlated to the Mt. Nelson Formation (mid-Proterozoic Belt-Purcell Supergroup) against strata of the Toby Formation (upper-Proterozoic Windermere Supergroup). Pope (1990) distinguished west side down normal faults, east side down normal faults and thrust faults. Mineralization exposed in the Ptarmigan Mine is interpreted to be hosted at the contact between the Lower Dolomite Sequence and the Middle Quartzite of the Mt. Nelson Formation, characterized by layers of dolomite, argillaceous dolomite and dolomitic siltstone, with lesser amounts of argillite/phyllite, slate, greywacke, and quartzite. All units have been affected by Mesozoic to Cenozoic deformation of the Laramide Orogeny, which resulted in development of easterly verging (west dipping) closed folds, evident in exposures within the Ptarmigan Basin.

In detail, the Mt. Nelson Formation exposed in the Ptarmigan Basin is bounded by an east dipping normal fault to the west (the “West Bounding Fault”) and an east dipping reverse fault to the east (the “East Bounding Fault”). The resulting structurally defined “Ptarmigan Panel” has been further segmented into a series of thin, fault bounded panels by north trending, steeply east dipping faults. Mineralization, as documented both within the Ptarmigan Mine and at the Upper Ptarmigan Showing, is spatially associated with these north trending faults. In addition, silica alteration, in the form of a variably developed “crackle texture” and carbonate alteration, as iron carbonate, also appears to be spatially associated with these faults. As a result, the north trending faults are interpreted to have acted as the structural control, the fluid conduit(s), on hydrothermal, metal-bearing fluids that resulted in alteration and associated mineralization.

A prominent surface expression proposed for the north trending faults, and potential associated mineralization, on the Ptarmigan Property is a halo of iron-carbonate alteration which, upon weathering, results in a distinct dark orange coloured, limonitic surface and/or near-surface staining, or gossan. This orange colouration appears to affect most of the rocks exposed on the property, regardless of their composition, and appears strongest within carbonate lithologies of the Mt. Nelson Formation. Pope (1990) notes that Tertiary, north to northwest trending, steeply dipping normal faults are commonly accompanied by ferroan dolomite in the fault zones. Hence, the faults associated with mineralization in the Ptarmigan Mine area are interpreted to be Tertiary in age and, therefore, related to an extensional tectonic regime prevalent at that time.

Exploration work in 2009 and 2010 identified a sequence of massive dolomites, argillaceous dolomites and overlying quartzites near the head of the valley 500 metres to the south of the Ptarmigan Mine portals. Field observations in outcrop and drill core suggest a series of NE – SW trending normal cross-faults that appear similar to the structure interpreted at the Mineral King Mine to the south (Pope, 1990). An intense purple-weathering iron carbonate alteration was noted in proximity to massive sulphide bodies at Adit #2 and Upper Ptarmigan deposit. It should be noted that the rocks in the upper part of the valley may have not been observed during mapping campaigns in 1971 and 1990 due to snow and ice cover at the time.

Regional Geology

The Ptarmigan Mine lies within the Purcell Mountains, consisting of a parautochthonous terrane comprised of Helikian to Middle Devonian age strata. The stratigraphy of the area has been correlated to four discrete epicratonic sequences: (1) the Mesoproterozoic Belt-Purcell Supergroup, (2) the Neoproterozoic Windermere Supergroup, and the (3) lower and (4) upper Palaeozoic sequences of the Cordilleran continental margin. Minor basaltic rocks of the Nicol Creek Formation, dated at 1075 Ma, and various sills are hosted in the Belt-Purcell sedimentary sequences. During the Cordilleran Orogeny, from the Middle Jurassic to Late Cretaceous, these strata were thrust eastwards and deformed into a north-plunging anticline, referred to as the Purcell anticlinorium, above a crustal scale ramp (Pope, 1990). The Ptarmigan Mine is hosted in strata correlated to the Belt-Purcell Supergroup, juxtaposed across an unconformity and/or a fault-bounded contact with strata correlated to the Windermere Supergroup (Lydon, 2007; Paiement et al., 2007)

Stratigraphy

Strata of the Belt-Purcell Supergroup, having a surface exposure of more than 200,000 km^2, are interpreted to have been deposited in an intracontinental rift setting off the continental margin of Laurentia. The Belt-Purcell Supergroup, having an estimated thickness in excess of 12 km, can be divided into three main facies. The first facies, interpreted to represent a basinal sequence of rift-fill sedimentary strata, is comprised of distal to proximal turbidites of the Aldridge and Pritchard Formations, together with deep-water calcareous argillite and turbidites, which grade upward into mid-shelf carbonates and siliciclastic rocks, such as the Newland Formation. The second facies, comprised of shallow-water platformal and fan-delta lithologies, is interpreted to have been deposited along the margins of the rift basin concomitant with deposition of distal turbidite sequences. Strata of this facies includes fluviatile and deltaic cross-bedded quartzite of the Fort Steele and Neihart Formations, coarse-grained debris flow deposits derived from paleo-fault scarps (Lahood Formation), deep-water argillite debris flows (Greyson Formation), and the shallow-water platformal carbonates (Waterton and Altyn Formations). The third facies is represented by shallow lagoonal, alluvial, and playa deposits interpreted to represent rift-cover and rift-sag episodes. These lithologies form the upper part of the Belt-Purcell Supergroup, and include varicoloured argillite, siltstone, and quartzite units of the Creston Formation, transgressive, carbonate-rich beds of the Kitchener Formation, and fine-grained clastic to carbonate lithologies correlated to the Sheppard, Van Creek, Gateway, Phillips, Roosville, Dutch Creek, and Mount Nelson Formations, interpreted to have been deposited in a passive-margin environment (Lydon, 2007; Paiement *et al*., 2007).

Deposition of the Fort Steele, Aldridge, Creston, Kitchener, and Van Creek Formations is interpreted to have occurred during an initial Belt-Purcell extensional event in the Middle Proterozoic. Basaltic rocks of the Nicol Creek Formation are interpreted to have erupted during a second extensional event, which was superseded by block faulting and deposition of the Sheppard, Gateway, Philips, Dutch Creek and Mount Nelson Formations. At the end of the Middle Proterozoic, the East Kootenay Orogeny marked the end of deposition of the Belt-Purcell Supergroup (Lydon, 2007; Paiement et al., 2007).

Structure

Belt-Purcell Supergroup

Strata comprising the Belt-Purcell Supergroup have been affected by at least three periods of deformation and associated metamorphism. The earliest episode of deformation and metamorphism is that of the East Kootenay Orogeny (1350-1300 Ma), followed by the Goat River Orogeny (900-800 Ma) and finally, metamorphism, deformation and plutonism associated with the Laramide Orogeny, spanning the Jurassic to Cretaceous, 160-60 Ma (Lydon, 2007).

The East Kootenay Orogeny is marked by burial diagenesis and subsequent low-grade greenschist metamorphism of the thick sedimentary pile, as evidenced by an increase in regional metamorphic grade with stratigraphic depth in the Purcell Anticlinorium. This is accompanied by development of a foliation, generally axial planar to large, regional folds, with the intensity of this foliation also increasing with stratigraphic depth. The tectonic regime during the Mesoproterozoic was dominated by both rift-parallel extension faults and transfer faults, oriented transverse to the rift (Lydon, 2007).

The Goat River Orogeny marks a period of tectonic uplift, block faulting, and metamorphism that occurred concomitant with deposition of Windermere Supergroup strata at the end of the Late Proterozoic. Metamorphism was low-grade, evidenced only by resetting of paleomagnetic signatures and K-Ar (Lydon, 2007). Subsequent reactivation of these Proterozoic structures in the Mesozoic obscures the complete history of deformation at this time (Cook and Van der Velden, 1995).

The tectonic regime of the Late Proterozoic to early Palaeozoic was characterized by regional extension in association with formation and development of an outboard passive margin. Palaeozoic deformation resulted in a 5-10 km northwesterly down-throw occurring along the antecedent of the Moyie-Dibble Creek Fault between the Early Cambrian and Late Devonian. Subsequent uplift of the area to the south resulted in a 240 km right-hand deflection of the boundary between the Cordilleran miogeocline and the North American cratonic platform (Cook and Van der Velden, 1995; Lydon, 2007).

Deformation during the Laramide Orogeny (Late Jurassic to Tertiary) was dominated by compressional faults with concomitant development of regional folds; most fold trends are east verging, and all were translated to the east on the basal decollement of the Rocky Mountain Fold and Thrust Belt. Most major structural features found within the Purcell Anticlinorium are Jurassic to Tertiary in age, and formed in association with development of the Rocky Mountain Fold and Thrust Belt. Many of these structures exploited antecedent structures dating from the Proterozoic and Archean, particularly the abundance of ancient structures related to the Mesoproterozoic rift event. Deformation during this period is related to a Late Jurassic to Early Cretaceous event of sinistral transpression and Late Cretaceous to Palaeocene dextral transpression; both episodes are related to the oblique collision of Quesnellia with the North American craton. In the period between transpressional events, granitic plutonism occurred during the Mid-Cretaceous, 115-90 Ma (Cook and Van der Velden, 1995; Lydon, 2007).

Purcell Anticlinorium

The Purcell Anticlinorium is located at the transition between deformed strata correlated to the North American craton (Foreland Fold and Thrust Belt) in the east and accreted periautochthonous terranes of the Kootenay Arc (eastern Omineca Metamorphic Belt), in the west. This regional structure was created in response to Mesozoic contraction, uplift, and arching, which resulted in 15 km of translation of Belt-Purcell Supergroup and thinned Palaeozoic strata rocks eastward over a basement rooted ramp. The Purcell Anticlinorium extends approximately 400 km in a north-south orientation, with a north-trending plunge. The east flank of the anticlinorium hosts early and middle Tertiary, northwest-trending normal faults of the southern Rocky Mountain Trench. The west flank is cut by moderate to steeply dipping structures, developed in response to the docking of the Quesnellia terrane with cratonic North America during the Late Jurassic to Early Cretaceous (Cook and Van der Velden, 1995; Paiement et al., 2007).

Formation of the Purcell Anticlinorium initiated when a series of imbricate thrust faults were propagated eastward during a period of Jurassic to Cretaceous contraction. This contraction resulted in juxtaposition of accreted terranes against Belt-Purcell strata and the western edge of North America, and the consequent structural thickening of the Proterozoic sedimentary pile. During the Late Cretaceous and Early Tertiary, deformation further proliferated to the east, resulting in translation of this wedge of strata, together with several interpreted basement slivers, upwards across a 5 to 10 km high basement ramp, which currently lies below the west side of the southern Rocky Mountain Trench.

The northeast quadrant of the Purcell Anticlinorium is characterized by a northwest plunging antiformal stack of northeast verging thrust sheets exhibiting greenschist metamorphism, and penetratively deformed by one to two fold events. Sedimentation was controlled by extensional fault systems related to a high standing block, known as the Windermere High, or Purcell Arch. This local basement high is interpreted as an elevated block of North American basement on the stepped passive margin of ancestral North America. The current position of the locus of the Windermere High, which was later reactivated by Mesozoic to Tertiary thrusting, is interpreted to be located in the Toby-Horsethief Creek area and, therefore, underlying the Ptarmigan property (Pope, 1990).

Exploration

To date, Silver Mountain has completed three field seasons of exploratory work on the Ptarmigan Property, comprised of the 2008 to 2010 field seasons, inclusive, with programs comprised of the following.

2008 Exploration Program

Silver Mountain began working on the Ptarmigan Property in the summer of 2008. Work consisted largely of refurbishing historical access and cleaning up and securing the Ptarmigan Mine workings to limit access and mitigate liability issues associated with open mine workings and dilapidated structures. Silver Mountain also conducted a site visit, water sampling and an airborne magnetic gradiometer and VLF-EM (very low frequency electro-magnetic) geophysical survey.

Airborne Survey

Silver Mountain contracted Canadian Mining Geophysics (CMG) Ltd. to complete an airborne magnetic gradiometer and VLF-EM (very low frequency electromagnetic) geophysical survey over the entire Ptarmigan Property. Two line-spacings were used during the survey: a 50 m spacing over the Ptarmigan Mine area and a 100 m spacing for the remainder of the Property. Because of this difference in line spacing, the area around the Ptarmigan Mine was gridded on a 10 m grid to highlight details in the immediate vicinity of the mine. In addition, the whole Property was gridded using a 25 m grid.

Silver Mountain was provided with a series of geophysical maps of the Ptarmigan Mine area, including: Total Magnetic Intensity, Vertical Magnetic Gradient, Measured In-Line Magnetic Gradient, Measured Cross-Line Magnetic Gradient, Magnetic Analytic Signal, and VLF Quadrature. These geophysical maps highlight different features of the stratigraphy and structure of the property.

Site Visit

A number of grab samples were taken from the property by CCIC in order to evaluate the tenor of mineralization and to verify whether historical production reports are accurate. CCIC sampling did return gold grades (up to 18.32 g/t) in the range of those reported by the smelter settlement sheets and many samples returned silver assay results > 1000 g/t.

The Company also collected five water samples from watercourses which drain the Ptarmigan Mine and had the samples analyzed for water quality by AGAT laboratories, Calgary, Alberta.

2009 Exploration Program

In 2009, Silver Mountain completed limited surface and underground geological mapping in the Ptarmigan Mine area, prospecting, a 6.3 line-km ground IP and magnetic susceptibility survey, trenching, 1411.5 m of diamond drilling, and 144 line-km of helicopter-borne time domain electromagnetic survey.

Geological Mapping and Prospecting

Dolomite, argillite and shale units of the Mt. Nelson Formation are deformed throughout the Property into large scale (100's of meters) amplitude tight folds. Cross-cutting these folds are a pair of north striking and steeply east dipping normal faults which host narrow Ag-Au-Pb-Zn-Cu bearing quartz veins. These normal faults have tight drag folds associated with them, as well as intense silicification and iron- (Fe-) carbonate alteration of the surrounding rocks, interpreted to indicate significant hydrothermal activity occurred along the north trending normal faults.

Underground Mapping and Sampling

Detailed geological mapping of the workings identified several structural features which are interpreted to have been significant controls in concentrating mineralization and the displacement of both rock units and mineralized bodies. Most significant are two north striking, steeply east dipping (45 to 75^{o}) normal faults (the "West" and "East" faults) which host silver+gold-bearing quartz carbonate veins and bracket pyrite replacement mineralization within the Mine. Mapping indicates that silver-rich massive pyrite mineralization in the Mine extends along strike over 100 m

north-south along strike and is localized within an antiformal drag fold associated with normal movement along the East and West Faults.

Pyrite mineralization is complexly shaped and discontinuous with numerous lenses, veins and "folded" zones. Results from pyrite bodies in Level #1 indicate that two distinct levels of silver-gold mineralization occur within the pyrite. Typically, pyrite bodies contain 7 to 76 g/t Ag (low grade) but there is a second population of assays which range from 177 to 2471 g/t Ag (high grade) and average approximately 760 g/t Ag from the chip samples. Gold grades are relatively consistent throughout the pyrite, ranging between 0.15 and 1.1 g/t Au. High grade silver zones appear to occur along a central axis in Level #1. There appears to be a central zone within the pyrite body in Level #1 which trends parallel to the overall trend of the pyrite body (and parallel to the north trending normal faults) where higher grades occur.

Trenching

Surface prospecting identified an area of anomalous iron staining and Fe-rich carbonate rocks near the head of the Mine valley (the Upper Ptarmigan showing), similar to those documented at Adit #2 of the Ptarmigan Mine and associated with a massive pyrite exposure. Further investigation revealed several massive pyrite boulders and, as a result, a total of three trenches were subsequently excavated, having a total length of 90 m. Results were discussed in Wetherup and Didur (2009).

Induced-Polarization Survey

An Induced Polarization (IP) survey was completed in 2009, comprising a total of 6.28 line-km. A pole-dipole array was used for the survey, having an "a" spacing of 25 metres with "n" separations of 1 to 5. The on-line current electrode was to the west of the potential electrodes on all survey lines.

The triangular filtered, first to fifth separation plan maps of the chargeability and resistivity data (Figures 10-1 and 10-2) show that pyrite zones exposed within the Ptarmigan Mine are associated with resistivity lows (i.e. are conductive) and seem to appear on the flanks of chargeability highs. The extensive and coincident high chargeability and low resistivity area which extends over and to the south of the pyrite zones in the trenches are likely associated with the massive sulphides exposed in trenches and intersected in diamond drilling. This southern anomaly is considered an excellent exploration target. The AeroTEM survey appears to be dominated by the conductive response of argillaceous dolomite units that potentially obscures more subtle responses from pyrite bodies in the Ptarmigan Mine Area. Pyrite bodies identified within the Ptarmigan Mine and in the Upper Ptarmigan area were expected to yield a conductive response in the AeroTEM survey, however, these areas appear to be located in conductivity lows rather than highs, which is interpreted to suggest these pyrite bodies are not large enough or continuous enough to provide a response. In addition, it is possible that the intense silicification associated with alteration around the N-S oriented normal faults causes the rocks to be resistive.

AeroTEM Survey

An airborne time-domain electro-magnetic ("TEM") survey was flown over the Ptarmigan Mine area by Aeroquest International ("Aeroquest") using their exclusive AeroTEM III time-domain helicopter electromagnetic system in conjunction with a high-sensitivity cesium vapour magnetometer. The airborne geophysics comprised 144 line-km at a 50 m spacing and covered a block measuring 3,000 m east-west by 2,000 m north-south. Geophysical interpretation of survey results identified apparent high conductivity bedrock anomalies that appear to be localized within 4 sets of sub-parallel NNW trending anomaly strings (Figure 10-3). In general, these conductivity anomalies occur in areas underlain by, or at the contacts of, black shale or dolomitic argillite units (Dutch Creek Formation and Horsethief Creek Formation – Hh2). Given the proximity of the westernmost string of EM anomalies to the Upper Ptarmigan massive sulphide discovery and the adjacent IP anomaly, there is a possibility that this anomaly string may be associated with sulphide mineralization within the dolomitic argillite unit.

The AeroTEM survey appears to be dominated by the conductive response of argillaceous dolomite units that potentially obscures more subtle responses from pyrite bodies in the Ptarmigan Mine Area. Pyrite bodies identified within the Ptarmigan Mine and in the Upper Ptarmigan area were expected to yield a conductive response in the AeroTEM survey, however, these areas appear to be located in conductivity lows rather than highs, which is interpreted to suggest these pyrite bodies are not large enough or continuous enough to provide a response. In addition, it is possible that the intense silicification associated with alteration around the N-S oriented normal faults causes the rocks to be resistive.

QA/QC Procedures

As part of the drilling program Silver Mountain ran an independent QA/QC programme to ensure laboratory accuracy. The site geologist inserted standards provided by Canadian Resources Labs, into the sample sequences every 20th sample number. These were pre-packaged into 30 g packages and sent to Acme Analytical Laboratories Ltd. by putting the package into plastic sample bag along with a sample tag before being shipped. Two standards were used a high grade, and a lower grade silver standard and were alternated. Certified blanks were inserted every 20th sample with 9 samples separating the blanks and the standards in the sequence. (See *"Narrative Description of the Business – Sample Preparation, Analysis and Security*").

QA/QC Results

Blanks run by Silver Mountain were returned with no issues. A single standard submitted by Silver Mountain (# 66030) returned a gold assay less than three standard deviations below what was expected while the others were within acceptable limits. Also, many of the results for silver analyzed by the fire assay method failed however the ICP method was very good and appears to be the more reliable silver value to use unless above its detection limit.

As the batch that contained the one QA/QC failure did not return any significant values it was not deemed necessary to re-run this batch.

2010 Exploration Program

Prospecting

North Ridge

The apparent similarity of structure and alteration between the south-facing North Ridge, a topographic feature rising over 400 metres from the bottom of Red Line Creek, having clear structural boundaries identified as the West and East faults, and the north-facing Ptarmigan Mine rock units was investigated in 2010 to assess the potential for mineralization continuing to the north. Yellowish iron stained rocks that appear to be tightly folded and the presence of two apparent 'holes' were recognized from a distance.

Close examination revealed a blanched to yellowish, highly siliceous rock unit with extensive iron staining and apparent subvertical structure, similar to that observed above Adit #2. Slightly below and to the east of this unit a highly resistant bed of possible sandstone was observed to be dipping shallowly to the southeast, the general trend in the area. The serrated edge of the unit indicates an overprint of a strong subvertical foliation.

The two "holes", located along the east edge of the blanched and iron stained outcrop, proved to be shallow and narrow adits, one to three metres deep, blasted into the hillside along a west-dipping fault/vein structure. Narrow pyrite seams and bleached siliceous rocks with rare malachite staining were observed at the lower adit.

A traverse to the east and above these siliceous and iron-stained units identified a potential east-dipping vein and a significant subvertical contact between the massive siliceous unit and massive to crackled bluish dolomite. These features appear to be analogous to the East (Fault) Vein system on Level #1 at the Ptarmigan Mine and similar to rocks near Adit #2. Although no mineralization of significance was identified in this area, the similarities to the East Vein host rocks should not be ignored.

Additional reconnaissance of the western portion of the North Ridge identified a possibly significant steep, west-dipping structure, possibly a major fault/vein, defined by highly oxidized (reddish) and blue-black phyllitic material and emphasized by downward drag folding of bedding to the west. No samples were taken but further investigation may be warranted.

A new geological unit, a quartz-dolomite pebble conglomerate, was identified on the North Ridge above the dolomite and siliceous units. The extensive conglomerate unit varies from massive to strongly sheared, the latter in proximity to the West Fault. Similar pebble conglomerates were described in this year's diamond drilling in holes PT10-28, 31 and 32, a series of fan holes drilled below, and to the south of, the Mine workings.

The dolomite sequence in the Ptarmigan Basin appears to be overlain by argillites/shales and arenites, across a possible unconformity. The North Ridge conglomerates may represent a lateral facies equivalent of those units. Detailed geological and structural mapping of the North Ridge area is recommended as it may shed light on the geological environment of the Ptarmigan Basin and confirm whether the basin represents a graben (downthrown block) structure. Further work is expected to lead to a better understanding of fault activity and related mineralization.

West Vein Discovery

Approximately 200 metres to the west of, and slightly higher in elevation than, the previously described adits, a potentially significant discovery was made on the North Ridge. An area of gossans and highly siliceous outcrops was found over a 25 metre strike length, interpreted to indicate a potential vein system 2 to 10 metres wide (Figure 10-4). The location of the discovery outcrops in a slight flattening of the slope behind a ridge makes them virtually impossible to see from either the valley bottom or from Ptarmigan Mine. No indication of prior sampling activity was observed.

Three chip samples were taken from random outcrops across the main showing. One sample was taken from a vein gulley slightly lower and to the south, interpreted to suggest a west-dipping structure. Sampled material comprised brecciated to highly siliceous, iron-stained, and intensely leached, vuggy and goethitic material. The samples returned excellent silver and gold grades (below), along with elevated As and Sb. Although iron is documented in two samples, the paucity of sulphur confirms the essential lack of sulphide minerals due to leaching.

Sample	Elevation	Ag	Au	Cu	Pb	As	Sb	Fe	S
	m	*g/t*	*g/t*	*%*	*%*	*%*	*%*	*%*	*%*
528151	2653	**494**	**3.21**	0.07	0.06	3.10	0.24	25.0	0.70
528152	2653	**444**	**0.99**	0.13	<0.01	1.44	0.08	15.8	0.15
528153	2653	**146**	0.09	0.03	<0.01	0.42	0.05	6.5	0.06
528154	2643	**612**	**1.78**	0.02	<0.01	2.30	0.15	8.6	0.38

(Source: Acme Analytical Laboratories Ltd,)

Yellowish colour reflects highly siliceous vein material similar to that seen at the Ptarmigan Mine and the adits to the east.

The anomalous high silver and gold values documented in the samples, the trend (NNW) of the overall structure and the general agreement with the other north-trending faults are interpreted to suggest a potentially significant discovery similar to #3 Vein mineralization 500 metres to the south. Detailed follow-up and further exploration to the north is recommended.

Hidden Vein Discovery

An anomalous trend of altered and stained rocks were recognized on the south-facing, predominantly buff coloured, dolomite talus slope, approximately 200 metres west of Iron Cap vein system. Samples collected include brecciated quartz vein and leached brown limonitic rock displaying malachite and azurite stains. A composite sample of this material was submitted for analysis.

Geochemical results returned from the "Hidden Vein" composite sample were significantly encouraging (below).

Sample	Elevation	Ag	Au	Cu	Pb	Zn	As	Sb	Fe	S
	M	*g/t*	*g/t*	*%*	*%*	*%*	*%*	*%*	*%*	*%*
528005	2856	**3,928**	**2.08**	**3.97**	0.04	0.12	0.41	4.33	17.7	0.02

(Source: Acme Analytical Laboratories Ltd.)

Iron Cap Adits

Showings of high grade galena (Pb) with tetrahedrite (Ag) were noted along with quartz, pyrite and iron carbonate in west-dipping fault veins on a north-south trending, south-facing ridge. Mineralization has been developed over a

vertical distance of 250 metres and a horizontal distance of 400 metres north-south. A series of five separate adits were developed in the mineralized zones for a total drift length of 325 metres. Two winzes totaling 25 metres in depth were also developed.

Examination and sampling of the five adits and associated dump material indicates that vein composition and grade vary widely. A summary table (below) provides a relative comparison of the average grade of samples collected from each area. Samples were selected from dumps, floors of drift, and bagged ore. High sulphide (pyrite) samples from Adits #2 and #4 have lower silver and lead grades. High grade lead and silver samples from Adits #1, #3 and #5 are likely associated with iron carbonate containing concentrations of galena.

Adit No.	# Samples Averaged	Elevation	Ag	Au	Cu	Pb	Fe	S
		m	*g/t*	*g/t*	%	%	%	%
1	1	2666	**184**	0.14	0.03	**16.6**	18.1	2.1
2	5	2735	7	0.10	Tr.	0.11	23.9	12.4
3	7	2754	**671**	0.31	0.13	**18.3**	12.9	8.8
4	3	2802	64	0.27	0.01	2.2	28.8	11.7
5	1	2907	**1000**	0.42	0.10	**30.2**	14.9	11.3

(Source: Acme Analytical Laboratories Ltd.)

Iron Cap #1

The lowermost Iron Cap adit, located near the valley bottom, is reported as having a length of 160 metres. This advance places the north end of the drift essentially in line with the ends of Adits #2 and #3. Adit #1 and associated structures are collapsed. A small flow of water assumed to flow from the workings was observed in a rock pile. No obvious vein or structure was recognized but a sizeable rock dump containing abundant vein material provides testament to the development. Quartz, iron carbonate and pyrite samples were observed in the dump. A sample consisting of semi-massive pyrite with blebs of tetrahedrite was collected for analysis.

Iron Cap #2

The adit, collared roughly 70 metres above Adit #1, was developed into a 5.5 foot wide mass of pyrite and iron carbonate with low silver content (9 g/t). The adit extends 63 metres into the mountain. Although a small fall of rock partially blocks the entrance, the entire length of drift is open and without any loose rock.

Wall rocks are generally highly silicified, interpreted to be indicative of intense silica flooding along the fault/vein structure. Crackled dolomite on the drift wall and brecciated and silicified dolomite on the drift face are interpreted to reflect fault-related features.

Orange staining reflects altered mineralization, likely realgar (arsenic sulphide), a low temperature vein mineral.

Iron Cap #3

The adit was developed into a 60 degree west-dipping vein/fault structure for approximately 50 metres from the entrance. A 19 metre deep winze was apparently developed in this adit but there is no report whether it connected to #2 adit 19 metres below. The adit is accessible, however, the condition of the back is poor and significant sloughing of rock from the roof has occurred.

A significant quantity of bagged vein material remains stacked along the walls in the adit. Samples taken from sacks in two locations, as well as grab samples from the floor and the high grade dump, indicate high grade lead-silver mineralization. The vein system is generally characterized by massive to brecciated siliceous dolomite/quartz throughout.

Iron Cap #4

A shallow trench and 4 metre long adit were developed. Scattered vein mineralization consisting of iron carbonate with galena marks the apparent location of these workings.

Iron Cap #5

The original entrance to the working is collapsed likely due to its proximity to surface. Historical records indicate the adit was driven for a length of 38 metres and a winze was sunk to a depth of 6 metres. Blasted vein material currently forms a broad fan down slope from the workings, currently expressed as a surface depression and scattered timbers. Vein material includes massive pyrite and massive iron carbonate with galena and tetrahedrite.

Iron Cap Summary

The Iron Cap workings have developed a number of iron carbonate and pyrite veins containing variable amounts and concentrations of galena and tetrahedrite hosted in quartz flooded vein structures. The mineralized veins appear to be localized on west-dipping structures near the adit entrances but with depth into the mountain their character appears to change into non-mineralized quartz veins and the faults become more vertical. Due to the limited exposure of the workings, it is impossible to determine whether any of the veins show significant continuity or grade, however, a net smelter report received for a 12 ton shipment of Iron Cap ore in May 1902 was reported to average 75 oz/t silver, 0.04 oz/t gold and 0.2% copper. Unfortunately, there was no report of lead grade as the sample was treated as Ag-Cu ore and there was no payment for Pb.

Despite the apparent lack of continuity, further study and investigation of the high grade lead-silver Iron Cap style vein mineralization exposed in the workings is recommended to better understand the potential.

Area Review

Prospecting and mapping completed during the 2010 field season is considered to have contributed to an improved understanding of the stratigraphic and possible structural controls to known mineralization, both at the Ptarmigan Mine and the Upper Ptarmigan Showing. Prospecting resulted in identification of additional surface mineralization, from which several grab samples returned highly anomalous results (West Vein - ≤ 612 g/t Ag and ≤ 3.207 g/t Au; Hidden Vein – 3,928 g/t Ag and 2.079 g/t Au). These samples, from areas of gossans and/or visible surface alteration, significantly expand the area encompassing known surface mineralization.

In addition, prospecting resulted in identification and confirmation of the location of historical MINFILE occurrences, specifically, all five of the Iron Cap adits and the probable location of the Silver King adits. Limited evaluation of the Iron Cap adits still accessible resulted in identification of high grade mineralization and recovery of a number of representative grab samples, returning analytical results ≤1,342 g/t Ag, 0.753 g/t Au and 37.08% Pb. Limited prospecting in the northern portion of the Ptarmigan Basin resulted in discovery of the West Vein, identification of the locus of several fault zones and a set of workings, having limited extent and developed on quartzitic lithologies interpreted to be the structural correlative of the Ptarmigan Mine. The workings are interpreted to be developed at a similar stratigraphic level (i.e. the base of the Middle Quartzite) and on the projected trace of one of the north trending faults identified at the Ptarmigan Mine. Finally, the workings are spatially associated with a prominent surface gossan and small pyrite seams suggestive of possible mineral potential.

Geological mapping has refined the interpretation of Pope (1990) for the southern half of the Ptarmigan Basin. Interpreted stratigraphic correlations have been revised on the basis of detailed mapping, resulting in identification of a much greater areal extent of the favourable Mt. Nelson stratigraphy, extending south to the Upper Ptarmigan area. With the presence of siltstone – argillite intervals documented within the Purple Sequence, the Toby Formation and the Horsethief Creek Group, and no unconformity surface identified, correlation of the strata exposed above the White Markers remains uncertain at this time.

Structural mapping has resulted in confirmation of the East and West Bounding Faults, however, the interpreted surface trace differs from that of Pope (1990). The East and West Faults define a thin structural panel within the larger Delphine Panel and is further segmented by a series of north trending normal faults, spatially associated with, and interpreted to control, mineralization documented at both the Ptarmigan Mine and the Upper Ptarmigan Showing. A series of three north-trending normal faults, the East Drift, Ptarmigan and West Drift faults, have been projected, based on surface exposures of sheared and /or faulted outcrops. The proposed faults are spatially associated with the East Drift, Pyrite #1 and West Drift workings, respectively, and appear to be cross-cut (truncated) by the East and West Bounding Faults.

The prominent gossan developed in quartzite appears to correlate to the projection of both the West Drift and Ptarmigan faults, while mineralization and faulting described by Didur (Appendix 4) is located between the West Drift Fault and the West Bounding Fault, interpreted to suggest the presence of another, as yet unidentified, north trending fault at that location.

A delamination (fault) zone is proposed, spatially associated with the Upper Ptarmigan area, delaminating the siltstone-argillite dominated succession from the dolomite-dominated strata of the Mt. Nelson Formation. A tight anticline is proposed on the basis of scattered exposures of arenitic outcrop and associated bedding measurements. The west limb appears reasonable well defined, while the eastern limb is more uncertain. Given the presence of local faults noted in several outcrops, the anticline might be cored by a series of small splay faults off the delamination zone, possibly displacing the eastern limb of the anticline downward to the east.

Drill Core Sampling

Samples were selected from intervals in the drill core that contained visible semi-massive to massive pyrite and/or quartz-carbonate-sulphide veining over intervals greater than 20 cm and locally in areas with intense silicification or Fe-carbonate alteration. Generally, one sample was collected above and below visible mineralization, with sample intervals less than 1.5 m long. In mineralized zones, samples were generally less than 1 m in length and a minimum of 0.2 m.

Drill core was delivered by the drill crew to the core logging and cutting facility, which was situated at the entrance to the Level #1workings at the Ptarmigan Mine. Once logged and described, core intervals were selected and intervals recorded along with descriptions of each sample interval and a two part sample tag placed at the beginning of each interval. After the core was logged and samples laid out, core was given to a technician and cut in half using a diamond blade rock saw. One half was returned to the core box for subsequent study and/or due diligence confirmation. The other half of each sample interval was placed into a plastic bag with one part of the corresponding sample tag and marked on the outside of the bag with the unique sample tag number. The remaining half of the sample tag was then stapled into the core box at the beginning of the interval. Core boxes, once logged and sampled, were stacked, then taken to a secure storage facility in Radium, BC.

The core samples, in their individually marked plastic bags, were placed into rice sacks in groups of 8 to 10 and sealed before being taken to Radium Hot Springs or Calgary and then shipped by Greyhound to Acme Analytical Laboratories in Vancouver, B.C. for analysis.

Summary of Drill Results from the Ptarmigan Property

Table below herein summarizes the pertinent results from the 2009 and 2010 drill programs. In a strictly qualitative sense, the Ptarmigan Mine area returned higher levels of gold and silver, with the Upper Ptarmigan area returning generally higher levels of copper, lead and zinc. When taken together with more regional surface sampling results, a possible metal zonation is proposed on a preliminary basis, with higher grade precious metal values documented from surface samples taken from the North Ridge; lower grade gold, but very high grade silver values from the Ptarmigan Mine and immediate vicinity and highly anomalous base metal values farther south in the general area of the Iron Cap and Nip and Tuck MINFILE occurrences. (Note: sampling to date has largely been within, and immediately adjacent to, the structural panel defined by the East and West Bounding faults and, therefore, the only realistic context in which to discuss “metal zonation” is in a north-south direction. Base metal values, lead and zinc in particular, appear to increase in grade to the south, with very high grade base metal values documented in the Iron Cap Adits (and associated blast pits).

Given the value of production documented from the relatively thin vein exposed by the workings along the No. 3 Adit, occurrences of tetrahedrite, at both surface and in the sub-surface, assume considerable importance with regard to future follow-up work. Furthermore, given the relatively narrow nature of the tetrahedrite veins documented to date, they represent difficult targets for sub-surface evaluation and should be expected to pinch and swell, appear and disappear over very short distances. Therefore, the results of the 2010 program, specifically, the apparent degree of confidence with which faults at surface could be projected to depth and the apparent documentation of corresponding faulted intervals described in many of the drill holes is interpreted to suggest the faults may be predictable and, therefore, targeted with relative confidence in future drill testing. This interpretation is considered very significant in that the exploration model is for high grade mineralization to be hosted within, and immediately

adjacent to, fault zones within geochemically favourable horizons. Furthermore, given the spatial association between north trending faults and tetrahedrite-bearing veins, targeting these north trending faults is expected to return further intersections of narrow, high grade tehrahedrite-bearing veins.

Geochemical Highlights from the 2009/10 drilling on the Ptarmigan Property

Hole/Trench No.	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
Ptarmigan Mine Area								
PT09-01	116.56	117.20	0.64	***0.29***	**11**	0.010	0.005	0.005
PT09-03	49.40	50.90	1.50	***0.12***	5	0.003	0.005	0.005
PT09-04	84.35	85.15	0.80	***0.68***	5	0.003	0.005	0.005
PT09-06	23.68	24.04	0.36	***0.49***	4	0.002	0.010	0.005
	29.10	32.56	3.46	***0.32***	4	0.003	0.007	0.005
	36.15	37.14	0.99	***0.28***	2	0.003	0.005	0.005
PT09-07	21.75	22.15	0.40	***0.25***	3	0.002	0.005	0.005
	24.40	24.70	0.30	***0.36***	4	0.003	0.010	0.005
PT09-09	106.00	107.00	1.00	***0.39***	5	0.014	0.005	0.010
PT09-10	32.17	32.60	0.43	***0.31***	11	0.017	0.040	0.005
	33.40	34.07	0.67	***0.46***	7	0.008	0.020	0.005
	42.00	42.35	0.35	***0.51***	3	0.003	0.010	0.005
PT10-26	32.20	32.35	0.15	***0.69***	***1014***	**0.100**	***13.31***	0.01
PT10-28	106.77	107.23	0.46	***0.39***	**14**	0.007	0.02	<0.01
PT10-33	171.49	172.20	0.71	***0.60***	**20**	0.011	0.07	<0.01
Upper Ptarmigan Area								
PT09-11	9.40	10.90	1.50	***0.17***	7	0.002	0.030	0.005
PT09-13	9.55	16.47	6.92	***0.26***	***53***	0.027	*0.194*	0.005
PT09-18	11.00	12.80	1.80	***0.15***	**12**	0.004	*0.148*	0.005
PT09-18	14.30	14.65	0.35	***0.24***	***23***	0.035	***0.770***	0.005
PT10-21	10.18	11.30	1.12	***0.11***	**10**	0.004	0.64	<0.01
	11.30	11.89	0.59	***0.11***	**13**	0.004	0.37	<0.01
	33.46	33.70	0.24	***0.16***	7	0.008	0.02	<0.01
	47.63	48.46	0.83	<0.005	<2	***0.129***	<0.01	<0.01
	95.69	95.78	0.09	0.07	***76***	0.044	***1.25***	<0.01
	102.25	102.38	0.13	***0.12***	**19**	0.039	0.14	<0.01
PT10-22	42.44	42.86	0.42	0.03	**10**	0.009	0.08	<0.01
PT10-27	92.84	93.03	0.19	0.03	***32***	0.004	***0.53***	0.03
	96.70	97.43	0.73	0.05	***30***	0.021	0.06	<0.01
PT10-30	27.74	28.43	0.69	0.04	***25***	***0.218***	0.04	0.10
	35.99	37.20	1.21	0.01	**13**	0.022	0.32	0.02
	37.20	37.91	0.71	0.01	***26***	0.039	***0.87***	0.03
	37.91	38.12	0.21	0.03	***130***	**0.268**	***6.81***	0.04

(Source: Acme Analytical Laboratories Ltd.)

Trench and Surface Sampling

Chip samples were collected from trench exposures during the field program. Sample lengths were measured and marked with sample numbers, as well as the location of the beginning and length of each sample recorded. These samples were collected using a hammer and chisel by chipping small rock chips from the surface and attempting to get an equal volume of rock material along the entire length of the sample. The rock chips for each interval were collected into a plastic sample bag and marked with their sample number.

Grab samples were also collected from several underground and surface locations, including grab samples from adits and surface mineralization. The locations and descriptions of these samples were recorded and samples placed into plastic sample bags marked with their respective sample number.

Mineralization

Mineralization identified to date on the Ptarmigan Property appears to occur in two dominant styles: (1) as variably sheared, quartz-pyrite+/-tetrahedrite+/-iron carbonate+/-sphalerite+/-galena veins associated with north trending fault zones, and (2) as massive, pyrite-dominant replacement zones within argillaceous dolomite units spatially associated with north trending faults. Host rocks on either side of the fault zones are strongly to intensely silicified for up to 8 m, with approximately 1-5% disseminated pyrite. Silicification appears to grade outward into an iron carbonate alteration assemblage that extends for up to 50 m from normal fault zones. Iron carbonate or ferroan dolomite alteration is manifested as an increase in iron content within carbonate host rocks or as small (1-20 cm long and 1-10 mm wide) iron carbonate gash veins (referred to as a "crackle" texture). These rocks are distinguished by orange, limonitic weathering surfaces which are particularly well displayed in the calcareous units of the Mt. Nelson Formation.

High-Grade Ag-Au Veins

The principle targets of historical mining on the Ptarmigan Property were high-grade tetrahedrite shoots within sheared quartz-pyrite+/-tetrahedrite+/-iron carbonate+/-sphalerite+/-galena veins. Underground and surface mapping are interpreted to indicate that there are three primary, parallel, discontinuously mineralized fault structures associated with the Ptarmigan Mine workings, the East Drift, Ptarmigan and West Drift faults. Furthermore, the faults may be better described as fault zones, with a number of smaller, secondary and tertiary splay faults. Sheared quartz-pyrite veins are generally 1-10 cm thick and locally contain tetrahedrite, with minor galena and/or sphalerite. Sampling from these veins in 2009 returned results ranging from 0.05 to 3.06 g/t Au and 5 to 1821 g/t Ag.

Most of the production from the Ptarmigan Mine is documented to have come from a steeply plunging, 10 cm thick, high-grade, tetrahedrite-dominant shoot in Level 3 of the Mine, comprising a lens approximately 50 m in length within a vein or vein system. Tetrahedrite occurs as isolated and discontinuous lenses at the margins of the shoot and appears to become more continuous and comprise a greater percentage of the overall vein material in the core of the shoot. Sampling from this shoot in 2009 returned assay values between 4.7 and 18.3 g/t Au and 1105 to 1451 g/t Ag . Additional sampling of mineralization exposed along the No. 3 Adit in 2010 returned results ranging from 0.05 to 3.48 g/t Au, 9 to 4024 g/t Ag and 0.004 to 1.93% Cu.

Pyrite Replacement Zone

A massive pyrite replacement zone occurs within variably silicified Mt. Nelson argillaceous dolomite and/or quartzite, between two north trending normal faults (the East Drift and West Drift faults) along which mineralized quartz veins have been identified in the Ptarmigan Mine workings. The massive sulphide replacement zone is interpreted to be localized along the Ptarmigan Fault. This pyrite-dominant, massive sulphide zone is further interpreted to extend to massive sulphides exposed at surface at the No. 2 Adit and extend south as an irregular, shallowly south plunging rod of replacement mineralization.

Although most of the Mine's documented production came from the high-grade, tetrahedrite-bearing lens exposed in the No. 3 Adit, a total of five shipments totalling 32.2 tonnes were taken from the pyrite zone on Level 1 in late 1959. Smelter return certificates document that the material was essentially massive pyrite (35% Fe, 41% S) with an average grade of 2,638 g/t Ag, 1.7 g/t Au, 0.58% Pb and 0.22% Zn.

In Level 1, the pyrite zone is approximately lenticular in shape, although internally very irregular, containing inclusions and/or septa of relict shale. The main body appears to be 40-50 m long and a maximum of 5-8 m wide. Overall vertical extent is unknown but the deposit appears to be a shallowly south plunging lenticular prism.

A second massive pyrite body, exposed on surface at Adit #2, was stripped by excavator in late 2009 to reveal a massive pyrite zone extending at least 7 metres vertically and widening to 8 metres at the base. Further sampling in 2010 in three sets of panel samples returned an average grade of 413 g/t Ag and 1.47 g/t Au over 3.9 m, with the Lower Panel sample returning an average grade of 642 g/t Ag and 1.96 g/t Au over 6 metres.

A new massive sulphide occurrence, termed the Upper Ptarmigan showing, was discovered in 2009 near the head of the valley, approximately 500 metres south and 160 metres higher in elevation than the Ptarmigan Mine portals. Preliminary evaluation through trenching revealed a 25 metre wide zone of massive pyrite. Sampling of the extremely friable and weathered sulphides returned an average grade of 13 g/t Ag, 0.27 g/t Au and 0.10% Pb over 16.7 metres. Diamond drilling to the south of the trench intersected 6.9 metres (not true width) of massive pyrite with an average grade of 53.1 g/t Ag and 0.26 g/t Au, including a 2.95 m section of 95.3 g/t Ag and 0.41 g/t Au. The Upper Ptarmigan is interpreted as manto-style mineralization.

Alteration

Silicification and iron-carbonate alteration extends for approximately 5 to 100 m away from the north trending faults which bracket the pyrite zone and completely envelops the pyrite alteration. The contacts of the pyrite zone do not appear to follow any preferred orientation except for bedding locally and are generally sharp, with little or no gradation into the surrounding argillaceous dolomite host rock of the Mt. Nelson Formation. Internally, pyrite is nearly massive with small, highly angular fragments (1-2 cm) of black shale which comprise approximately 5-10% of the rock by volume. These shale fragments locally line up into discontinuous layers and are interpreted to be remnants (“septae”) of intercalated shale horizons within the replaced dolomitic host .

Pyrite is commonly disseminated within the argillaceous dolomite host. Locally, pyrite increases to semi-massive (15-50%) and massive pyrite layers (>50%). Generally, these layers appear to be bedding parallel but locally have sharp, possibly cross-cutting, contacts. It is unclear whether all pyrite zones are replacement style mineralization or strataform pyrite that has had metal grades upgraded by subsequent hydrothermal activity within, and adjacent to, to the proximal north trending faults.

Summary

The north trending fault system interpreted within the Ptarmigan Basin segments the Delphine Panel, located in the footwall of (i.e. underlying) the Delphine Fault and hangingwall of the Nelson Creek Fault, into a series of thin, fault-bounded panels. Mineralization documented in the Ptarmigan Mine and in the Iron Cap adits is associated with north trending, steeply east dipping and north trending, steeply west dipping faults, respectively, on either side of the West Bounding Fault.

The style of mineralization and associated structural control is similar in character to that mined at the former Mineral King mine, approximately 15 km south of the property. The Mineral King deposit is interpreted to occur in a similar structural regime, located in the hangwall of the Delphine Fault, with smaller scale extensional and compressional faults, together with fold structures, in strata correlated to the Dutch Creek and Gateway formations of the Upper Purcell Supergroup. The former Mineral King mine is described as a massive sulphide Pb-Zn-Ag-Ba-Cu replacement, possibly strataform, deposit with minor gold values.

To summarize the mineral potential of the Toby - Horsethief Creek area, and the Ptarmigan Property specifically, Pope (1990) suggests that the following four criteria are required for mineralization:

1. Dolomitic lithologies,
2. The Mount Nelson Formation,
3. The Windermere Unconformity, and
4. Faults.

The Ptarmigan Property contains an abundance of all four of these criteria.

Known mineralization exposed in the Ptarmigan Mine is interpreted to be localized at the contact between the Lower Main Dolomite Sequence and the Middle Quartzite of the Mount Nelson Formation.

Mineralization at the Upper Ptarmigan Showing is interpreted to be localized at, and/or along, the contact between the Orange Dolomite Sequence of the Mount Nelson Formation and an argillite-dominated succession correlated to either the Purple Sequence of the Mt. Nelson Formation, the Toby Formation and/or the Horsethief Creek Group above the Windermere Unconformity. In the case of the latter two interpretations, the Windermere Unconformity would juxtapose argillites correlated to the Toby Formation and/or Horsethief Creek Group strata with dolomitic exposures correlated to the Mount Nelson Formation, removing the Purple Sequence, Upper Middle Dolomite, Upper Quartzite and Upper Dolomite of the Mount Nelson Formation.

The area has been subjected to four phases of deformation, resulting in complex folding and faulting in the form of east and west verging thrust faults, as well as east- and west-side down normal faults.

Therefore, all four of the proposed by Pope (1990) as requirements for mineralization have been documented on the Ptarmigan Property. These criteria are necessary for ground preparation to facilitate access for metal-bearing hydrothermal fluids, resulting in precipitation of the metals required for mineralized occurrences.

In addition to the four criteria above, we can add the following:

5. Folding.

Folding is commonly a contributing structural control to localization of mineralization and should be considered as a possible fifth factor in the Toby-Horsethief Creek area. Pope (1990) has described folding at several of the mineral occurrences in the area. The massive sulphide replacement bodies in the Ptarmigan Mine (Pyrite #1 and #2) have both been interpreted to occur within a fold structure.

In addition, the Upper Ptarmigan Showing appears to be located on the west limb of a large anticline (fold). Folding often contributes to ground preparation preceding mineralization as more competent rock units (i.e. dolomite, arenite and/or quartzite) tend to shatter and, as a result, potentially create additional pathways for fluid movement.

Finally, the Iron Cap adits, located approximately 1 kilometre to the south of the Ptarmigan Mine, are all interpreted to be located along fault splays within buff dolomite of the Mount Nelson Formation, complying with 3 of Pope's (1990) criteria. Mineralization exposed within the Iron Cap Adits is described as "showings of high grade galena with tetrahedrite … along with quartz, pyrite and iron carbonate in typical west-dipping fault veins on a north-south trending, south-facing ridge" (Didur 2011).

Sample Preparation, Analysis and Security

QA/QC Procedures

Before the samples were taken to the Acme Analytical Laboratories preparation facility, they were securely stored at the Ptarmigan Mine site or within sight of the Project Manager or Supervising Geologist, at all times. Samples were taken to Radium Hot Springs or Calgary and sent to Acme Laboratories via Greyhound courier for analysis by standard fire assay for gold and an aqua-regia digestion and ICP analysis for 37 elements. At no time was any aspect of the sample preparation conducted by an employee, officer, director or associate of the Company.

Fire assay and ICP analytical procedures and methods are included in Appendix 3.

As part of their analytical procedure, Acme Analytical Laboratories Ltd, an International Organization for Standardization ("ISO" 9001:2000) certified laboratory, utilizes a well-defined internal quality control protocol, as follows:

> "Samples submitted are analyzed with the strictest quality control. Blanks (analytical and method), duplicates and standard reference materials inserted in the sequences of client samples provide a measure of background noise, accuracy and precision. QA/QC protocol incorporates a granite or

quartz sample-prep blank(s) carried through all stages of preparation and analysis as the first sample(s) in the job. Typically an analytical batch will be comprised of 34-36 client samples, a pulp duplicate to monitor analytical precision, a -10 mesh reject duplicate to monitor sub-sampling variation (drill core only), a reagent blank to measure background and an aliquot of Certified Reference Material (CRM) or Inhouse Reference Material to monitor accuracy. In the absence of suitable CRMs Inhouse Reference Materials are prepared and certified against internationally certified reference materials such as CANMET and USGS standards where possible and will be externally verified at a minimum of 3 other commercial laboratories. Using these inserted quality control samples each analytical batch and complete job is rigorously reviewed and validated prior to release. All the reported results were within acceptable detection ranges (less than 2 standard deviation variation)." (Acme web-site at http://acmelab.com).

It is the opinion of Mr. Rick Walker, B.Sc, M.Sc., P.Geo., author of the Report, that the sample preparation, security and analytical procedures used were adequate for this summary study and for the mineralization type encountered on the Property.

QA/QC Results

A total of 159 samples were submitted to Acme Analytical Laboratories Ltd. (hereafter referred to as "Acme") for analysis. All samples were submitted for Group 7AR ICP and Group G6 gold analysis. High grade samples (exceeding the upper detection limit; >300 GM/T Ag and >10,000 ppm for Pb and As) were further analyzed using the Group G6Gr package for silver, Group 7AR.1 for As and Pb so as to provide quantitative results.

A total of 17 samples were re-run as Pulp Duplicates. Of these Pulp Duplicates, 9 were re-run for gold and 11 were re-run for the ICP suite of elements. Gold analyses in the Group G6 package ranged between 0 and 11%, with the highest error returned for an analytical difference between two rather low values (0.018 and 0.020 GM/T). Duplicate values returned from ICP analysis for the elements of interest (Ag, Pb and As) are in close agreement, ranging from ≤3% for Ag, 0% for Pb and ≤2.6% for As.

Duplicate analyses for high grade sample duplicates returned comparable values for Pb, with 3 sample duplicates returning values less than 1% and 2.6% for a fourth. A single high grade duplicate for As returned identical values.

A total of 10 Standards were also analyzed as part of Acme's quality control program, comprised of AGPROOF, CCU-1C, CDN-ME-3, CZN-3, GBM997-6, OXH66, OXK79, PTC-1A and R4A. Table 13.1 is a compilation of the results returned from analysis of the Standards. The highest Standard Deviation was returned for high grade silver (an average of 269 ppm from 5 analyses). The Standard Deviation, although high, is not considered significant at this point in the program. The remainder of the values are considered very acceptable, returning low Standard Deviations. Duplicate analysis for the ICP suite of elements similarly returned analytical results having a low Standard Deviation, generally less than 0.05, and are also considered very acceptable.

Compilation of analytical data returned from Standards

Standard	Element(s) and Package	Number of Analyses	Maximum	Minimum	Standard Deviation
AGPROOF	Ag (G6Gr)	3	94	89	2.646
CCU-1C	Pb (7AR.1)	4	0.40	0.33	0.031
CDN-ME-3	Ag (G6Gr)	5	285	250	14.584
CZN-3	Pb (7AR.1)	4	0.17	0.06	0.046
GBM997-6	Pb (7AR.1)	4	25.68	23.83	0.859
OXH66	Au (G6)	14	1.365	1.245	0.042
OXK79	Au (G6)	14	3.836	3.431	0.136
PTC-1A	Pb (7AR.1)	4	0.07	0.04	0.013
R4A	ICP (7AR)[1]	18	90	85	1.237

1 – Silver (Ag) was the element that returned the highest Standard Deviation. Therefore, the values for silver have been used in this table.

Finally, a series of Blanks and G1 "Prep Wash" analyses were provided, all of which have low values, most generally below the detection limit and, as a result, are considered very acceptable.

Competition

We are a junior mineral resource exploration company. We compete with other mineral resource exploration companies for financing and for the acquisition of new mineral properties. Many of the mineral resource exploration companies with whom we compete have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on acquisitions of mineral properties of merit, on exploration of their mineral properties and on development of their mineral properties. In addition, they may be able to afford more geological expertise in the targeting and exploration of mineral properties. This competition could result in competitors having mineral properties of greater quality and interest to prospective investors who may finance additional exploration and development. This competition could adversely impact on our ability to achieve the financing necessary for us to conduct further exploration of our mineral properties.

We also compete with other junior mineral resource exploration companies for financing from a limited number of investors that are prepared to make investments in junior mineral resource exploration companies. The presence of competing junior mineral resource exploration companies may impact on our ability to raise additional capital in order to fund our exploration programs if investors are of the view that investments in competitors are more attractive based on the merit of the mineral properties under investigation and the price of the investment offered to investors. We also compete with other junior and senior mineral resource exploration companies for available resources, including, but not limited to, professional geologists, camp staff, helicopter or float planes, mineral exploration supplies and drill rigs.

Personnel

We operate our business through our directors and officers, Steve Konopelky, Charles Burgess, Vince Goegan, Daniel Belot and Daryn Gordon and Rick Walker and Robert Didur as Consultants. We pay a salary to Steve Konopelky under an employment agreement for the services he provides to the Company. We do expect some additional material changes in the number of employees over the next 12 month period. We anticipate that we will be conducting our business through management agreements along with consultants and third parties.

USE OF AVAILABLE FUNDS

Proceeds and Funds Available

As of the year ended December 31, 2010, the Company had raised an aggregate $3,264,000 through the issuance of 23,327,065 Units and $2,831,430 through the issuance of a total of 10,973,533 Special Warrants. In the first quarter of 2011, the Company has raised and additional $681,889 through the issuance of 2,576,297 Units and $960,000 through the issuance of a total of 3,840,000 Special Warrants.

As at April 30, 2011, the Company had estimated working capital of $4,742,417, including the net proceeds of the 2010 Unit Private Placement, the 2011 Unit Private Placement, the 2010 Special Warrant Private Placement and the 2011 Special Warrant Private Placement. These funds represent the funds available with which to fund the principal purposes set out below.

We will require additional funds to provide sufficient working capital and for general corporate purposes. The Company intends to make additional debt and/or equity offerings to raise further funds.

Principal Purposes

The principal purposes for which the funds available are intended to be used, in order of priority over the next 12 months, are as follows:

	Description	Amount
1.	To pay the estimated remaining expenses of this Offering (including legal, audit and printing expenses)	$90,000
2.	To pay balance of CNSX Listing Fee	$8,000
3.	Estimated ongoing legal, accounting, auditing, stock exchange, transfer agent and filing fees	$72,000
4.	Estimated administration, rent, telephone, internet, travel, office expenses	$109,000
5.	Management and consulting fees pursuant to management services agreement and consulting agreements (12 months)	$437,875
6.	Estimated investor relations and corporate development (12 months)	$12,500
7.	To provide general working capital	$51,324
8.	Ongoing professional expenses	$160,000
	Total	$940,699
	Allocated Exploration Program – Plan of Operations Phase 1[(1)]	$2,186,681
	Unallocated Working Capital	$1,721,450

Note:

(1) See "*Selected Financial Information and Management's Discussion and Analysis – Plan of Operation and Estimated Ptarmigan Work Program Costs*".

We intend to spend the funds available to us as stated in this prospectus. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary. See "*Risk Factors*".

Stated Business Objectives

The Company has prioritized the development of the Ptarmigan Property as its most important business objective.

Milestones

The unallocated working capital described above is not sufficient to achieve any significant business events or milestones. Additional capital will have to be raised. See "*Selected Financial Information and Management's Discussion and Analysis – Plan of Operation*" for a breakdown of expected costs. Actual costs are constantly fluctuating and are subject to change.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information

The following table sets forth summary financial information for the Company for each of the periods indicated. This information has been summarized from the Company's financial statements for these periods, and should only be read in conjunction with the financial statements, and accompanying notes, included elsewhere in this prospectus. The Company reports financial information in Canadian Dollars (CDN$) International Financial Reporting Standards ("IFRS"). **All dollar figures disclosed in the following table are reported in CDN$**.

	Three Months ended March 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
	$	$	$	$
Total Revenue	-	-	-	-
Net Income (Loss)	(289,221)	(107,552)	(211,754)	(130,285)
Current Assets	4,956,305	3,729,783	192,002	207,185
Current Liabilities	128,243	430,550	28,065	22,806
Working Capital	4,828,062	3,299,233	163,937	184,379
Total Assets	7,049,394	5,680,282	1,650,292	461,993
Total Long-Term Liabilities	447,960	52,620	127,933	49,259
Cash Dividends Declared	-	-	-	-
Shareholders' Equity	6,473,191	5,197,112	1,494,292	389,928
Number of Shares of Common Stock	34,920,598	28,704,301	10,939,100	7,776,100

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The *Business Corporations Act* (Alberta), however, prohibits us from declaring or paying dividends if there are reasonable grounds for believing that:

1. the Company is, or would after the payment be, unable to pay its liabilities as they become due, or

2. the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

Our company has not generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future.

Management's Discussion and Analysis

The following MD&A should be read in conjunction with: (i) the Company's audited financial statements and the related notes for the years ended December 31, 2010, 2009 and 2008; and (ii) the Company's unaudited financial statements and the related notes for the three month interim period ended March 31, 2011. These financial statements have been prepared in accordance with IFRS. All dollar figures included in the following MD&A are reported in CDN$.

Plan of Operation

Our plan of operation is to carry out exploration work on our Ptarmigan area Property in order to ascertain whether it possesses commercially exploitable quantities of silver, gold and other metals. We expect to primarily explore for silver, gold, lead, zinc and copper but if we discover that our mineral property holds potential for other minerals that our management determines are worth exploring further, then we intend to explore for those other minerals. We will not be able to determine whether or not the Ptarmigan Property contains a commercially exploitable mineral deposit, or reserve, until appropriate exploratory work is done and an economic evaluation based on that work indicates economic viability. See "*Narrative Description of the Business*".

We intend to conduct a two phase exploration program on the Ptarmigan Property at an aggregate estimated cost of $3,000,000 subject to receiving additional financing. It is anticipated that the 2011 program activity yield a resources delineation and resource value.

The recommended phase of work on the Ptarmigan Property (Phase 4) should occur in three distinct parts. The first part (Phase 4a) should be a general exploration, geophysical modelling of data, extended ground truthing and mapping on the property, extension of ground IP throughout the Ptarmigan basin, follow up on 2010 drill intersection and area sampling on Upper Ptarmigan and Mine areas, Trail construction in support of diamond drilling and trenching initiatives, and drill target generation in support of Phase 4(b) drilling. Phase 4(b) activities, diamond drilling and sampling targeted at defining a resource of silver-rich sulphides within the Ptarmigan and Iron Cap area and exploration of the East Block anomaly discovery, trenching, sampling, and mapping. Once we complete phase 4a & 4b, we will consult with our independent geologist and mining engineers as to whether or not we proceed with 4(c) the feasibility of bulk extraction initiative. Phase 4c, extracting ore from Adit #1, Adit #2 and Adit #3 and potentially the waste dumps. We will not be able to determine whether or not the Ptarmigan Property contains a commercially exploitable mineral deposit, or reserve, until appropriate exploratory work is done and an economic evaluation based on that work indicates economic viability.

Estimated Ptarmigan Work Program Costs

Silver Mountain 2011 Indicative FIELD Budget

Item	Amount	Units	Rate	Per Unit		Cost
Phase 4 (a)						
Exploration - Silver Mountain						
Permitting - Bonds					$	75,000
Data compilation/target generation	30	man days	$800	day	$	24,000
Geochemical soil sampling	20	km	$700	km	$	14,000
Geological mapping/prospecting	30	man days	$800	day	$	24,000
Geochemical Analyses	400	samples	$30	analysis	$	12,000
IP-Mag surveying	2133	km	$157	km	$	334,881
Line cutting/grid layout	20	km	$600	km	$	12,000
Trail/pad building	3	km	$12,000	km	$	36,000
Helicopter support	60	hrs	$1,850	hr	$	111,000
Drilling (with analyses)	5,000	m	$142	m	$	710,000
Data Compilation - Project reports	45	man days	$800	day	$	36,000
Reclamation	24	man days	$950	day	$	22,800
Infrastructure-Development						
Accommodation and board	400	man days	$80	day	$	32,000
Underground Inspection					$	65,000
Road maintenance					$	55,000
Fuel and storage					$	25,000
Mine tunnel support/refurbishing					$	278,000
Mine equipment and repair					$	190,000
General Labor	325	man days	$400	day	$	130,000
				Sub-Total:	***$***	***2,186,681***
Phase 4 (b)						
Exploration - East Block						
Geochemical soil sampling	20	km	$700	km	$	14,000
Geological mapping/prospecting	20	man days	$800	day	$	16,000
Geochemical Analyses	200	samples	$30	analysis	$	6,000
Line cutting/grid layout	15	km	$800	km	$	12,000
Helicopter support	40	hrs	$1,850	hr	$	74,000
Drilling (with analyses)	1,000	m	$140	m	$	140,000
Data Compilation - Project reports	40	man days	$800	day	$	32,000
Infrastructure-Development						
Accommodation and board	250	man days	$80	day	$	20,000
Reclamation	12	man day	$950	day	$	11,400
General Labor	110	man days	$400	day	$	44,000
Travel and Miscellaneous					$	18,000
				Sub-Total:	***$***	***387,400***
Contingency (20%)					$	*514,816*
				Phase 4 Total	**$**	**3,088,897**

The proposed principal 2011 program activity is as follows:

1. Geophysical modelling of all historical and current data;
2. Extended ground truthing and mapping to Iron Cap;
3. Extension of ground IP throughout the Ptarmigan Property basin;
4. Advanced modelling of all data sets, points and maps;
5. Follow up on 2010 drill intersection on Upper Ptarmigan and Mine areas;
6. Trail construction in support of diamond drilling and trenching initiatives;
7. Diamond drilling and sampling targeted at defining a resource of silver-rich sulphides within the Ptarmigan and Iron Cap area;
8. East Block exploration, trenching, sampling, mapping and drilling.
9. Review feasibility of extracting ore from Adit #1, #2, #3 and waste dumps

Management will make final decisions based upon the recommendations of the independent geologist who oversees the program and records the results.

Anticipated Cash Requirements

As of June 21, 2011, we had cash of approximately $4,751,994. Presently we have enough funds to commence the initial phase of our work program (Phase 4(a) – See "*Selected Financial Information and Management's Discussion and Analysis – Plan of Operation and Estimated Ptarmigan Work Program Costs*"). If we require additional funds to proceed with an expanded program throughout the three phase process, we plan to rely on equity financing in order to raise the funds necessary to pursue our this expanded plan of operation and to fund our working capital deficit in order to enable us to pay our accounts payable and accrued liabilities.

We anticipate that we will incur the following expenses over the next twelve months:

Expense Item	**Cost**
Expenditures on the Ptarmigan Property to Phase 4(a)	$ 2,186,681
Ongoing professional expenses	$ 160,000
General and administrative expenses & Miscellaneous	$ 780,699
Total	**$ 3,127,380**

Results of Operations for the Periods ended December 31, 2010, 2009 and 2008

Years Ended March 31, 2011 and 2010

We have not earned any revenues to date. We do not anticipate earning revenues from our planned mineral operations, or other mineral properties we may acquire from time to time, and of which there are no assurances.

The Company's operating results for the three months ended March 31, 2011, for the three months ended March 31, 2010 and the changes between those periods for the respective items are summarized as follows:

	Three Months Ended March 31, 2011 $	Three Months Ended March 31, 2010 $	Change Between Three Month Period Ended Mar 31, 2011 and Mar 31, 2010 $
Accretion expense	29	-	29
Amortization	59	43	16
Automotive	1,530	487	1,043
Bank and interest charges	677	-	677
Equipment rentals	-	-	-
Financing fees	-	-	-
Insurance	3,395	3,025	370
Licenses	-	-	-
Consulting Fees	43,916	-	43,916
Meals and entertainment	5,556	1,175	4,381
Office	6,675	2,022	4,653
Professional fees	9,353	-	9,353
Stock based compensation	83,968	36,275	47,693
Telephone	1,338	638	700
Travel	7,115	2,627	4,488
Interest Income	1,898	-	1,898
Future income tax expense (recovery)	127,508	(3,659)	131,167
Net Loss before discontinued operation and extraordinary items	(289,221)	(42,633)	(246,588)
Net Loss	(289,221)	(42,633)	(246,588)

The net loss for the three month period ended March 31, 2011 increased to $289,221 in 2011 from $42,633 in 2010. The increase in the net loss for the period is the result of the increase in stock based compensation, resulting from the issuance of stock options in the year, and the increase in the consulting fees. During the quarter, capital expenditures were $142,648 compared to $29,083 in 2010 from the planning of the summer exploration program. Cash provided by operating activities was $190,146 versus cash used in operating activities of $29,083 in 2010 resulting from the reduction in the premium liability on the renouncement of the flow through expenditures.

Consulting fees for the three month period was $43,916 in 2011 compared to $nil in 2010. This is the result of the individuals required for accounting and management services. The increase in the professional fees in 2011 is the result of the costs incurred to become a listed entity. These costs include legal and accounting fees. Office expense has increased $4,653 to $6,675 for the three months ended March 31, 2011 from $2,022 in March 31, 2010 resulting from an increase in general office stationary and courier expenses. During the quarter, the Company issued 2,235,000 stock options to its employees, directors and key consultants. As a result, the Company has recognized $66,903 in stock based compensation expense in the first quarter.

Results of Operations for the Periods ended December 31, 2010, 2009 and 2008:

Years Ended December 31, 2010 and December 31, 2009 and the Eight Month Period Ended December 31, 2008

We have not earned any revenues to date. We do not anticipate earning revenues from our planned mineral operations, or other mineral properties we may acquire from time to time, and of which there are no assurances.

The Company's operating results for the year ended December 31, 2010, 2009 and 2008 and the changes between those periods for the respective items are summarized as follows:

	Year Ended December 31, 2010 $	Year Ended December 31, 2009 $	Eight Month Period Ended December 31, 2008 $	Change Between Years Ended Dec 31, 2010 and Dec 31, 2009 $	Change Between Year Ended Dec 31, 2009 and the Period Ended Dec 31, 2008 $
Accretion expense	106	-	-	106	-
Amortization	171	161	55	10	106
Automotive	6,137	2,449	1,827	3,688	622
Bank and interest charges	5	98	120	(93)	(22)
Equipment rentals	-	-	1,728	-	(1,728)
Financing fees	-	28,500	-	(28,500)	28,500
Insurance	12,101	11,771	4,338	330	7,433
Licenses	2,152	-	-	2,152	-
Memberships	-	-	1,956	-	(1,956)
Meals and entertainment	10,393	4,064	1,798	6,329	2,266
Office	13,160	5,084	4,111	8,076	973
Professional fees	57,089	11,717	13,471	45,372	(1,754)
Stock based compensation	61,835	133,560	85,248	(71,725)	48,312
Telephone	5,223	5,538	2,359	(315)	3,179
Travel	15,657	7,948	6,480	7,709	1,468
Interest Income	-	(60)	(160)	60	100
Future income tax expense (recovery)	(76,477)	924	6,954	(77,401)	(6,030)
Net Loss before discontinued operation and extraordinary items	(107,552)	(211,754)	(130,285)	104,202	81,469
Net Loss	(107,552)	(211,754)	(130,285)	104,202	84,469

The net loss for the year ended December 31, 2010 was $107,552 compared to $211,754 in 2009 for an increase of $104,202. The decrease in the net loss for the year is attributed to the decrease in stock based compensation expense resulting from lower number of stock options issued, lower financing fees, and a decrease in the future income tax expense. These were offset by increases in professional fees, office expenses, travel costs, and meals and entertainment expenses in the year.

For the year ended December 31, 2009, the net loss was $211,754 compared to $130,285 for the eight month period ended December 31, 2008 for an increase in the loss for the period of $81,469. The increase can be attributed to the increase in stock based compensation expense and the fees for unsuccessful financing arrangements.

Total liabilities as of December 31, 2010 increased $327,172 to $483,170 compared to 2009 of $155,998 resulting from the increase in accounts payable and premium liability offset by a reduction in future income taxes. At December 31, 2009, total liabilities increased $83,933 to $155,998 compared to total liabilities of $72,065 at

December 31, 2008. The increase is primarily due to increases in future income tax liability as a result from the renouncement of flow-through expenditures and accounts payable and accrued liabilities.

Liquidity and Capital Resources

We utilize existing cash to provide liquidity to the Company, to finance general and administrative expenses and finance development initiatives. In certain years it is possible that capital requirements will exceed the cash balance of the Company. In these situations, we will arrange for the additional issuance of shares for financing.

Working Capital

	Periods Ended			
	March 31, 2011	**December 31, 2010**	**December 31, 2009**	**December 31, 2008**
	$	**$**	**$**	**$**
Current assets	4,956,305	3,729,783	192,002	207,185
Current liabilities	128,243	430,550	28,065	22,806
Working capital	4,732,482	3,299,233	163,937	184,379

Working capital increased $1,528,829 from December 31, 2010 to March 31, 2011 as the result of the issuances of equity instruments. The working capital of $3,299,233 at the end of December 31, 2010 represents a $3,135,296 improvement from the working capital of $163,937 at the end of 2009 and $184,379 at December 31, 2008.

Our accounts payable, premium liability have increased by $402,485, decrease in subscriptions receivable and prepaid expenses of $8,046 offset by an increase in cash and GST receivable of $3,545,827 a decrease in subscriptions receivable and prepaid expenses of $3,532,814 since December 31, 2009. These changes increase working capital by $3,135,296.

The increase in accounts payable is primarily due to the 2010 drilling program. The increase in cash is due to the issuance of 16,165,201 common shares in 2010.

The following table shows how the Company was financed:

	Periods Ended			
	March 31, 2011	**December 31, 2010**	**December 31, 2009**	**December 31, 2008**
	$	**$**	**$**	**$**
Cash flows (used in) operating activities	69,701	(16,350)	(8,954)	4,354
Cash flows (used in) investing activities	(142,648)	(491,375)	(446,590)	(254,863)
Cash flows provided by (used in) financing activities	1,157,097	4,048,585	420,340	393,185
Net increase (decrease) in cash during period	1,084,150	3,540,860	(35,204)	142,676

Cash flows used in operations increased $7,396 from $8,954 in 2009 compared to $16,350 in 2010. The increase is primarily due to an increase in the cash expenses for 2010 offset by the increase in accounts payable. Cash flows used in operations increased in 2009 to $8,954 compared to cash flows from operations of $4,354 in 2008. This is the result of the increase in timing of cash flows from the working capital.

During 2010, we invested $491,375 on exploration of the mineral properties. The company also spent $420,340 in 2009 and $393,185 in 2008 in the acquisition and exploration of the same mineral properties.

During 2010, we realized a financing cash inflow of $4,048,585 compared to a cash inflow of $420,340 in 2009. This is the result of the issuance of 16,165,201 and 1,763,000 common shares respectively. In 2008, we realized a cash inflow of $393,185 from the issuance of 7,776,100 common shares.

The Company does not have any commitments on pursuing capital projects.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

During 2011, IPH Developments Inc., a privately held company owned by a director of the Company, provided exploration, mining and management services amounting to $91,665 (2010 - $18,900). Of this amount nil (2010 - nil) was due to the related party at the end of the reporting period. These amounts have been recorded in property and equipment. These transactions are in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

Property and equipment costs for the year ended December 31, 2010 include management services provided by companies related to the directors of the company related to the exploration, mining and management services. The amounts recorded to property and equipment for 2010 is $289,916 (2009 – $161,916) and the amount outstanding at December 31, 2010 is $nil (December 31, 2009 - $nil) and recorded as accounts payable and accrued liabilities.

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 expenses during the reporting period. These estimates, including those related to the amortization of property and equipment, asset retirement obligations, income taxes, accruals, contingent liabilities and commitments, are reviewed on an ongoing basis. These estimates are subject to measurement uncertainty and the impact on the consolidated 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 will 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. Financial assets and financial liabilities required to be classified or designated 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 December 31, 2010, 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.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.

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.

Asset retirement obligation

The Company provides for future retirement obligations on resource properties based on estimates established by industry practice and prevailing legislation. The future retirement obligation is initially recognized at fair value and capitalized as a component of property and equipment. The liability is adjusted each reporting period to reflect revisions to the estimated future cash flows and for the passage of time. The liability accretes until the date of expected settlement of the retirement obligations and the related accretion expense is charged to earnings. Actual expenditures incurred for site reclamation and abandonment are charged against the liability to the extent it exists on the balance sheet with the difference recognized as a gain or loss in the period in which settlement occurs.

Stock based compensation

The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model. The model employs various assumptions, based on management's best estimates at the time of grant, which impact the fair value calculated and ultimately, the expense that is recognized over the life of the stock option award. The value of the stock options is recognized as an expense over the vesting period with an offsetting credit to contributed surplus. Consideration paid for shares on exercise of the stock options will be credited to share capital together with the amount of any contributed surplus that arose as a result of the grant of the exercised stock options.

Income tax

The Company follows the liability method of accounting for future income taxes. Under this method, income tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying values of assets and liabilities in the financial statements and their respective tax bases, using income tax rates substantively enacted when the timing differences are expected to reverse. The effect of a change in income tax rates on the future income tax assets and liabilities is recognized in income or loss in the period of the change.

Financial Risk Management

The following table presents the Company's contractual financial liabilities. All accounts payable and accrued liabilities fall due within the next year.

	Periods Ended			
	March 31, 2011	**December 31, 2010**	**December 31, 2009**	**December 31, 2008**
	$	**$**	**$**	**$**
Cash	4,732,482	3,648,332	107,472	142,676
Accounts payable and accrued liabilities	40,428	138,500	28,065	22,806
Net financial instruments	4,692,054	3,509,832	79,407	119,870

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Company provides goods or services is unable or unwilling to fulfill their obligations. The Company's credit risk is primarily attributable to its

liquid financial assets, including cash. The Company limits its exposure to credit risk by dealing with well rated entities. No amounts are past due.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than the accounts payable and accrued liabilities reported on the statement of financial position.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

(i) Foreign currency exchange risk

The Company is not exposed to foreign currency exchange rate fluctuations as the Company conducts all of its business in Canada.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not exposed to this risk.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as mineral prices. Currently the Company does not have commercial operations and is therefore not exposed to this risk. Commodity prices generally fluctuate beyond the control of the Company. Factors which contribute to the fluctuation are, but not limited to, demand, forward sales, worldwide production, speculative hedging activities, and bank lending rates.

(d) Fair value of financial instruments

The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity.

Changes in 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 our accounting periods beginning on or after January 1, 2011 or later. These include:

i. IFRS 9, Financial Instruments, Classifications and Measurement, effective January 1, 2013.

ii. Amendments to IAS 24, Related Party Disclosures, effective January 1, 2011.

iii. IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments has been issued at the reporting date but is not yet effective.

The Company does not anticipate the adoption of these standards and interpretations will have a mat erial impact to the financial statements.

Outstanding Share Data

Description	Outstanding as at March 31, 2011	Outstanding as at December 31, 2010	Outstanding as at December 31, 2009	Outstanding as at December 31, 2008
Common Shares	20225,065	17,680,768	10,939,100	7,776,100
Special Warrants	14,695,533	11,023,533	Nil	nil

Outstanding Warrants

Description	Outstanding as at March 31, 2011	Outstanding as at December 31, 2010	Outstanding as at December 31, 2009	Outstanding as at December 31, 2008
Warrants	19,875,870	16,379,129	4,939,100	1,776,100

Each warrant allows the holder to purchase one common share in the Company at an average price of $0.41 per share warrant.

Outstanding Stock Options

The Company has a share purchase option plan under which employees, directors and key consultants and/or advisors are eligible to receive grants. Under the stock option plan, which was approved by the shareholders, the granted stock options vest to the grantee immediately and the grantee has the right to exercise those stock options for five years from the date of the granting and typically terminate 90 days following the termination of the optionee's employment or engagement. The maximum number of outstanding stock options under the plan is limited to 20% of the number of common shares outstanding. The number of stock options and the exercise price is set by the Company's Board of Directors based on the market value at the time of granting. Stock options granted and outstanding are as follows:

Description	Outstanding as at March 31, 2011	Outstanding as at December 31, 2010	Outstanding as at December 31, 2009	Outstanding as at December 31, 2008
Stock Options	3,680,220	1,720,220	1,520,220	545,220

Summary of Quarterly Results

For the quarter ended	Revenue	Net loss	Net loss per share basic and diluted
March 31, 2011	-	(289,221)	(0.00)
December 31, 2010	-	(40,492)	(0.00)
September 30, 2010	-	(7,754)	(0.00)
June 30, 2010	-	(16,675)	(0.00)
March 31, 2010	-	(42,633)	(0.01)
December 31, 2009	-	(82,605)	(0.01)

During the first quarter of 2011, the Company recognized a significant loss as the result of the increase in stock based compensation, resulting from the issuance of stock options in the year, and the increase in the consulting fees.

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 Description and Reader Guidance

Rupestris Mines Inc. (the "Company") 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.

Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations and cash flows of the Company should be read in conjunction with the Company's audited financial statements and accompanying notes for the year ended December 31, 2010. The selected financial information herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in Canadian dollars unless otherwise stated.

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 March 31, 2011, the Company incurred a total net loss and comprehensive loss of $289,221 (March 31, 2010 - $42,633) and as at March 31, 2011 had an accumulated deficit of $738,812 (March 31, 2010 - $384,672). For the year ended December 31, 2010, the Company incurred a total net loss and comprehensive loss of $107,552 (December 31, 2009 - $211,754) and as at December 31, 2010 had an accumulated deficit of $449,591 (December 31, 2009 - $342,039). For the year ended December 31, 2010, the Company incurred a total net loss and comprehensive loss of $107,552 (December 31, 2009 - $211,754) and as at December 31, 2010 had an accumulated deficit of $449,591 (December 31, 2009 - $342,039). For the year ended December 31, 2010, the Company incurred a total net loss and comprehensive loss of $107,552 (December 31, 2009 - $211,754) and as at December 31, 2010 had an accumulated deficit of $449,591 (December 31, 2009 - $342,039).

The Company raised approximately $3,748,000, net of share issuance costs, during 2010 (2009 - $432,000) through private placements to fund the operations of the Company.

DESCRIPTION OF SECURITIES

No securities are being offered pursuant to this prospectus. This prospectus is being used to qualify the distribution of 14,695,533 of the aggregate 14,863,533 Common Shares and 7,347,767 of the aggregate 7,431,767 Warrants issuable upon the exercise of the aggregate 14,863,533 Special Warrants issued on December 22, 2010 and March 7, 2011 and the distribution of an aggregate 1,142,608 Agent's Compensation Warrants issuable upon the exercise of an aggregate of 1,142,608 Agent's Special Warrants issued on December 22, 2010.

Special Warrants

The Company has issued and outstanding 1,809,333 Flow Through Special Warrants, 9,214,200 2010 Ordinary Special Warrants, and 3,840,000 2011 Ordinary Special Warrants. Each Special Warrant is exercisable, for no additional consideration, into one Common Share and one-half of one Warrant. Each whole Warrant entitles the holder to purchase one Common Share at an exercise price of $0.50 per Common Share for a period of 18 months from the date of issuance of the Special Warrant from which it was exercised. The Flow Through Special Warrants and the 2010 Ordinary Special Warrants are subject to adjustment in the event the Company has not completed a Liquidity Event, as such term is defined in the certificates representing the special warrants, within 6 months of closing. D&D Securities Inc. acted as lead agent under the Brokered Private Placement (see "*Material Contracts*").

The Special Warrant Certificates provide that the Special Warrants may be exercised by their holders at any time prior to the Special Warrant Expiry Time, being the earlier of: (i) 3 business days following the completion of a Liquidity Event; and (ii) June 25, 2011 (the "Expiry Date"), unless amended with the consent of the holders of Special Warrants. If not exercised by the holder prior to the Expiry Date, the Special Warrants will be automatically exercised without further action by the holder. A "Liquidity Event" is defined as the completion by the Company of each of the items listed under either (i) or (ii) below:

(i) (A) an initial public offering in Canada of the Common Shares (a "Public Offering");

(B) becoming a reporting issuer in any jurisdiction in Canada, and taking all the necessary regulatory steps and proceedings (including, if necessary, the clearing with applicable securities regulatory authorities of a prospectus) to ensure that the Common Shares will be freely tradable securities in each of Alberta and Ontario without restriction as of the time of closing of the Public Offering, except for those restrictions which may be imposed by the agent(s) of the Public Offering consistent with industry practice and not to exceed one year, without the prior consent of the Agent; and

(C) obtaining a listing of the Common Shares on the Toronto Stock Exchange, the TSX Venture Exchange or the Canadian National Stock Exchange; or

(ii) A transaction which provides the holders of Special Warrants with comparable liquidity that such holders would have if the Public Offering occurred, whether by means of a reverse take-over, merger, amalgamation, arrangement, take-over bid, insider bid, reorganization, joint venture, sale of all or substantially all assets, exchange of assets or similar transaction or other combination with a public corporation or such transaction as may be acceptable to the Agent, acting reasonably.

Additionally, if a Liquidity Event has not occurred on or before June 22, 2011, any Flow Through Special Warrant having thereby been automatically exercised as described above will receive one Common Share and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant) upon exercise thereof, without payment of any additional consideration and any 2010 Ordinary Special Warrant having thereby been automatically exercised as described above will receive 1.1 Common Share and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant) upon exercise thereof, without payment of any additional consideration.

Any Special Warrants not exchanged prior to 4:30 p.m. (Toronto time) on the Expiry Date will be deemed to have been exchanged immediately prior thereto without any further action on the part of the holder. All Special Warrants unexercised as of the Special Warrant Expiry Time will be automatically exercised into Shares without further action from the holders thereof.

The Company has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus exempt transaction under which the special warrant was initially acquired. The contractual right of rescission provides that if a holder of a special warrant who acquires another security of the issuer on exercise of the special warrant as provided for in the prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the prospectus or an amendment to the prospectus containing a misrepresentation;

(a) the holder is entitled to rescission of both the holder's exercise of its special warrant and the private placement transaction under which the special warrant was initially acquired;

(b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the underwriter or issuer, as the case may be, on the acquisition of the special warrant; and

(c) if the holder is a permitted assignee of the interest of the original special warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

Agent's Special Warrants

The Company has also issued and outstanding 1,142,608 Agent's Special Warrants, issued to the Agent according to the Brokered Private Placement on December 22, 2010, pursuant to the Agency Agreement. The Agent's Special Warrants were issued pursuant to prospectus exemptions under applicable securities legislation. (See "*Material Contracts*").

Each Agent's Special Warrant entitles the holder thereof to acquire one Agent's Compensation Warrant at a price of $0.50 per Agent's Compensation Warrant on the same exercise terms as the 2010 Ordinary Special Warrants. Each Agent's Compensation Warrant is exercisable by the Agent into one Common Share and one half of one Agent's Warrant until June 20, 2012, upon payment by the Agent of $0.50 per Agent's Compensation Warrant. Each Agent's Warrant is exercisable by the Agent into one Common Share until June 20, 2012, upon payment by the Agent of $0.75 per Common Share.

Authorized Share Capital

The authorized share capital of the Company is an unlimited number of Class A common shares (referred to throughout this prospectus as the "Common Shares"), an unlimited number of Class B common shares and an unlimited number of Class C shares. As of the date of this Prospectus, there are 20,257,065 Class A Common Shares, nil Class B common shares and nil Class C shares issued and outstanding.

Class A Common Shares

Common Shareholders are entitled to receive notice of, attend at and vote at all meetings of shareholders on the basis of one vote for each Common Share held.

Subject to the rights of the holders of any class of shares ranking senior to the Common Shares, the holders of the Common Shares shall be entitled to receive and participate rateably in any dividends declared by the Board of Directors of the Company except in respect of such dividends as may be declared in favour of the holders of Class B Common Shares, Class C Shares or any other class of shares issued by the Company to the exclusion of the holders of Common Shares. No dividend shall be declared or paid on Common Shares in respect of entitlement to share in the remaining property of the Company in the event of the liquidation, dissolution or winding up of the Company or other distribution of assets or property for the purpose of winding up the affairs of the Company, if such declaration or payment would cause the realizable value of the assets of the Company to be less than the aggregate of:

(i) its liabilities;

(ii) the stated capital of all issued and outstanding shares of the Company; and

(iii) the amount the Company would be required to pay on a complete redemption or purchase of any issued and outstanding redeemable preferred shares in the capital of the Company.

Subject to the rights of the holders of any class of shares ranking senior to the Common Shares, in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Common Shares and Class B Common Shares shall be entitled to share rateably in the distribution of the remaining assets of the Company.

Class B Common Shares

The holders of Class B Common Shares shall not be entitled to receive notice of, attend at or vote at all meetings of shareholders.

Subject to the rights of the holders of any class of shares ranking senior to the Class B Common Shares, the holders of the Class B Common Shares shall be entitled to receive and participate rateably in any dividends declared by the Board of Directors of the Company except in respect of such dividends as may be declared in favour of the holders of Class A Common Shares, Class C Shares or any other class of shares issued by the Company to the exclusion of the holders of Class B Common Shares. No dividend shall be declared or paid on Class B Common Shares in respect of entitlement to share in the remaining property of the Company in the event of the liquidation, dissolution or winding up of the Company or other distribution of assets or property for the purpose of winding up the affairs of the Company, if such declaration or payment would cause the realizable value of the assets of the Company to be less than the aggregate of:

(i) its liabilities;

(ii) the stated capital of all issued and outstanding shares of the Company; and

(iii) the amount the Company would be required to pay on a complete redemption or purchase of any issued and outstanding redeemable preferred shares in the capital of the Company.

Subject to the rights of the holders of any class of shares ranking senior to the Class B Common Shares, in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Class A Common Shares and Class B Common Shares shall be entitled to share rateably in the distribution of the remaining assets of the Company.

Class C Shares

The Class C Shares shall be issuable in one or more series at any time and from time to time.

The Directors of the Company, by resolution made prior to the issuance of Class C Shares of a particular series, shall fix the number of Class C Shares in the particular series and shall determine the designation, rights, privileges, restrictions and conditions attaching to the Class C Shares of the particular series.

The Directors of the Company may change the rights, privileges, restrictions and conditions attached to unissued shares of any series.

CONSOLIDATED CAPITALIZATION

The following table summarizes the Company's capitalization at December 31, 2010 and as of the date of this Prospectus:

Description	Outstanding as at December 31, 2010[(1)]	Outstanding as at the date of this prospectus[(2)]	Outstanding as the date of this prospectus on a fully-diluted basis[(3)]
Common Shares	17,680,768 $3,262,830	20,257,065 $3,979,720	58,824,403 $15,409,464
Special Warrants	11,023,533[(4)] $2,846,350	14,863,533[(4)] $3,806,350	nil
Long-term Debt	$nil	$nil	$nil

Notes

(1) Does not include the 11,023,533 shares reserved for issuance on exercise of outstanding Special Warrants, the 5,511,766 shares reserved for issuance on exercise of Warrants underlying the Special Warrants, the 569,904 Common Shares reserved for issuance on exercise of outstanding Unit Warrants, the 1,142,608 Common Shares reserved for issuance on exercise of outstanding Agent's Compensation Warrants underlying the Agent's Special Warrants and the 571,304 shares reserved for issuance on exercise of Agent's Warrants underlying the Agent's Compensation Warrants, the 47,716 Common Shares reserved for issuance on exercise of outstanding Finder Compensation Warrants or the 3,430,220 shares reserved for issuance on exercise of outstanding stock options.

(2) Does not include the 14,863,533 shares reserved for issuance on exercise of outstanding Special Warrants, the 7,431,767 shares reserved for issuance on exercise of Warrants underlying the Special Warrants, the 569,904 Common Shares reserved for issuance on exercise of outstanding Unit Warrants, the 1,142,608 Common Shares reserved for issuance on exercise of outstanding Agent's Compensation Warrants underlying the Agent's Special Warrants and the 572,704 shares reserved for issuance on exercise of Agent's Warrants underlying the Agent's Compensation Warrants, the 481,224 Common Shares reserved for issuance on exercise of outstanding Finder Compensation Warrants or the 3,430,220 shares reserved for issuance on exercise of outstanding stock options

(3) Assumes the exercise of 14,863,533 Common Shares reserved for issuance on exercise of outstanding Special Warrants, the 7,431,767 shares reserved for issuance on exercise of Warrants underlying the Special Warrants, the 10,103,306 shares reserved for issuance on exercise of Unit Warrants, the 3,430,220 shares reserved for issuance on

exercise of outstanding stock options, the 1,142,608 Common Shares reserved for issuance on exercise of outstanding Agent's Compensation Warrants underlying the Agent's Special Warrants, the 572,704 shares reserved for issuance on exercise of Agent's Warrants underlying the Agent's Compensation Warrants, the 481,224 Common Shares reserved for issuance on exercise of outstanding Finder Compensation Warrants.

(4) Assumes that the Liquidity Right is not exercised.

Warrants

At the date of December 31, 2010 there were 8,436,650 Common Share purchase warrants issued outstanding, each of which entitle the holder thereof to purchase one Common Share in the capital of the Company at a weighted average exercise price of $0.38 per share until December 31, 2012. See "*Prior Sales*".

OPTIONS TO PURCHASE SECURITIES

The Company has adopted an incentive stock option plan dated February 3, 2011 (the "**Plan**"), and the Plan is the Company's only equity compensation plan. The Plan is a fixed stock option plan, under which 20% of the outstanding Shares as at April 8, 2011, or 7,024,120 Shares, are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Company by facilitating the efforts of the Company and its subsidiaries to attract and retain directors, senior officers, employees, management company employees and consultants. The Plan provides an incentive for and encourages ownership of the Shares by such persons to induce them to make a maximum contribution to the Company's success and to benefit from increases in the value of the Shares.

The following information is intended to be a brief description and summary of the material features of the Plan.

(a) The number of Shares that are available for grants of options under the Plan shall be such number as may from time to time be fixed by the Board or the Compensation Committee, provided that the aggregate number of Shares subject to director, senior officer, employee, management company employee and consultant incentive stock options, whether granted under the Plan or otherwise, shall not at any time exceed 20% of the number of outstanding Shares from time to time, calculated at the time of grant. Shares subject to options that have lapsed or been terminated, whether granted under the Plan or otherwise, shall upon such lapse or termination become available for option grants under the Plan.

(b) The purchase price of the Shares upon exercise of each option granted under the Plan shall be determined as follows: (i) until such time as the Shares are listed on a prescribed stock exchange or another stock exchange, the exercise price of the options granted under the Plan shall be determined by the Board or the Compensation Committee in its discretion; (ii) from and after the date that the Shares are listed on a stock exchange, but subject to (iii) below, the exercise price of the options granted under the Plan shall be fixed by the Board or the Compensation Committee at the time of the grant, such exercise price not to be less than the closing price at which the Shares were traded on such stock exchange on the most recent day upon which at least one board lot was traded on the stock exchange, less the maximum discount therefrom permitted by such stock exchange; and (iii) within ninety (90) days after the date the Company has completed an initial public offering and within ninety (90) days after any other distribution of Shares subsequent to the initial public offering, the exercise price of the options granted under the Plan shall not be less than (1) the purchase price determined under paragraph (ii) above; and (2) the price per Share paid by the public for the Shares acquired under the initial public offering.

(c) The aggregate number of Shares reserved for issuance pursuant to options granted to: (i) any one individual in any twelve-month period shall not exceed 5% of the number of Shares then outstanding; (ii) any one consultant in any twelve-month period shall not exceed 2% of the number of Shares then outstanding; and (iii) all persons employed to conduct investor relations activities in any twelve-month period shall not exceed 2% in the aggregate of the number of Shares then outstanding.

(d) Each option shall become exercisable at such time(s) as may be determined by the Board or the Compensation Committee at the time of the grant. If no such time(s) are so determined, then subject as

hereinafter provided, each option (other than an option granted to a consultant performing investor relations activities for the Company or any of its subsidiaries) may be exercised from the date of the grant. Any option granted to a consultant performing investor relations activities for the Company or any of its subsidiaries shall vest in stages over a minimum of twelve (12) months, with no more than one fourth (1/4th) of the option vesting in any three (3) month period.

(e) Each option, unless sooner terminated in accordance with the terms, conditions and limitations of the option or unless sooner exercised, shall expire at the close of business on the date (the "Expiry Date") determined by the Board or the Compensation Committee at the time the option is granted, or failing such determination, on the fifth (5th) anniversary of the date of the grant of the option, provided that no option shall have a term exceeding five (5) years from the date of the grant, subject to the terms of the Plan.

(f) In the event that an optionee ceases to be eligible to receive options under the Plan, then such option shall remain exercisable for a period of ninety (90) days thereafter, provided that (i) in the event that an optionee conducting investor relations activities for the Company ceases to be eligible, an option granted to such optionee may only be exercisable for thirty (30) days thereafter; and (ii) in the event of the termination of the optionee by reason of disability, or by reason of retirement with the consent of the Board, an option granted to such optionee may be exercisable for one (1) year thereafter; and (iii) in the event of the death of the optionee, an option granted to such optionee may be exercised in whole or in part by the legal personal representatives of the optionee for one (1) year thereafter. Notwithstanding any of the foregoing, no options can be exercised after the Expiry Date thereof.

The following table summarizes the options of the Company outstanding as of the date of this prospectus. As of the date hereof there are 3,430,220 options outstanding:

The following table summarizes the options of the Company outstanding as of the date of this prospectus:

Group	Number of Options/ Rights	Securities Under Options/ Rights	Grant Date	Expiry Date	Exercise Price per Common Share $	Market Value of Common Shares on Grant Date $	Market Value of Common Shares as of Date of Prospectus $
Executive officers and past executive officers of the Company as a group	1,600,000	1,600,000	Various	December 31, 2016	$0.25	$0.25	$0.25
Directors and past directors of the Company as a group	1,485,000	1,485,000	Various	December 31, 2016	$0.25	$0.25	$0.25
Consultants of the Company as a group	345,220	345,220	Various	December 31, 2016	$0.25	$0.25	$0.25
Total	**3,430,220**	**3,430,220**	**-**	**-**	**$0.25**	**$0.25**	**$0.25**

PRIOR SALES

Units

The following table summarizes the sales of Units of the Company for the twelve (12) month period prior to the date of this Prospectus:

Date	Number of Shares	Number of Warrants	Issue Price per Share	Aggregate Issue Price	Consideration Received
July 2010	50,000	25,000	$0.30	$0.30	$15,000
August 2010	444,000	222,000	$0.30	$0.30	$133,200
September 2010	1,152,334	576,167	$0.30	$0.30	$342,700
October 2010	190,000	80,000	$0.29	$0.29	$54,500
November 2010	1,594,334	797,167	$0.29	$0.29	$440,300
December 2010	1,761,000	880,500	$0.29	$0.29	$516,300
February 2011	673,300	336,650	$0.26	$0.26	$173,990
March 2011	2,576,297	1,288,149	$0.26	$0.26	$731,889
April 2011	240,000	16,800	$0.26	$0.26	$60,000

Special Warrants

The following table summarizes the sales of Special Warrants of the Company for the twelve (12) month period prior to the date of this Prospectus:

Date	Number of Flow Through Special Warrants	Number of 2010 Ordinary Special Warrants	Number of 2011 Ordinary Special Warrants	Issue Price per Flow Through Special Warrant	Issue Price per 2010 Ordinary Special Warrant	Issue Price per 2011 Ordinary Special Warrant	Consideration Received
December 2010	1,809,333	9,214,200	Nil	$0.30	$0.25	$0.25	$2,831,350
March 2011	Nil	Nil	3,840,000	$0.30	$0.25	$0.25	$960,000

Trading Price and Volume

The securities of the Company are not traded or quoted on any stock exchange or other Canadian market place.

ESCROWED SECURITIES AND OTHER SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Pursuant to National Policy 46-201 Escrow for Initial Public Offerings (the "**Escrow Policy**"), the securities held by principals of the Company will be subject to the terms of an escrow agreement for a period of time following the Company's offering as an incentive for the principals to devote their time and attention to the Company's business

while they are securityholders. Principals include all persons or companies that, on the completion of the Company's offering, fall into one of the following categories:

a) Directors and senior officers or the directors and senior officers of a material operating subsidiary;
b) Promoters during the two years preceding the offering;
c) Those who own and/or control more than 10% of the Company's voting securities immediately before and immediately after completion of the offering if they also have appointed or have the right to appoint one or more of the Company's directors or senior officers or one or more of the directors or senior officers of a material operating subsidiary;
d) Those who own and/or control more than 20% of the Company's voting securities immediately before and immediately after completion of the offering; and
e) Associates and affiliates of any of the above.

A company, trust, partnership or other entity where more than 50% of the voting securities are held by one or more principals will be treated as a principal. A principal's spouse and their relatives that live at the same address as the principal will also be treated as principals and any securities of the issuer they hold will be subject to escrow requirements. A principal that holds securities carrying less than 1% of the voting rights attached to an issuer's outstanding securities immediately after its initial public offering is not subject to escrow requirements.

The following table sets out the number of securities of the Company (including common shares to be issued upon the exercise or deemed exercise of Special Warrants) that are being held in escrow:

Designation of class	**Number of securities held in escrow**	**Percentage of class[(1)]**
Common Shares	3,359,257	9.6%
Unit Warrants	2,172,600	12.4%

(1) Assuming the exercise or deemed exercise of all outstanding Special Warrants.

(2) The principals' securities are being held in escrow pursuant to an escrow agreement dated July 21, 2011 among the Company, Olympia Transfer Services Inc. ("Olympia Transfer") and the principal shareholders. The Escrow Agreement, as amended, relates to 3,337,300 common shares issued at prices of between $0.10 and $0.25 per share and 2,172,300 Unit Warrants at exercise prices of between $0.25 and $0.50 per share. As the Company will be considered an 'emerging issuer' as that term is defined under the Escrow Policy, the escrowed securities will be released according to the following schedule:

On the date the Company's securities are listed on a Canadian exchange (the listing date)	1/10 of the escrowed securities
6 months after the listing date	1/6 of the escrowed securities
12 months after the listing date	1/5 of the escrowed securities
18 months after the listing date	1/4 of the escrowed securities
24 months after the listing date	1/3 of the escrowed securities
30 months after the listing date	1/2 of the escrowed securities
36 months after the listing date	the remaining escrowed securities

In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 15% after completion of the release on the listing date.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company, as of the date of this Prospectus no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares.

DIRECTORS AND EXECUTIVE OFFICERS

The following table provides the names of the current and proposed directors and executive officers of the Company, their municipalities of residence, position, principal occupations and the number of voting securities of the Company that each of the individuals beneficially owns, controls or directs, directly or indirectly, as of the date hereof (before and after the exercise of the Special Warrants):

Name and Municipality of Residence	Position with the Company/ Director and Officer Since	Principal Occupation	No. and Percentage of Common Shares as at April 8, 2011[1]	No. and Percentage of Common Shares after giving effect to the exercise of Special Warrants as at April 8, 2011 [1]
Stephen Konopelky[2] [4] Calgary, Alberta	President, Chief Executive Officer and Director since May 12, 2008	CEO, President of SMM since May 2008; President, IPH Developments Inc. (a business and financial consulting company) since 1999	2,500,000 12.34%	2,500,000 7.12%
Daryn Gordon Calgary, Alberta	Chief Financial Officer since November 17, 2010	CFO of SMM since November 2010; Senior Financial Analyst at Maxim Power Corp. from 2006 to 2010; Manager, Grant Thornton LLP from 2004 to 2006	Nil	Nil
Vince Goegan[3] Calgary, Alberta	Chairman and Director since December 20, 2010	President Goegan & Associates (Corporate Strategic Planning Consultants) since 2006; Assistant Vice President, Logistics Canadian Pacific Railway Company from 2004 to 2006	80,000 0.39%	80,000 0.23%
Charles Burgess[2] [3] Calgary, Alberta	Director since November 14, 2008	President, Mana Investments Inc. (Tax and Business Consulting) since 2002.	Nil	Nil

Daniel Belot[2] [3] [4] Calgary, Alberta	Director since December 20, 2010	Vice-President, Finance and Chief Financial Officer of Skope since November 2010. Prior thereto, Vice President, Finance and Chief Financial Officer of Petrodorado Energy Ltd. (a public energy company) from Nov 2009 to Sept 2010; prior thereto Vice President Finance and Chief Financial Officer of Trafalgar Energy Ltd. (a public energy company) from June 2006 to July 2009; prior thereto Vice President Finance and CFO at Baytex Energy Trust (a public oil and gas energy trust) from Sept 2003 to Oct 2005	400,000 1.97%	400,000 1.14%
Scott Reeves Calgary, Alberta	Corporate Secretary since December 20, 2010	Partner, TingleMerrett LLP (Corporate Finance Law) since Oct 2003	47,600 0.23%	47,600 0.14%

Notes:

(1) The information as to securities beneficially owned or over which control or direction is exercised, not being within the knowledge of SMM, has been furnished by the respective parties.
(2) Member of the Audit Committee
(3) Member of the Compensation Committee
(4) Member of the Technical/Resource Committee

As at the date herein, as a group, the directors and executive officers of the Company held an aggregate of 9.40% of the Common Shares of the Company after the exercise of the Special Warrants

Business Experience

The following is a brief account of the education and business experience of each director and executive officer during at least the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which he was employed.

Steve Konopelky, Age 44 - President, Chief Executive Officer and Director: Steve brings a dynamic leadership approach to the company through his 17 years of business experience, including corporate structures, finance and marketing across various industries. Since 1999, he has provided business and financial consulting services to Canadian businesses through his consulting company, IPH Developments Inc. He is a founding Director and past President of IC2E International Inc. (a medical and insurance technology company), where he was primarily responsible for the initial acquisition and structuring of IC2E Inc. from 2004 to 2006. Prior to IC2E, he was Vice President of a power development company, responsible for business development and marketing and was the Vice President for a private subsidiary of a large insurance company's thermal power division. Steve holds a Bachelor of Arts degree from the University of Toronto majoring in Economics. Mr. Konopelky spends approximately 100% of his time on Company affairs, providing management services to the Company and has entered into an employment agreement with Company which contains a non-competition and non-disclosure clause.

Daryn Gordon, CA, Age 33 - Chief Financial Officer: Daryn has over twelve years of finance and accounting experience with publicly traded companies. He obtained his Chartered Accountant designation at an international accounting firm in which he has obtained extensive audit, corporate reporting and financial control analysis experience. As a manager with a national accounting firm, Daryn acquired experience with junior energy and

mining companies. Since leaving public practice, Daryn was a Senior Financial Analyst at Maxim Power Corp. from 2006 to 2010. Daryn spends approximately 50% of his time on Company affairs and Mr. Gordon's consulting company, Gordon & Company, has entered into a consulting agreement with Company (as an independent contractor) which contains a non-competition and non-disclosure clause.

Vince Goegan, Age 57 – Director: Vince is a retired corporate executive with Canadian Pacific Railways ("CPR") with over 28 years of business experience. He led various initiatives for CPR including, National Sales, Contracts Supply, Corporate Strategic Planning, North American Logistics, as well as leading a team to overhaul many of CPR's core operation systems. Vince brings a global business perspective to the Company and, since his retirement, has founded his own consulting company with engagements involving a number of major companies across North America.

Charles Burgess, LLB, Age 50 – Director: Charles is a lawyer practicing in the areas of business and tax law. He previously specialized in the area of sophisticated tax structures and investment strategies. In addition, he has been involved in a full range of tax transactions, including corporate reorganizations, financings, estate planning issues and cross-border financings throughout various industries. Charles practiced tax law with Burnet, Duckworth & Palmer and was a partner in the tax group at Fraser Milner Casgrain. Charles is currently a director on various public and private companies. Mr. Burgess spends approximately 10% of his time on Company affairs.

Daniel G. Belot, BA, Age 48 – Director: Daniel has over 25 years of extensive financial experience. Dan is currently the VP Finance and CFO of Skope Energy Inc., a public natural gas production company. Prior to this, he was the CFO of Petrodorado Energy a public international oil exploration company. From 2006 to 2009, Dan was the Vice President Finance, CFO and co-founder of Trafalgar Energy Ltd, a Canadian public oil and natural gas producer. From September 2003 to October 2005, Mr. Belot was the Vice President Finance and CFO at Baytex Energy Trust, a Canadian oil and gas energy trust. Prior to joining Baytex, Mr. Belot spent three years as the Manager, Investor Relations for Pengrowth Energy Trust. He has additional relevant experience as an investment and corporate banker with Scotia Capital. Mr. Belot holds a Bachelors degree in Economics from the University of Calgary.

Scott Reeves, B.Comm., LLB, Age 41 – Corporate Secretary: Scott is a partner at the law firm of Tingle Merrett LLP. He has acted for numerous Canadian and International public and private corporations, including technology, oil and gas, mining and industrial issuers, and has wide experience in private and public debt and equity offerings, corporate acquisitions of assets and/or shares, corporate structurings and debt financing. He has extensive experience assisting issuers intending to list and operate on Canadian stock exchanges and teaches nationally in the area of e-Commerce financing. He is currently a director or officer of several Canadian public and private companies. Scott has been with Tingle Merrett LLP since 2003, prior to which he was an associate with Bennett Jones LLP. He has a Bachelor of Commerce degree (honours - 1990) from the University of Alberta and a Bachelor of Laws degree (honours - 1995) from the University of Alberta. Scott spends approximately 5% of his time on Company affairs.

Robert Didur, B.A.Sc., P.Eng., Age 62 - Geological Consultant: Robert has over 39 years of mining experience and, as a consultant, has created and led mine development projects for many large international mining organizations. His experience stems from broad experience across all facets of the mining business including scoping, pre-feasibility and due diligence studies, mine development and planning, mine operations and project construction, stope mining and exploration. Robert has provided geological consulting services to BHP Billiton's Ekati Diamond Mine, Iron Ore Company of Canada, Esso Resources Canada, Patino Mines Quebec, and Nuna Logistics (contractor) and is currently a Senior Associate Mining Engineer with Watts, Griffis and McOuat Consulting Geologists and Engineers, a position he has held since 2005. Mr. Didur spends approximately 50% of his time on Company affairs and has entered into a consulting agreement with Company (as an independent contractor) which contains a non-competition and non-disclosure clause.

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below, none of our directors or executive officers is or, within 10 years before to the date of this Prospectus has been, a director or chief executive officer or chief financial officer of any company that while the director or officer was acting in that capacity, was the subject of:

(a) a cease trade or similar order (including a management cease trade order that applied to the directors or executive officers of the company) for a period of more than 30 consecutive days; or

(b) an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days;

(c) was subject to an order of the type referred to in subparagraphs (i) or (ii) above that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer of the company that resulted from an event that occurred while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer of that company.

Other than as disclosed below, none of our directors or executive officers, nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor in the case of (b) below any personal holding company of any of the foregoing:

(a) is or, within 10 years before to the date of this Prospectus has been, a director or executive officer of any company that, while the director, officer or shareholder was acting in that capacity or within a year of the director, officer or shareholder ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within 10 years before to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Reeves was a director and corporate secretary of Kodiak Energy Services Ltd. which received an order of the Court of Queen's Bench of Alberta on March 11, 2005 protecting it from proceedings by creditors pursuant to the Company Creditors Arrangement Act. On August 10, 2005, Kodiak Energy Services Ltd. received an order of the Court of Queen's Bench of Alberta appointing RSM Richter as receiver. On October 21, 2005, Kodiak Energy Services Ltd. received a cease trade order from the Alberta Securities Commission for failure to file financial statements. Since a receiver had been appointed for Kodiak on August 10, 2005, the officers and directors of Kodiak were no longer in control of the assets or undertaking of Kodiak, having been replaced by RSM Richter (the Receiver), and the filing of Kodiak's public continuous disclosure materials was not made.

Penalties or Sanctions

None of our directors or executive officers, nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor any personal holding company of any of the foregoing, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

None of our directors, officers or principal shareholders, or personal holding company of such persons, have, within the last 10 years, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or

been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Conflicts of Interest

The Company's directors and officers serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will disclose his interest in the matter and abstain from voting for or against the approval of such participation or such terms. The directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of the Company are not aware of any such conflicts of interests.

AUDIT COMMITTEE

The Audit Committee Charter:

Mandate

The primary function of the audit committee (the "Committee") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting, and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

Composition

The Committee shall consist of at least three directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the Canadian National Stock Exchange ("CNSX"). At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

Meetings

The Committee shall meet at least annually, or more frequently as circumstances dictate. Meetings may be by telephone conference call if this is deemed appropriate. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Audit Committee members with copies to the Board of Directors, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review:

- Review and update this Charter annually.
- Review the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors:

- Require the external auditors to report directly to the Committee.
- Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.
- Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company and confirming their independence from the Company.
- Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
- Review with management and the external auditors the terms of the external auditors' engagement letter.
- At each meeting, consult with the external auditors if deemed necessary, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

- Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

- Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    - the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent (5%) of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;

    - such services were not recognized by the Company at the time of the engagement to be non-audit services; and

    - such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

- Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Process:

- In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.

- Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

- Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.

- Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

- Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

- Review any significant disagreement among management and the external auditors regarding financial reporting.

- Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

- Review the certification process.

- Establish procedures for:

    - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

    - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other:

- Review disclosure of any related-party transactions.

Authority

The Committee may:

- engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- set and pay the compensation for any advisors employed by the Committee; and
- communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Company's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

Composition of the Committee

The Company's audit committee is composed of Daniel Belot, Steve Konopelky and Charles Burgess. Mr. Burgess and Mr. Belot are independent of the audit committee and are considered to be financially literate as defined in National Instrument 52-110 – Audit Committees.

Relevant Education and Experience

Daniel Belot – Mr. Belot holds a Bachelors degree in Economics from the University of Calgary and over 25 years of extensive financial experience including Chief Financial Officer of several publicly listed entities. He has additional relevant experience as an investment and corporate banker with Scotia Capital.

Steve Konopelky – Mr. Konopelky holds a Bachelor degree from the University of Toronto majoring in Economics and also accredited designations in financial, investment and risk management areas. He has 17 years of business experience, including corporate structures, finance and marketing across various industries.

Charles Burgess – Mr. Burgess has a law degree from the University of Ottawa and is a lawyer practicing in the areas of business and tax law. He previously specialized in the area of sophisticated tax structures and investment strategies. In addition, he has been involved in a full range of tax transactions, including corporate reorganizations, financings, estate planning issues and cross-border financings throughout various industries.

External Auditor Service Fees (By Category)

The aggregate fees for the three most recently completed fiscal periods ended December 31, 2010, 2009 and 2008 for professional services rendered by MNP LLP, Chartered Accountants for the audit of our annual financial statements and services normally provided by the independent accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Audit Fees and Audit Related Fees	$12,840	$7,490	$7,490
Tax Fees	-	-	-
All Other Fees	-	-	-
Total	**$12,840**	**$7,490**	**$7,490**

In the above table, "audit fees" are fees billed by our external auditor for services provided in auditing our annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of our financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

Exemption

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

CORPORATE GOVERNANCE

Pursuant to National Policy 58-101 Disclosure of Corporate Governance Practices, the Company is required to and hereby discloses its corporate governance practices as follows:

Board of Directors

The Board of Directors of the Company facilitates its exercise of independent supervision over the Company's management through frequent meetings of the Board.

Charles Burgess, Vince Goegan and Daniel Belot are our "independent" board members in that they are independent and free from any interest and any business or other relationship which could or could reasonably be perceived to, materially interfere with the director's ability to act with the best interests of the Company, other than the interests and relationships arising from shareholders.

Directorships

The following table sets out the directors and officers of the Company that are presently directors of other issuers that were or are reporting issuers:

Director/Officer	Other Directorships
Charles Burgess	Lime Hill Capital Corp. – TSX Venture Exchange

Director/Officer	Other Directorships
Scott Reeves	Edge Resources Inc. – TSX Venture Exchange Forent Energy Ltd. – TSX Venture Exchange Canyon Creek Food Company Ltd. – TSX Venture Exchange Guardian Exploration Inc. – TSX Venture Exchange
Daniel Belot	Skope Energy Inc. – Toronto Stock Exchange

Orientation and Continuing Education

The Company has not yet developed an official orientation or training program for new directors. The Corporate Governance Committee however, is responsible for overseeing continuing education for all directors. As required, new directors will have the opportunity to become familiar with the Company by meeting with the other directors and with officers and employees. Orientation activities will be tailored to the particular needs and experience of each director and the overall needs of the Board.

Ethical Business Conduct

The Board of Directors has enacted a Code of Business Conduct and Ethics, and monitors the ethical conduct of the Company and ensures that it and its management comply with the Code of Business Conduct and Ethics, and with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board of Directors has found that the Code of Business Conduct and Ethics, the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board of Directors in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Nomination of Directors

The board is responsible for identifying new director nominees. In identifying candidates for membership on the board, the board takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity and the extent to which the candidate would fill a present need on the board. As part of the process, the board, together with management, is responsible for conducting background searches, and is empowered to retain search firms to assist in the nominations process. Once candidates have gone through a screening process and met with a number of the existing directors, they are formally put forward as nominees for approval by the board.

As of the date of this prospectus, we did not affect any material changes to the procedures by which our stockholders may recommend nominees to our board of directors.

Other Board Committees

Compensation Committee

The Compensation Committee is comprised of three directors, all of whom are independent. The Compensation Committee's mandate includes developing appropriate compensation policies for the senior management and directors of the Company, including the Company's stock option plan, and evaluating senior management. These responsibilities include assessing reporting and making recommendations to the board of directors for their consideration and approval. The Compensation Committee recognizes the following objectives in making its recommendations to the Board of Directors: (i) offering competitive compensation to attract, retain and motivate the very best qualified executives in order for the Company to meet its goals; and ii) acting in the interests of the Company and its shareholders by being fiscally responsible. The Compensation Committee will meet at least annually to fulfill its mandate. The Compensation Committee is comprised of Messrs Goegan, Belot and Burgess.

Technical/Resource Committee

The Technical/Resource Committee is comprised of three directors, two of whom are independent. The Technical Committee's mandate includes: (i) monitoring the Company's exploration and development programs; (ii) evaluating and assessing the effectiveness of the Company's environmental compliance policies; and (iii) reviewing the make-up and needs of the Company in respect of technical personnel. The Technical/Resource Committee will meet at least annually to fulfill its mandate. The Technical/Resource Committee is comprised of Messrs Didur, Konopelky and Goegan.

Assessments

The board intends that individual director assessments be conducted by other directors, taking into account each director's contributions at board meetings, service on committees, experience base, and their general ability to contribute to one or more of our major needs. However, due to our stage of development and our need to deal with other urgent priorities, the board has not yet implemented such a process of assessment.

EXECUTIVE COMPENSATION

Executive Compensation

The particulars of compensation paid during our financial years ended December 31, 2010, 2009 and 2008 to our Chief Executive Officer and our Chief Financial Officers, being the only persons who would qualify as "named executive officers" under National Instrument 51-102F6 – Executive Compensation, are set out in the following summary compensation table.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Steve Konopelky[(1)] President, Chief Executive Officer	2010 2009 2008	72,000 72,000 36,000	Nil Nil Nil	Nil Nil Nil	45,932[(3)] Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	123,932 72,000 36,000
Daryn Gordon[(2)] Chief Financial Officer	2010	6,500	Nil	Nil	Nil	Nil	Nil	Nil	6,500
Steve Konopelky[(4)] Chief Financial Officer	2010 2009 2008	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil

Note:

(1) Steve Konopelky has been our chairman, Chief Executive Officer and President, since May 12, 2008. Includes amounts paid to IPH Developments Inc., the company through which Mr. Konopelky provides management services to Silver Mountain.

(2) Daryn Gordon has been the Chief Financial Officer since November 17, 2010. Prior to Mr. Gordon's appointment, the Company did not have a Chief Financial Officer through which Mr. Gordon provides accounting services to Silver Mountain through his Consulting company, Gordon and Company.

(3) Based on Black-Scholes option pricing for 350,000 options granted in 2010.

(4) Steve Konopelky acted as Chief Financial Officer from May 12, 2008 until November 17, 2010.

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive stock options at the discretion of our board of directors in the future. We do not have any material profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of our board of directors from time to time. We have no plans or arrangements in respect of remuneration received or that may be received by our executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control.

Termination of Employment, Change in Responsibilities and Employment Contracts

Other than as described below, the Company is not a party to any contracts, and has entered into plans and arrangements which may require compensation to be paid to any of its Directors, officers or employees in the event of resignation, retirement or any other termination of employment with the Company, a change of control of the Company, or a change in the director, officer or employee's responsibilities following a change of control.

Effective as of March 1, 2011, the Company entered into an employment agreement with Steve Konopelky, pursuant to which Mr. Konopelky agreed to continue to be employed as the President and Chief Executive Officer of the Corporation. Mr. Konopelky's employment agreement provides for gross annual remuneration of $150,000 reviewed and approved annually by the Compensation Committee, a monthly vehicle allowance and such benefits as the Corporation may offer to its officers and employees from time to time. Under the agreement, Mr. Konopelky also received a signing bonus in the amount of $25,000. Mr. Konopelky is also entitled to be reimbursed for all reasonable travel and other out-of-pocket expenses incurred in the performance of his duties. Pursuant to his employment agreement, Mr. Konopelky is also entitled to receive such additional remuneration, by way of lump sum bonus or otherwise, as the Compensation Committee may recommend and the board of directors may approve, to fairly compensate him for his contribution to the success of the Corporation generally and for his personal performance in discharging the duties and responsibilities of his office. Mr. Konopelky will also be entitled to receive new options awarded under the Stock Option Plan upon the recommendation of the Compensation Committee and the approval of the board of directors. See "*Executive Compensation – Options Granted During the Most Recently Completed Financial Year*" and "*Options to Purchase Securities*". Mr. Konopelky's employment agreement is for a three year (3) term, and may be terminated by the Corporation for cause, by reason of incapacity or death, or without cause, and may be terminated by Mr. Konopelky, as a result of retirement or resignation on not less than three month's notice to the Corporation. In the event that Mr. Konopelky's employment is terminated without cause by the Corporation, including in the case of change of control of the Company (defined in the agreement as the sale of all or substantially all of the assets of the Company, or the sale of fifty (50%) percent or more of the common shares of the Company) then Mr. Konopelky shall be entitled to a payment equal to two times the aggregate of: (i) his then current base salary per annum; plus (ii) the average of the aggregate of certain specified bonuses paid (if any) during the last two calendar years preceding the date of termination. In the event of any such termination, for any reason, any unvested stock options held by Mr. Konopelky would expire and terminate, and any vested options would have to be exercised within a specified period of time.

The Company has also entered into an agreement with Gordon and Company, a consulting company controlled by Daryn Gordon, for the provision of the services of Mr. Gordon acting as Chief Financial Officer of the Corporation at the annual rate of $60,000.00.

Compensation of Directors

The Company does not pay its directors any fees or compensation other than options for acting as directors. It has not paid any fees to any of its directors for acting as directors to date.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Indebtedness of Directors and Officers

Other than routine indebtedness for travel and other expense advances, no existing or proposed director or executive officer of the Company, or any associate of any of them, was indebted to the Company as at December 31, 2010, or is currently indebted to the Company or has any indebtedness to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

PLAN OF DISTRIBUTION

This Prospectus qualifies the distribution to the public 14,695,533 of the aggregate 14,863,533 Common Shares and 7,347,767 of the 7,431,767 Warrants issuable upon the exercise, without additional consideration, of the 14,863,533 Special Warrants. 168,000 of the Flow Through Special Warrants issued to residents of Manitoba were issued pursuant to a prospectus exemption and this Prospectus does not qualify the Common Shares and Warrants underlying such Flow Through Special Warrants. Accordingly, the Common Shares and Warrants issuable upon exercise of such Flow Through Special Warrants will be subject to resale restrictions under NI 45-102. This Prospectus also qualifies the distribution to the public of 1,142,608 Agent's Compensation Warrants issuable upon the exercise, without additional consideration, of the 1,142,608 Agent's Special Warrants. The Company has applied to list its Common Shares on the CNSX. Listing will be subject to the Company fulfilling all of the listing requirements of the CNSX, including without limitation the distribution of the Company's shares of common stock to a minimum number of public shareholders and the Company meeting certain financial and other requirements.

As at the date of this prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America.

Pursuant to the Agency Agreement, the Agent received from the Company, a cash commission equal to 7% of the aggregate Subscription Amount paid out of the proceeds of the 2010 Ordinary Special Warrant portion of the Brokered Private Placement and not from proceeds of the Flow Through Special Warrant portion of the Brokered Private Placement.

The certificates (the "**Special Warrant Certificates**") representing the Special Warrants provide that the Special Warrants may be exercised by their holders at any time prior to the Special Warrant Expiry Time. All Special Warrants unexercised as of the Special Warrant Expiry Time will be automatically exercised into Shares without further action from the holders thereof. The Company has undertaken to use its commercially reasonable efforts to prepare and file this Prospectus in the Selling Jurisdictions to qualify the distribution of the Common Shares and the Warrants issuable upon the exercise of the Special Warrants and to use its best efforts to obtain receipts for this Prospectus from the securities regulatory authority in each Selling Jurisdiction as soon as practicable following the applicable Special Warrant Private Placement closing date. This Prospectus qualifies the distribution of the Common Shares and Warrants issuable upon the exercise of the Special Warrants.

The Company also issued to the Agent and its subagents in aggregate that number of Agent's Special Warrants equal to 10% of the number of Special Warrants sold pursuant to the Brokered Private Placement or 1,142,608 Agent's Special Warrants. Each Agent's Special Warrant entitles the holder thereof to acquire one (1) Agent's Compensation Warrant at a price of $0.50 per Agent's Compensation Warrant on the same exercise terms as the 2010 Ordinary Special Warrants. Each Agent's Compensation Warrant is exercisable by the Agent into one Common Share and one half of one Agent's Warrant until June 20, 2012, upon payment by the Agent of $0.50 per Agent's Compensation Warrant. Each Agent's Warrant is exercisable by the Agent into one Common Share until June 20, 2012, upon payment by the Agent of $0.75 per Common Share. The Company also paid certain reasonable fees and expenses of the Agent in connection with the Brokered Private Placement, as set out in the Agency Agreement.

In addition, certain eligible firms ("**Finders**") received a cash commission equal to 7% of the aggregate Subscription Amount paid out of the proceeds of the 2011 Ordinary Special Warrant Private Placement. The Company also

issued to the Finders that number of Finder's Compensation Warrants equal, in the aggregate, to 7% of the number of Special Warrants sold pursuant to the 2011 Ordinary Special Warrant Private Placement or 398,507 Finder's Compensation Warrants. Each Finder's Compensation Warrant is exercisable by the Finder into one Common Share until September 15, 2012, upon payment by the Finder of $0.50 per Finder's Compensation Warrant. The Finder's Compensation Warrants were issued pursuant to a prospectus exemption and this Prospectus does not qualify the Finder's Compensation Warrant Shares issuable upon the exercise of the Finder's Compensation Warrants. Accordingly, the Finder's Compensation Warrants and the Finder's Compensation Warrant Shares will be subject to resale restrictions under NI 45-102.

RISK FACTORS

Much of the information included in this prospectus includes or is based upon estimates, projections or other "forward-looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other "forward-looking statements" involve various risks and uncertainties as outlined below. We caution readers of this prospectus that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward-looking statements". In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Our shares of common stock are considered speculative. Prospective investors should consider carefully the risk factors set out below.

Risks Associated with Business

Risks Associated with Mining

The Ptarmigan Property is in the exploration stage. There is no assurance that we can establish the existence of any mineral resource on the property in commercially exploitable quantities. Until we can do so, we cannot earn any revenues from operations and if we do not do so we will lose all of the funds that we expend on exploration. If we do not discover any mineral resource in a commercially exploitable quantity, our business could fail.

Despite exploration work on the Ptarmigan Property, we have not established that it contains any mineral reserve, nor can there be any assurance that we will be able to do so. If we do not, our business could fail.

The Ptarmigan Property has, historically, been a producing region. However, it is possible that the Ptarmigan Property does not contain sufficient mineral reserves to become a producing property. If it does not, our business could fail. Even if we do eventually discover a mineral reserve on our property, there can be no assurance that we will be able to develop it into producing mines and extract those resources. Both mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines.

The commercial viability of an established mineral deposit will depend on a number of factors including, by way of example, the size, grade and other attributes of the mineral deposit, the proximity of the resource to infrastructure such as a smelter, roads and a point for shipping, government regulation and market prices. Most of these factors will be beyond our control, and any of them could increase costs and make extraction of any identified mineral resource unprofitable.

Mineral operations are subject to applicable law and government regulation. Even if we discover a mineral resource in a commercially exploitable quantity, these laws and regulations could restrict or prohibit the

exploitation of that mineral resource. If we cannot exploit any mineral resource that we might discover on our properties, our business may fail.

Both mineral exploration and extraction require permits from various foreign, federal, state, provincial and local governmental authorities and are governed by laws and regulations, including those with respect to prospecting, mine development, mineral production, transport, export, taxation, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance that we will be able to obtain or maintain any of the permits required for the continued exploration of our mineral properties or for the construction and operation of a mine on our properties at economically viable costs. If we cannot accomplish these objectives, our business could fail.

We believe that we are in compliance with all material laws and regulations that currently apply to our activities but there can be no assurance that we can continue to remain in compliance. Current laws and regulations could be amended and we might not be able to comply with them, as amended. Further, there can be no assurance that we will be able to obtain or maintain all permits necessary for our future operations, or that we will be able to obtain them on reasonable terms. To the extent such approvals are required and are not obtained, we may be delayed or prohibited from proceeding with planned exploration or development of our mineral properties.

If we establish the existence of a mineral resource on any of our properties in a commercially exploitable quantity, we will require additional capital in order to develop the property into a producing mine. If we cannot raise this additional capital, we will not be able to exploit the resource, and our business could fail.

If we do discover mineral resources in commercially exploitable quantities on any of our properties, we will be required to expend substantial sums of money to establish the extent of the resource, develop processes to extract it and develop extraction and processing facilities and infrastructure. Although we may derive substantial benefits from the discovery of a major deposit, there can be no assurance that such a resource will be large enough to justify commercial operations, nor can there be any assurance that we will be able to raise the funds required for development on a timely basis. If we cannot raise the necessary capital or complete the necessary facilities and infrastructure, our business may fail.

Mineral exploration and development is subject to extraordinary operating risks. We do not currently insure against these risks. In the event of a cave-in or similar occurrence, our liability may exceed our resources, which would have an adverse impact on our company.

Mineral exploration, development and production involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Our operations will be subject to all the hazards and risks inherent in the exploration for mineral resources and, if we discover a mineral resource in commercially exploitable quantity, our operations could be subject to all of the hazards and risks inherent in the development and production of resources, including liability for pollution, cave-ins or similar hazards against which we cannot insure or against which we may elect not to insure. Any such event could result in work stoppages and damage to property, including damage to the environment. We do not currently maintain any insurance coverage against these operating hazards. The payment of any liabilities that arise from any such occurrence would have a materially adverse impact on our company.

Mineral prices are subject to dramatic and unpredictable fluctuations.

We expect to derive revenues, if any, either from the sale of our mineral resource properties or from the extraction and sale of precious and base metals such as gold, silver and copper. The price of those commodities has fluctuated widely in recent years, and is affected by numerous factors beyond our control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of base and precious metals, and therefore the economic viability of any of our exploration properties and projects, cannot accurately be predicted.

The mining industry is highly competitive and there is no assurance that we will continue to be successful in acquiring mineral claims. If we cannot continue to acquire properties to explore for mineral resources, we may be required to reduce or cease operations.

The mineral exploration, development, and production industry is largely un-integrated. We compete with other exploration companies looking for mineral resource properties. While we compete with other exploration companies in the effort to locate and acquire mineral resource properties, we will not compete with them for the removal or sales of mineral products from our properties if we should eventually discover the presence of them in quantities sufficient to make production economically feasible. Readily available markets exist worldwide for the sale of mineral products. Therefore, we will likely be able to sell any mineral products that we identify and produce.

In identifying and acquiring mineral resource properties, we compete with many companies possessing greater financial resources and technical facilities. This competition could adversely affect our ability to acquire suitable prospects for exploration in the future. Accordingly, there can be no assurance that we will acquire any interest in additional mineral resource properties that might yield reserves or result in commercial mining operations.

If our costs of exploration are greater than anticipated, then we may not be able to complete the exploration program for our Ptarmigan Property without additional financing, of which there is no assurance that we would be able to obtain.

We are proceeding with the initial stages of exploration on our Ptarmigan Property. We intend to carry out an exploration program that has been recommended by a consulting geologist. This exploration program outlines a budget for completion of the recommended exploration program. However, there is no assurance that our actual costs will not exceed the budgeted costs. Factors that could cause actual costs to exceed budgeted costs include increased prices due to competition for personnel and supplies during the exploration season, unanticipated problems in completing the exploration program and delays experienced in completing the exploration program.

Increases in exploration costs could result in our not being able to carry out our exploration program without additional financing. There is no assurance that we would be able to obtain additional financing in this event.

Because of the speculative nature of exploration of mining properties, there is substantial risk that no commercially exploitable minerals will be found and our business will fail.

We are in the initial stage of exploration of our mineral property, and thus have no way to evaluate the likelihood that we will be successful in establishing commercially exploitable reserves of gold, silver or other valuable minerals on our Ptarmigan Property. The search for valuable minerals as a business is extremely risky. We may not find commercially exploitable reserves of gold, silver or other valuable minerals in our mineral property.

Exploration for minerals is a speculative venture necessarily involving substantial risk. The expenditures to be made by us on our exploration program may not result in the discovery of commercial quantities of ore. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of the mineral properties that we plan to undertake. Problems such as unusual or unexpected formations and other conditions are involved in mineral exploration and often result in unsuccessful exploration efforts. In such a case, we would be unable to complete our business plan.

Because of the inherent dangers involved in mineral exploration, there is a risk that we may incur liability or damages as we conduct our business.

The search for valuable minerals involves numerous hazards. In the course of carrying out exploration of our Ptarmigan Property, we may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which we cannot insure or against which we may elect not to insure. We currently have no such insurance nor do we expect to get such insurance for the foreseeable future. If a hazard were to occur, the costs of rectifying the hazard may exceed our asset value and cause us to liquidate all of our assets, resulting in the loss of your entire investment in our company.

Because our executive officers have limited experience in mineral exploration and do not have formal training specific to the technicalities of mineral exploration, there is a higher risk that our business will fail.

Our executive officers have limited experience in mineral exploration and do not have formal training as geologists or in the technical aspects of management of a mineral resource exploration company. As a result of this inexperience, there is a higher risk of our being unable to complete our business plan for the exploration of our mineral property. With no direct training or experience in these areas, our management may not be fully aware of many of the specific requirements related to working within this industry. Our decisions and choices may not take into account standard engineering or managerial approaches mineral resource exploration companies commonly use.

Consequently, the lack of training and experience of our management in this industry could result in management making decisions that could result in a reduced likelihood of our being able to locate commercially exploitable reserves on our mineral property with the result that we would not be able to achieve revenues or raise further financing to continue exploration activities. In addition, we will have to rely on the technical services of others with expertise in geological exploration in order for us to carry out our planned exploration program. If we are unable to contract for the services of such individuals, it will make it difficult and maybe impossible to pursue our business plan. There is thus a higher risk that our operations, earnings and ultimate financial success could suffer irreparable harm and our business will likely fail.

Because our executive officers have other business interests, they may not be able or willing to devote a sufficient amount of time to our business operation, causing our business to fail.

Steve Konopelky our president, chief executive officer and a director devotes approximately 100% of his working time on providing management services to us and Daryn Gordon our chief financial officer devotes approximately 50% of his working time on providing management services to us**.** If the demands on our executive officers from their other obligations increase, they may no longer be able to devote sufficient time to the management of our business. This could negatively impact our business development

Risks Related to Our Company

We have a limited operating history on which to base an evaluation of our business and prospects.

We have been in the business of exploring mineral resource properties since 2008 and we have not yet located any mineral reserve. As a result, we have never had any revenues from our operations. In addition, our operating history has been restricted to the acquisition and exploration of the Ptarmigan Property and this does not provide a meaningful basis for an evaluation of our prospects if we ever determine that we have a mineral reserve and commence the construction and operation of a mine. We have no way to evaluate the likelihood of whether the Ptarmigan Property contains any mineral reserve or, if it does that we will be able to build or operate a mine successfully. We anticipate that we will continue to incur operating costs without realizing any revenues during the period when we are exploring the Ptarmigan Property. We therefore expect to continue to incur significant losses into the foreseeable future. We recognize that if we are unable to generate significant revenues from mining operations and any dispositions of the Ptarmigan Property, we will not be able to earn profits or continue operations. At this early stage of our operation, we also expect to face the risks, uncertainties, expenses and difficulties frequently encountered by companies at the start up stage of their business development. We cannot be sure that we will be successful in addressing these risks and uncertainties and our failure to do so could have a materially adverse effect on our financial condition. There is no history upon which to base any assumption as to the likelihood that we will prove successful and we can provide investors with no assurance that we will generate any operating revenues or ever achieve profitable operations.

The fact that we have not earned any operating revenues since our incorporation raises substantial doubt about our ability to continue to explore our mineral properties as a going concern.

We have not generated any revenue from operations since our incorporation and we anticipate that we will continue to incur operating expenses without revenues unless and until we are able to identify a mineral resource in a commercially exploitable quantity on the Ptarmigan Property and we build and operate a mine. We will require

additional financing to sustain our business operations if we are not successful in earning revenues once exploration is complete. If our exploration programs are successful in discovering reserves of commercial tonnage and grade, we will require significant additional funds in order to place the Ptarmigan Property into commercial production. Should the results of our planned exploration require us to increase our current operating budget, we may have to raise additional funds to meet our currently budgeted operating requirements for the next 12 months. As we cannot assure a lender that we will be able to successfully explore and develop our mineral properties, we will probably find it difficult to raise debt financing from traditional lending sources. We have traditionally raised our operating capital from sales of equity and debt securities, but there can be no assurance that we will continue to be able to do so. If we cannot raise the money that we need to continue exploration of our mineral properties, we may be forced to delay, scale back, or eliminate our exploration activities. If any of these were to occur, there is a substantial risk that our business would fail.

These circumstances lead our independent registered public accounting firm to comment about our ability to continue as a going concern. When an auditor issues a going concern opinion, the auditor has substantial doubt that the company will continue to operate indefinitely and not go out of business and liquidate its assets. These conditions raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event our company cannot continue in existence. We continue to experience net operating losses.

PROMOTER

Steve Konopelky is the promoter of the Company. Mr. Konopelky owns an aggregate of 2,500,000 Common Shares in the capital of the Company and holds an aggregate of 350,000 options, each of which entitles Mr. Konopelky to purchase and additional Common Shares at a price of $0.25 on or before December 31, 2012, and an aggregate of 1,000,000 warrants, each of which entitles Mr. Konopelky to purchase additional Common Shares at a price of $0.25 on or before December 31, 2012.

Mr. Konopelky was a party to an Acquisition Agreement dated August 1, 2008 with the Company pursuant to which the Company purchased 14 mineral claims comprising a portion of the Ptarmigan Property. Under the agreement, Mr. Konopelky received 1,000,000 units of the Company having an aggregate deemed value of $250,000, each unit consisting of one Common Share in the capital of the Company and one Common Share purchase warrant exercisable for a period of 24 months from the date of issue into an additional Common Share upon payment by the holder of $0.25 per share.

LEGAL PROCEEDINGS

We know of no material, active or pending legal proceedings against the Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out below and disclosed in this prospectus (see "*Narrative Description of the Business – Our Current Business*") no director, executive officer or principal shareholder of the Company, or an associate or affiliate of a director, executive officer or principal shareholder of the Company, has any material interest, direct or indirect, in any transaction which has occurred within the three years before the date of this prospectus, or in any proposed transaction that has materially affected or will materially affect the Company.

RELATIONSHIP BETWEEN THE COMPANY AND THE AGENT

The Company is not a related party or connected party to the Agent (as such terms are defined in National Instrument 33-105 - Underwriting Conflicts).

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The Company's auditors are MNP LLP, Chartered Accountants, at their offices located in Calgary, Alberta.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's Common Shares is Olympia Trust Company at its offices located in Calgary, Alberta.

MATERIAL CONTRACTS

During the past two years, the Company has entered into the following material contract:

1. Agency Agreement dated December 20, 2010 between the Company and D&D Securities Inc. whereby D&D Securities Inc. was appointed the lead agent of the Company under the 2010 Special Warrant Private Placement (see "*Narrative Description of the Business – Three-Year History and Significant Acquisitions and Dispositions*");

2. Acquisition Agreement dated August 1, 2008 between the Company and Eugen Seel (see "*Narrative Description of the Business – Our Current Business*");

3. Acquisition Agreement dated August 1, 2008 among the Company, Steve Konopelky, David Campbell, Charles Burgess and Robert Didur (see "*Narrative Description of the Business – Our Current Business*");

4. Transfer Agency and Registrar Agreement dated February 8, 2011 between the Company and Olympia Trust Company; and

5. Escrow Agreement dated June 21, 2011 among certain shareholders of the Company, the Company and Olympia Trust Company.

Copies of the above material contracts can be inspected at our head office located at 223 Riverview Circle S.E. Calgary, Alberta, T2C 4K6 during regular business hours for a period of 30 days after a final receipt is issued for this prospectus and are also available electronically at www.sedar.com.

INTERESTS OF EXPERTS

The following persons or companies whose profession or business gives authority to a statement made by the person or company are named in this prospectus as having prepared or certified a part of this document or a report of valuation described in this prospectus:

1. The audited financial statements of the Company included in this prospectus have been included in reliance upon the report of MNP LLP Chartered Accountants and upon the authority of such firm as experts in accounting and auditing.

2. The information on the Ptarmigan Property is summarized from the report titled the "Technical Review Ptarmigan Property, British Columbia, Canada" dated March 1, 2011, prepared by Rick Walker, B.Sc, M.Sc., P.Geo., B.Sc., P.Geo. Mr. Walker is a Qualified Person. A copy of this report can be found on the Company's disclosure page on www.sedar.com after it has been posted. To the knowledge of the Company, Mr. Walker has not held, does not hold or and will not receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company, and Mr. Walker is independent of the Company applying all of the tests in section 1.4 of National Instrument 43-101, which state that a qualified person is independent of an issuer if there is no circumstance that could, in the opinion of a reasonable

person aware of all relevant facts, interfere with the qualified person's judgment regarding the preparation of the technical report.

Based on information provided by the relevant persons, none of such persons or companies or any director, officer, employee or partner thereof have received or will receive direct or indirect interest in the property of the Company or of any associate or affiliate of the Company or have any beneficial ownership, direct or indirect, of securities of the Company. None of such persons is or is expected to be elected, appointed or employed as a director or employee of the Company.

OTHER MATERIAL FACTS

There are no other material facts relating to the securities offered in this prospectus that have not been disclosed elsewhere in this prospectus**.**

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Company has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires another security of the issuer on exercise of the Special Warrant as provided for in the prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the prospectus or an amendment to the prospectus containing a misrepresentation,

(a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired,

(b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the underwriter or issuer, as the case may be, on the acquisition of the Special Warrant, and

(c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

Furthermore, in the event of a misrepresentation in the prospectus, the Agent has confirmed that its liability for misrepresentation in the prospectus as provided for under section 130(6) of the *Securities Act* (Ontario) with respect to the distribution of the Special Warrants will be limited to the gross proceeds raised under the prospectus rather than just the portion of the distribution sold through the Agent.

LIST OF EXEMPTIONS

The Company has applied to the securities commissions in the relevant jurisdictions for relief from the requirements in section 3.1 of National Instrument 52-107 – Acceptable Accounting Principles, Auditing Standards and Reporting Currency that financial statements included in the Prospectus be prepared in accordance with Canadian GAAP as applicable to public enterprises. The Company sought this relief to permit it to prepare financial statements for the period from May 12, 2008 (inception) to December 31, 2008 and for the years ended December 31, 2010 and 2009 for inclusion in this Prospectus in accordance with IFRS as issued by the International Accounting Standards Board. A receipt filed with respect to this long form prospectus by the securities commissions will evidence that such relief has been granted.

FINANCIAL STATEMENT DISCLOSURE

Attached to and forming a part of this prospectus are the Company's audited financial statements for the years ended December 31, 2009 and 2010 and for the period from incorporation to December 31, 2008, together with the Auditor's Report thereon, and the unaudited financial statements of the Company for the three months ended March 31, 2011.

AUDITORS' CONSENT

We refer to the prospectus of Silver Mountain Mines Inc. (formerly Rupestris Mines Inc.) (the "Company") dated June 21, 2011 relating to the qualification for distribution of Common Shares and Warrants of the Company. We consent to the use in the above-mentioned prospectus, of our report dated June 16, 2011 to the Directors of the Company on the following financial statements:

a. Statement of financial position as at December 31, 2010 and 2009; and,

b. Statements of comprehensive loss, changes in equity and cash flows for each of the years in the two year period ended December 31, 2010;

We also consent to the use in the above-mentioned prospectus, of our report dated December 17, 2010 to the Directors of the Company on the following financial statements:

a. Statement of financial position as at December 31, 2009 and 2008; and,

b. Statements of comprehensive loss, changes in equity and cash flows for each of the years in the two year period ended December 31, 2009.

We report that we have read the prospectus and have no reason to believe that there are any misrepresentations in the information contained therein that are derived from the financial statements upon which we have reported or that are within our knowledge as a result of our audits of such financial statements.

MNP LLP

Calgary, Canada
June 21, 2011

Chartered Accountants

MNP

Condensed Interim Financial Statements of

SILVER MOUNTAIN MINES INC.

Three months ended March 31, 2011 and 2010

SILVER MOUNTAIN MINES INC.

Interim Balance Sheet
(Unaudited)

As at March 31, 2011 and December 31, 2010
(In Canadian Dollars)

	2011	2010
Assets		
Current assets:		
Cash	$ 4,732,482	$ 3,648,332
GST receivable	41,609	27,801
Subscriptions receivable	166,000	46,000
Prepaid expenses	16,214	7,650
	4,956,305	3,729,783
Non-current assets:		
Property and equipment	350,468	350,516
Exploration and evaluation costs (note 3)	1,735,621	1,592,983
Reclamation bond	7,000	7,000
	2,093,089	1,950,499
Total Assets	$ 7,049,394	$ 5,680,282
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 40,428	$ 138,500
Premium liability	87,815	292,050
	128,243	430,550
Non-current liabilities:		
Deferred income taxes	446,767	51,456
Asset retirement obligation	1,193	1,164
	447,960	52,620
Total Liabilities	576,203	483,170
Shareholders' equity:		
Share capital (note 4(b))	4,679,584	3,417,032
Warrants (note 4(c))	2,167,808	1,949,028
Contributed surplus (note 4(e))	364,611	280,643
Deficit	(738,812)	(449,591)
	6,473,191	5,197,112
Subsequent event (note 5)		
Total Liabilities and Shareholders' Equity	$ 7,049,394	$ 5,680,282

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 months ended March 31, 2011 and 2010
(In Canadian Dollars)

	2011	2010
Expenses:		
Accretion	$ 29	$ -
Amortization	59	43
Automotive	1,530	487
Bank and interest charges	677	-
Insurance	3,395	3,025
Consulting fees	43,916	-
Meals and entertainment	5,556	1,175
Office	6,675	2,022
Professional fees	9,353	-
Share-based compensation	83,968	36,275
Telephone	1,338	638
Travel	7,115	2,627
	163,611	46,292
Interest income	1,898	-
Net loss before deferred income tax expense	161,713	46,292
Deferred income tax recovery (expense)	(127,508)	3,659
Total net loss and comprehensive loss for the period attributable to common shareholders	289,221	42,633
Basic and diluted income per share	$ (0.01)	$ (0.01)

The notes to the condensed interim financial statements are an integral part of these condensed interim financial statements.

SILVER MOUNTAIN MINES INC.

Interim Statement of Changes in Equity
(in Canadian dollars)

Period ended March 31, 2011 and March 31, 2010

	Share Capital						
	Number of Shares	Amount	Shared to be issued	Contributed Surplus	Warrants	Deficit	Total Equity
Balance, December 31, 2009	10,939,100	$ 433,281	$ 400,000	$ 218,808	$ 784,244	$ (342,039)	$1,494,294
Share-based compensation	-	-	-	36,725	-	-	36,725
Total comprehensive loss	-	-	-	-	-	(42,633)	(42,633)
Balance, March 31, 2010	10,939,100	$ 433,281	$ 400,000	$ 255,533	$ 784,244	$ (384,672)	$1,488,386
Shares issued for cash, net of share issue costs	16,165,201	2,798,151	-	-	950,384	-	3,748,535
Shares issued on property acquisition	1,600,000	185,600	(400,000)	-	214,400	-	-
Share-based compensation	-	-	-	25,110	-	-	25,110
Total comprehensive loss	-	-	-	-	-	(64,919)	(64,919)
Balance, December 31, 2010	28,704,301	$ 3,417,032	$ -	$ 280,643	$ 1,949,028	$ (449,591)	$5,197,112
Shares issued for cash, net of share issue costs	6,216,297	1,262,552	-	-	218,780	-	1,481,332
Share-based compensation	-	-	-	83,968	-	-	83,968
Total comprehensive loss	-	-	-	-	-	(289,221)	(289,221)
Balance, March 31, 2011	34,920,598	$ 4,679,584	$ -	$ 364,611	$ 2,167,808	$ (738,812)	$6,473,191

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 month periods ended March 31, 2011 and 2010
(In Canadian Dollars)

	2011	2010
Cash provided by (used in):		
Operations		
Total comprehensive loss	$ (289,221)	$ (42,633)
Items not involving cash:		
Amortization	59	43
Accretion expense	29	-
Share-based compensation	83,968	36,275
Deferred income tax (recovery) expense	395,311	(3,659)
	190,146	(9,974)
Change in non-cash working capital		
GST receivable	(13,808)	(2,361)
Accounts payable and accrued liabilities	(98,073)	(24,463)
Prepaid expenses	(8,564)	3,025
	(120,445)	(23,799)
Net cash from (used in) operations	69,701	(33,773)
Financing		
Issuance of common shares, net of share issue costs	1,481,332	-
Change in non-cash working capital		
Subscriptions receivable	(120,000)	48,000
Premium liability	(204,235)	-
Net cash provided from financing activities	1,157,097	48,000
Investing		
Exploration and evaluation costs	(142,648)	(29,083)
Increase (decrease) in cash	1,084,150	(14,856)
Cash, beginning of year	3,648,332	107,472
Cash, end of year	$ 4,732,482	$ 92,616

The notes to the condensed interim financial statements are an integral part of these condensed interim financial statements.

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 June 16, 2011 by the Board of Directors. The registered office of the Company is 223 Riverview Circle SE, Calgary, Alberta T2C 4K6.

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 March 31, 2011, the Company incurred a total net loss and comprehensive loss of $289,221 (December 31, 2010 - $107,552) and as at March 31, 2011 had an accumulated deficit of $783,812 (December 31, 2010 - $449,591).

The Company raised approximately $1,544,901, net of share issuance costs, during 2011 (2010 - $3,748,000) through private placements to fund the operations of the Company.

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.

These condensed interim financial information have been reviewed, not audited.

This condensed interim financial information for the three months ended March 31, 2011 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, 2010, 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.

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, December 31, 2010	$	1,593,025
Additions		142,649
Balance, March 31, 2011	$	1,735,674
Accumulated Depreciation		
Balance, December 31, 2010	$	42
Depreciation		11
Balance, March 31, 2011	$	53
Net Book Value March 31, 2011	$	1,735,621

Cost		
Balance, December 31, 2009	$	1,100,592
Additions		492,433
Balance, December 31, 2010	$	1,593,025
Accumulated Depreciation		
Balance, December 31, 2009	$	-
Depreciation		42
Balance, December 31, 2010	$	42
Net Book Value December 31, 2010	$	1,592,983

4. Share Capital and Reserves

(a) Authorized Share Capital

The Company has authorized an unlimited number of common shares without nominal or par value.

(b) Issued:

Share capital:

	Number	Share Capital
Common shares		
Balance, December 31, 2009	10,939,100	$ 433,281
Private placement offering - flow-through (iii)	5,841,001	1,120,695
Private placement offering – common (iv)	10,324,200	2,139,414
Property acquisition (v)	1,600,000	185,600
Share issue costs	-	(461,958)
Balance, December 31, 2010	28,704,301	3,417,032
Private placement offering - flow-through (i)	1,756,297	383,964
Private placement offering – common (ii)	4,460,000	975,523
Share issue costs, net of tax	-	(96,935)
Balance, March 31, 2011	34,920,598	$ 4,679,584

i. In 2011, the Company closed a private placement offering of 1,756,297 flow-through units for gross proceeds of $526,889. Each unit consists of one flow-through common share and one half common share purchase warrant. Two half common share purchase warrants entitle the holder to purchase one common share at $0.50 expiring December 31, 2012. The Company has recognized a premium liability of $87,815 from the flow-through units issued during the period.

ii. In 2011, the Company closed a private placement offering of 4,460,000 common share units at $0.25 for gross proceeds of $1,115,000. Each unit consists of one common share and one half common share purchase warrant. Two half common share purchase warrants entitle the holder to purchase one common share at $0.50 expiring December 31, 2012.

iii. In 2010, the Company closed a private placement offering of 5,841,001 flow-through units for gross proceeds of $1,752,300. Each unit consists of one flow-through common share and one half common share purchase warrant. Two half common share purchase warrants entitle the holder to purchase one common share at $0.50 expiring December 31, 2012. The Company has recognized a premium liability of $292,050 from the flow-through units issued during the year.

iv. In 2010, the Company closed a private placement offering of 10,324,200 common share units at $0.25 for gross proceeds of $2,581,050. Each unit consists of one common share and one half common share purchase warrant. Two half common share purchase warrants entitle the holder to purchase one common share at $0.50 expiring December 31, 2012.

4. Share Capital and Reserves *(continued)*

v. In 2010, the Company acquired certain mining claims and crown grants from related parties through the issuance of 1,600,000 common share units with a deemed fair value of $400,000. Each common share unit consists of one common share and one purchase warrant to purchase one common share at $0.25, expiring December 31, 2012.

vi. At March 31, 2011, the Company has subscriptions receivable of $166,000 (2010 - $46,000) resulting from the issuance of these shares.

(c) Warrants

	Number	Warrant	Average Exercise Price	Weighted Average Life
Warrants				
Balance, December 31, 2009	4,939,100	$ 784,244	$ 0.27	3.00
Private placement - flow-through	2,920,501	339,555	0.50	2.25
Private placement – common	5,162,100	441,636	0.50	2.25
Property acquisition	1,600,000	214,400	0.25	2.25
Broker warrants	1,757,428	169,193	0.25	2.25
Balance, December 31, 2010	16,379,129	1,949,028	0.38	2.00
Private placement - flow-through	878,149	55,110	0.50	1.42
Private placement – common	2,230,000	139,477	0.50	1.42
Broker warrants	388,592	24,193	0.50	1.50
Balance, March 31, 2011	19,875,870	$ 2,167,808	$ 0.41	1.35

During 2011, the Company, in conjunction with the brokered private placements of units and flow-through shares described in notes 4(b)(i) and (ii) issued 388,592 broker warrants. Each broker warrant expires eighteen months from the date of issuance and entitles the holder to acquire one common share at an average exercise price of $0.50 per share. At the time of issuance, the average fair value of the broker warrants was estimated to be $24,193 ($0.06 per warrant) and has been recognized as share issuance costs.

The warrants were valued using the Black-Scholes option pricing model using the weighted average assumptions to estimate the fair value as follows:

	2011	2010
Risk-free interest rate	1.71%	1.60%
Expected life	1.50 years	2.4 years
Expected volatility	95%	95%
Grant date share price	$0.25	$0.25 – 0.30
Expected dividend yield	0%	0%

4. Share Capital and Reserves (continued)

(d) Stock options

The Company has a share purchase option plan under which employees, directors and key consultants and/or advisors are eligible to receive grants. Under the stock option plan, which was approved by the shareholders, the granted stock options vest to the grantee immediately and the grantee has the right to exercise those stock options for five years from the date of the granting and typically terminate 90 days following the termination of the optionee's employment or engagement. The maximum number of outstanding stock options under the plan is limited to 20% of the number of common shares outstanding. The number of stock options and the exercise price is set by the Company's Board of Directors based on the market value at the time of granting. Stock options granted and outstanding are as follows:

Stock options issued and outstanding at March 31, 2011 are as follows:

	Number		Weighted Average Exercise Price
Balance, December 31, 2010	1,720,220	$	0.25
Forfeited	(275,000)		(0.25)
Granted	2,235,000		0.25
Balance, March 31, 2011	3,680,220	$	0.25

Details of the stock options outstanding at March 31, 2011 are as follows:

Exercise Price	Outstanding Number of Options	Exercisable Number of Options	Weighted Average Remaining Life
$ 0.25	3,680,220	2,003,970	1.75
	3,680,220	2,003,970	1.75

During the first quarter of 2011, the Company granted 2,235,000 share purchase options to purchase common shares at an average exercise price of $0.25 per common share.

Stock options issued and outstanding at December 31, 2010 are as follows:

	Number		Weighted Average Exercise Price
Balance, December 31, 2009	1,520,220	$	0.25
Forfeited	(250,000)		(0.25)
Granted	450,000		0.25
Balance, December 31, 2010	1,720,220	$	0.25

4. Share Capital and Reserves (continued)

Details of the stock options outstanding at December 31, 2010 are as follows:

Exercise Price	Outstanding Number of Options	Exercisable Number of Options	Weighted Average Remaining Life
$ 0.25	1,720,220	1,720,220	2.00
	1,720,220	1,720,220	2.00

During 2010, the Company granted 450,000 share purchase options to purchase common shares at an average exercise price of $0.25 per common share.

The weighted average fair value of the share purchase options granted during the period is $0.14 (2010 – $0.13). Options were priced using the Black-Scholes option pricing model using the weighted average assumptions to estimate the fair value of options granted:

	2011	2010
Risk-free interest rate	1.69%	1.56 - 1.61%
Expected life	5.0 years	2.0 years
Expected volatility	90%	95%
Grant date share price	$ 0.25	$ 0.25
Expected dividend yield	0%	0%

(e) Contributed surplus

Balance, December 31, 2009	$ 218,808
Stock-based compensation	61,835
Balance, December 31, 2010	280,643
Stock-based compensation	83,968
Balance, March 31, 2011	$ 364,611

(f) 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 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 they were anti-dilutive.

The weighted average number of shares outstanding for purposes of calculating basic loss per share at March 31, 2011 was 34,280,598 (2010 – 12,771,774).

5. Related Party Transactions

During 2011, IPH Developments Inc., a privately held company owned by a director of the Company, provided exploration, mining and management services amounting to $91,665 (2010 - $78,000). Of this amount nil (2010 - nil) was due to the related party at the end of the reporting period. These amounts have been recorded in property and equipment.

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

6. Subsequent Event

Subsequent to March 31, 2011, the Company issued 200,000 units consisting of one common share and half a purchase warrant for total gross proceeds of $25,000. Two half common share purchase warrants entitle the holder to purchase one common share at $0.50 expiring eighteen months from the date of issuance.

Financial Statements of

RUPESTRIS MINES INC.

Years ended December 31, 2010 and 2009

AUDITORS' REPORT

To the Directors of Rupestris Mines Inc.

We have audited the accompanying financial statements of Rupestris Mines Inc., which comprise the statements of financial position as at December 31, 2010 and 2009 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and 2009 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company has an accumulated deficit of $449,591 (2009 - $342,039). The Company will require additional third party financing in order to attain profitable operations and generate revenues. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue it's operations.

Calgary, Canada
June 16, 2011

Chartered Accountants

MNP

RUPESTRIS MINES INC.

Statement of Financial Position
(in Canadian dollars)

As at December 31,

		2010		2009
Assets				
Current assets:				
Cash	$	3,648,332	$	107,472
GST receivable		27,801		22,834
Subscriptions receivable		46,000		54,000
Prepaid expense		7,650		7,696
		3,729,783		192,002
Non-current assets:				
Property and equipment (note 3)		350,516		350,645
Exploration and evaluation costs (note 4)		1,592,983		1,100,592
Reclamation bond		7,000		7,053
		1,950,499		1,458,290
Total assets	$	5,680,282	$	1,650,292
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	138,500	$	28,065
Premium liability (note 6(b)(i))		292,050		-
		430,550		28,065
Non-current liabilities:				
Deferred income tax liability (note 7)		51,456		127,933
Asset retirement obligation		1,164		-
		52,620		127,933
Total liabilities	$	483,170	$	155,998
Commitments (note 10)				
Shareholders' equity:				
Share capital (note 6)	$	3,417,032	$	433,281
Shares to be issued (note 6)		-		400,000
Warrants (note 6)		1,949,028		784,244
Contributed surplus (note 6)		280,643		218,808
Deficit		(449,591)		(342,039)
		5,197,112		1,494,294
Total shareholders' equity	$	5,680,282	$	1,650,292

Approved on behalf of the Board:

"signed"
Director, President and CEO – Steve Konopelky

"signed
Director and Secretary – Charles Burgess

The notes to the financial statements are an integral part of these financial statements.

RUPESTRIS MINES INC.

Statement of Comprehensive Loss
(in Canadian dollars)

Years ended December 31, 2010 and 2009

	2010	2009
Expenses		
Accretion expense	$ 106	$ -
Amortization	171	161
Automotive	6,137	2,449
Bank and interest charges	5	98
Financing fees	-	28,500
Insurance	12,101	11,771
Licenses	2,152	-
Meals and entertainment	10,393	4,064
Office	13,160	5,084
Professional fees	57,089	11,717
Stock-based compensation (note 5)	61,835	133,560
Telephone	5,223	5,538
Travel	15,657	7,948
	184,029	210,890
Interest income	-	60
Net loss before deferred income tax expense	(184,029)	(210,830)
Deferred income tax recovery (expense) (note 7)	76,477	(924)
Total net loss and comprehensive loss for the year attributable to shareholders	(107,552)	(211,754)
Basic and diluted loss per share (note 6)	$ (0.01)	$ (0.02)

The notes to the financial statements are an integral part of these financial statements

RUPESTRIS MINES INC.

Statement of Changes in Equity
(in Canadian dollars)

Years ended December 31, 2010 and 2009

	Share Capital						
	Number of Shares	Amount	Shared to be issued	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2008	7,776,100	$ 136,728	$ -	$ 85,248	$ 298,237	$ (130,285)	$ 389,928
Shares issued for cash, net of share issue costs	1,763,000	147,453	-	-	285,107	-	432,560
Shares issued on property acquisition	1,400,000	149,100	400,000	-	200,900	-	750,000
Stock-based compensation	-	-	-	133,560	-	-	133,560
Total comprehensive loss	-	-	-	-	-	(211,754)	(211,754)
Balance, December 31, 2009	10,939,100	$ 433,281	$ 400,000	$ 218,808	$ 784,244	$ (342,039)	$1,494,294
Shares issued for cash, net of share issue costs	16,165,201	2,798,151	-	-	950,384	-	3,748,535
Shares issued on property acquisition	1,600,000	185,600	(400,000)	-	214,400	-	-
Stock-based compensation	-	-	-	61,835	-	-	61,835
Total comprehensive loss	-	-	-	-	-	(107,552)	(107,552)
Balance, December 31, 2010	28,704,301	$ 3,417,032	$ -	$ 280,643	$ 1,949,028	$ (449,591)	$5,197,112

The notes to the financial statements are an integral part of these financial statements

RUPESTRIS MINES INC.

Statement of Cash Flows
(in Canadian dollars)

Years ended December 31, 2010 and 2009

	2010	2009
Cash provided by (used in):		
Operations		
Net loss and comprehensive loss	$ (107,552)	$ (211,754)
Items not involving cash:		
Amortization	171	161
Accretion expense	106	-
Stock-based compensation	61,835	133,560
Deferred income tax (recovery) expense	(76,477)	78,674
	(121,917)	641
Change in non-cash working capital		
GST receivable	(4,967)	(7,618)
Accounts payable and accrued liabilities	110,435	5,259
Prepaid expense	46	(183)
Reclamation bond	53	(7,053)
	105,567	(9,595)
Net cash used in operations	(16,350)	(8,954)
Financing		
Issuance of common shares, net of share issue costs	3,748,535	432,560
Change in non-cash working capital		
Subscriptions receivable	8,000	(12,220)
Premium liability	292,050	-
Net cash provided from financing activities	4,048,585	420,340
Investing		
Exploration and evaluation costs	(491,375)	(446,590)
Increase (decrease) in cash	3,540,860	(35,204)
Cash, beginning of year	107,472	142,676
Cash, end of year	$ 3,648,332	$ 107,472

The notes to the financial statements are an integral part of these financial statements

1. Nature of Operations and Continuance of Operations

Rupestris Mines Inc. (the "Company") 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 June 16, 2011 by the Board of Directors. The registered office of the Company is 223 Riverview Circle SE, Calgary, Alberta T2C 4K6.

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 year ended December 31, 2010, the Company incurred a total net loss and comprehensive loss of $107,552 (December 31, 2009 - $211,754) and as at December 31, 2010 had an accumulated deficit of $449,591 (December 31, 2009 - $342,039).

The Company raised approximately $3,748,000, net of share issuance costs, during 2010 (2009 - $432,000) through private placements to fund the operations of the Company.

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.

2. Significant Accounting Policies

(a) Statement of Compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at the closing date.

(b) Cash

Cash is primarily comprised of cash.

(c) Property and equipment

The Company records property and equipment at cost less accumulated depreciation and accumulated impairment loss. Property and equipment include costs to purchase and any costs directly attributable to bring the asset to its current location and condition necessary for its intended use including costs of dismantling and removing the item and restoring the site on which it is located.

2. Significant Accounting Policies *(continued)*

(c) Property and equipment *(continued)*

Expenditures for additions and improvements are capitalized and expenditures for maintenance and repairs are charged to income.

Depreciation is provided at rates calculated to write-off the cost of property and equipment, less their estimated residual value, using the declining balance method at 20% per annum. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposition, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property and equipment consists of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(d) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there are any indications that the assets are impaired. The Company uses external factors, such as changes in expected future prices and costs, and other market factors are also monitored to assess for indications of impairment. If any such indication exists an estimate of the asset's recoverable amount is calculated; being the higher of fair value less direct costs to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount in the statement of financial position to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of assets in an arm's length transaction between knowledgeable and willing parties. Fair values for mineral assets are generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development.

2. Significant Accounting Policies *(continued)*

(d) Impairment *(continued)*

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(e) Exploration and Evaluation Expenditures

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.

(f) Share-based Payments

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.

2. Significant Accounting Policies *(continued)*

(g) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred taxes. Income tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected income tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting period, adjusted for any income tax reassessments from prior periods.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

(h) Environmental Restoration 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.

2. Significant Accounting Policies *(continued)*

(h) Environmental Restoration Obligations *(continued)*

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.

(i) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(j) Financial Instruments

i. *Financial Assets at Fair value through Profit and Loss ("FVTPL")*

Financial assets held at fair value through profit and loss are those financial assets that are held for trading and are classified as such from the inception of the trade. This applies to assets acquired from the outset with the intention of resale in the short-term, derivatives not categorized as hedges or when the Company has elected to use this classification. These assets are initially recorded at cost including transaction costs and are measured at each reporting date at fair value, based upon quoted market prices from external sources or using a discounted cash flow valuation technique or quoted prices from external sources for similar assets. This category includes cash.

ii. *Other financial Liabilities*

Other financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

Other financial liabilities are recognized on the statement of financial position if the Company has a contractual obligation to transfer cash or other assets to a third party. These liabilities are recognized at fair value of the consideration received of the value of payments received less any transaction costs. Other financial liabilities are measured at amortized cost using the effective interest rate method.

Other financial liabilities are derecognized when the contractual obligation is discharged, cancelled or expired.

2. Significant Accounting Policies *(continued)*

(k) Flow-through Common Shares

Canadian tax legislation permits the Company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors of the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. When flow-through shares are issued, a liability is recognized in the amount of the premium paid for flow-through shares and is calculated as the excess over market value of the shares without the flow-through feature at the time of issuance. This liability is reversed at the time of renouncing the resource expenditures to investors and a deferred tax liability is then recognized through the statement of comprehensive loss.

(l) Significant Accounting Judgments, Estimates, and Assumptions

The preparation of these 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, stock-based compensation and warrant valuation.

(m) Accounting Standards, Interpretations and Amendments to Existing Standards That Are Not Yet Effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after January 1, 2011 or later. These include:

i. IFRS 9, Financial Instruments, Classifications and Measurement, effective January 1, 2013.

ii. Amendments to IAS 24, Related Party Disclosures, effective January 1, 2011.

iii. IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments has been issued at the reporting date but is not yet effective.

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

3. Property and Equipment

	Mineral Properties	Office Equipment	Total
Cost			
Balance, January 1, 2010	$ 350,000	$ 861	$ 350,861
Additions	-	-	-
Balance, December 31, 2010	$ 350,000	$ 861	$ 350,861
Accumulated Depreciation			
Balance, January 1, 2010	$ -	$ 216	$ 216
Depreciation	-	129	129
Balance, December 31, 2010	$ -	$ 345	$ 345
Net Book Value December 31, 2010	$ 350,000	$ 516	$ 350,516

	Mineral Properties	Office Equipment	Total
Cost			
Balance, January 1, 2009	$ -	$ 861	$ 861
Additions	350,000	-	350,000
Balance, December 31, 2009	$ 350,000	$ 861	$ 350,861
Accumulated Depreciation			
Balance, January 1, 2009	$ -	$ 55	$ 55
Depreciation	-	161	161
Balance, December 31, 2009	$ -	$ 216	$ 216
Net Book Value December 31, 2009	$ 350,000	$ 645	$ 350,645

4. Exploration and Evaluation Costs

Cost		
Balance, January 1, 2010	$	1,100,592
Additions		492,433
Balance, December 31, 2010	$	1,593,025
Accumulated Depreciation		
Balance, January 1, 2010	$	-
Depreciation		42
Balance, December 31, 2010	$	42
Net Book Value December 31, 2010	$	1,592,983

Cost		
Balance, January 1, 2009	$	254,002
Additions		846,590
Balance, December 31, 2009	$	1,100,592
Accumulated Depreciation		
Balance, January 1, 2009	$	-
Depreciation		-
Balance, December 31, 2009	$	-
Net Book Value December 31, 2009	$	1,100,592

On March 6, 2009, the Company exercised an option pursuant to an option agreement (the "Option Agreement") to acquire a 100% undivided interest in the Ptarmigan Property, located about 35 km west of Radium, British Columbia within the Kootenay Mountains from related parties (see note 5).

5. Related Party Transactions

During 2010, IPH Developments Inc., a privately held company owned by a director of the Company, provided exploration, mining and management services amounting to $78,000 (2009 - $72,000). Of this amount nil (2009 - nil) was due to the related party at the end of the reporting period. These amounts have been recorded in property and equipment.

During 2010, Robert S. Didur, Mining Consultant, provided consulting services amounting to $95,618 (2009 - $42,003). Of this amount nil (2009 - nil) was due to the related party at the end of the reporting period. These amounts have been recorded in property and equipment.

During 2010, Seel Forest Products Ltd., a privately held company owned by a director of the Company, provided consulting services amounting to $88,116 (2009 - $47,923). Of this amount nil (2009 - nil) was due to the related party at the end of the reporting period. These amounts have been recorded in property and equipment.

During 2010, Caracle Creek International Consulting Inc., a privately held company owned by a director of the Company, provided consulting services amounting to $19,482 (2009 - $87,362). Of this amount nil (2009 - nil) was due to the related party at the end of the reporting period. These amounts have been recorded in property and equipment.

During 2010, Charles D. Burgess Professional Corporation, a privately held company owned by a director of the Company, provided consulting services amounting to $8,700 (2009 - nil). Of this amount nil (2009 - nil) was due to the related party at the end of the reporting period. These amounts have been recorded in property and equipment.

The terms and conditions of the transactions with IPH Developments Inc., Robert S. Didur, Seel Forest Products Ltd., Caracle Creek International Consulting Inc., and Charles D. Burgess Professional Corporation were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

During 2009, the Company acquired certain mining claims and crown grants from two directors of the Company for $750,000. Consideration for this purchase comprised the issuance of 1,600,000 units at a deemed fair value of $400,000 and the issuance of 1,400,000 units with a deemed fair value of $350,000. Each unit consists of one common share and one purchase warrant to purchase one common share at $0.25, expiring December 31, 2012. During 2010, the Company issued 1,600,000 units to complete a portion of this transaction.

Key management personnel compensation:

		2010		2009
Management fees	$	78,000	$	72,000
Stock-based compensation		61,835		130,121
Total compensation	$	139,835	$	202,121

6. Share Capital and Reserves

(a) Authorized Share Capital

The Company has authorized an unlimited number of common shares without nominal or par value. At December 31, 2010, the Company has a subscription receivable of $46,000 (2009 - $54,000) resulting from the issuance of these shares.

(b) Issued:

Share capital:

	Number	Share Capital
Common shares		
Balance, December 31, 2008	7,776,100	$ 136,728
Private placement offering - flow-through (iii)	1,555,000	132,028
Private placement offering – common (iv)	208,000	23,615
Property acquisition (v)	1,400,000	149,100
Share issue costs	-	(8,190)
Balance, December 31, 2009	10,939,100	433,281
Private placement offering - flow-through (i)	5,841,001	1,120,695
Private placement offering – common (ii)	10,324,200	2,139,414
Property acquisition (v)	1,600,000	185,600
Share issue costs	-	(461,958)
Balance, December 31, 2010	28,704,301	$ 3,417,032

i. In 2010, the Company closed a private placement offering of 5,841,001 flow-through units for gross proceeds of $1,752,300. Each unit consists of one flow-through common share and one half common share purchase warrant. Two half common share purchase warrants entitle the holder to purchase one common share at $0.50 expiring December 31, 2012. The Company has recognized a premium liability of $292,050 from the flow-through units issued during the year.

ii. In 2010, the Company closed a private placement offering of 10,324,200 common share units at $0.25 for gross proceeds of $2,581,050. Each unit consists of one common share and one half common share purchase warrant. Two half common share purchase warrants entitle the holder to purchase one common share at $0.50 expiring December 31, 2012.

iii. In 2009, the Company closed a private placement offering of 1,555,000 flow-through units for gross proceeds of $466,500. Each unit consisted of one flow-through common share and one purchase warrant to purchase one flow-through common share at $0.30 expiring December 31, 2012.

iv. In 2009, the Company closed a private placement offering of 208,000 common share units at $0.25 for gross proceeds of $52,000. Each unit consists of one common share and one purchase warrant to purchase one common share at $0.25 expiring December 31, 2012.

6. Share Capital and Reserves *(continued)*

v. In 2009, the Company acquired certain mining claims and crown grants from related parties through the issuance of 1,400,000 common share units with a deemed fair value of $350,000. Each common share unit consists of one common share and one purchase warrant to purchase one common share at $0.25, expiring December 31, 2012. In addition, the Company agreed to issue an additional 1,600,000 common share units with a deemed fair value of $400,000. These additional common share units were issued in 2010. Each common share unit consists of one common share and one purchase warrant to purchase one common share.

(c) Warrants

	2010			2009		
	Number	Warrant	Average Exercise Price	Number	Warrant	Average Exercise Price
Balance, opening	4,939,100	$ 784,244	$ 0.27	1,776,100	$ 298,237	$ 0.27
Private placement offering –flow-through	2,920,501	$ 339,555	$ 0.50	1,555,000	$ 256,722	$ 0.30
Private placement offering – common	5,162,100	$ 441,636	$ 0.50	208,000	$ 28,385	$ 0.25
Private placement offering – broker warrants	1,757,428	$ 169,193	$ 0.25	-	-	$ -
Property acquisition	1,600,000	$ 214,400	$ 0.25	1,400,000	$ 200,900	$ 0.25
Warrants, December 31	**16,379,129**	**$1,949,028**	**$ 0.38**	**4,939,100**	**$ 784,244**	**$ 0.27**

All warrants expire on December 31, 2012 and contain an average remaining life of 2 years.

During 2010, the Company, in conjunction with the brokered private placements of units and flow-through shares described in notes 6(b)(i) and (ii) issued 1,757,428 broker warrants. Each broker warrant expires June 20, 2012 and entitles the holder to acquire one common share at an average exercise price of $0.25 per share. At the time of issuance, the average fair value of the broker warrants was estimated to be $169,193 ($0.10 per warrant) and has been recognized as share issuance costs.

The warrants were valued using the Black-Scholes option pricing model using the weighted average assumptions to estimate the fair value as follows:

	2010	2009
Risk-free interest rate	1.60%	1.22%
Expected life	2.4 years	3.5 years
Expected volatility	95%	80%
Grant date share price	$ 0.25 – 0.30	$0.25 – 0.30
Expected dividend yield	0%	0%

6. Share Capital and Reserves (continued)

(d) Stock options

The Company has a share purchase option plan under which employees, directors and key consultants and/or advisors are eligible to receive grants. Under the stock option plan, which was approved by the shareholders, the granted stock options vest to the grantee immediately and the grantee has the right to exercise those stock options for five years from the date of the granting and typically terminate 90 days following the termination of the optionee's employment or engagement. The maximum number of outstanding stock options under the plan is limited to 20% of the number of common shares outstanding. The number of stock options and the exercise price is set by the Company's Board of Directors based on the market value at the time of granting. Stock options granted and outstanding are as follows:

Expiry date	Exercise price	December 31, 2009	Granted during 2010	Forfeited during 2010	December 31, 2010
December 31, 2012	$ 0.25	1,520,220	450,000	(250,000)	1,720,220
Weighted average exercise price		$ 0.25	$ 0.25	$ 0.25	$ 0.25
Weighted average contractual remaining life (years)		3.0			2.0
Weighted average share price on exercise		$ 0.25	$ 0.25	$ 0.25	$ 0.25

During 2010, the Company granted 450,000 share purchase options to purchase common shares at an average exercise price of $0.25 per common share.

The continuity of share purchase options for the year ended December 31, 2009 is as follows:

Expiry date	Exercise price	December 31, 2008	Granted during 2009	December 31, 2009
December 31, 2012	$ 0.25	545,220	975,000	1,520,220
Weighted average exercise price		$ 0.25	$ 0.25	$ 0.25
Weighted average contractual remaining life (years)		2.0		3.0
Weighted average share price on exercise		$ 0.25	$ 0.25	$ 0.25

During 2009, the Company granted 975,000 share purchase options to purchase common shares at an average exercise price of $0.25 per common share.

6. Share Capital and Reserves *(continued)*

The weighted average fair value of the share purchase options granted during the year is $0.13 (2009 – $0.14). Options were priced using the Black-Scholes option pricing model using the weighted average assumptions to estimate the fair value of options granted:

	2010	2009
Risk-free interest rate	1.56 - 1.61%	1.22%
Expected life	2.0 years	3.4 years
Expected volatility	95%	80%
Grant date share price	$ 0.25	$ 0.25
Expected dividend yield	0%	0%

(e) Contributed surplus

Balance, January 1, 2009	$ 85,248
Stock-based compensation	133,560
Balance, December 31, 2009	218,808
Stock-based compensation	61,835
Balance, December 31, 2010	$ 280,643

(f) 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 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 they were anti-dilutive.

The weighted average number of shares outstanding for purposes of calculating basic loss per share at December 31, 2010 was 12,771,774 (2009 – 9,381,217).

7. Income Tax

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2010 at 28.00% (2009 – 29.00%) to income before income taxes.

A reconciliation of the differences is as follows:

	2010	2009
Computed income taxes	$ (51,528)	$ (61,141)
Increase (decrease) in taxes:		
Share issue costs	(67,240)	(2,048)
Non-deductible expenses	18,768	47,587
Differences in tax rates	3,510	1,870
Renouncement on flow-through shares	-	92,406
Prior estimate adjustment	20,013	-
Premium on issuance of flow-through shares	-	(77,750)
	$ (76,477)	$ 924

Deferred income tax assets (liabilities)	2010	2009
Non-operating losses	$ 66,688	$ 22,143
Share issue costs	57,280	4,650
Net deferred income tax assets	123,968	26,793
Exploration and evaluation costs	(175,424)	(154,726)
Net deferred income tax liability	$ (51,456)	$ (127,933)

A summary of the gross tax balances in which a deferred income tax asset was recognized is as follows:

Expiry	Non-capital losses	Resource pools	Other
Within one year	$ -	$ -	$ -
Two to five years	-	-	-
After five years	266,752	-	229,119
No expiry date	-	872,153	18,488
	$ 266,752	$ 872,153	$ 247,607

At December 31, 2010, the Company had losses of $266,752 for income tax purposes, expiring in various years ranging from 2028 to 2030. The Company also has $871,637 of resource tax pools available, which can be carried forward and utilized to reduce deferred taxes related to certain resource income. During 2010, the Company renounced $nil (2009 - $383,952) of its resource pools to its shareholders. As a result, the Company has recognized a deferred income tax liability and a corresponding deferred income tax expense of $nil (2009 - $92,406). This expense has reduced the premium charged on the issuance of flow-through shares by nil (2009 - $77,750). The net deferred income tax liability of $51,456 (2009 - $127,933) results from property and equipment.

7. Income Tax (continued)

At December 31, 2009 a deferred tax liability of $87,500 for temporary differences of $350,000 related to the asset acquisition described in Note 5 was not recognized on initial recognition of the asset due to the transaction not qualifying as a business combination and at the time of the transaction, it did not affect accounting profit or taxable loss.

8. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Company provides goods or services is unable or unwilling to fulfill their obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits its exposure to credit risk by dealing with well rated entities. No amounts are past due.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than the accounts payable and accrued liabilities reported on the statement of financial position.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

(i) Foreign currency exchange risk

The Company is not exposed to foreign currency exchange rate fluctuations as the Company conducts all of its business in Canada.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not exposed to this risk.

8. Financial Risk Management *(continued)*

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as mineral prices. Currently the Company does not have commercial operations and is therefore not exposed to this risk. Commodity prices generally fluctuate beyond the control of the Company. Factors which contribute to the fluctuation are, but not limited to, demand, forward sales, worldwide production, speculative hedging activities, and bank lending rates.

(d) Fair value of financial instruments

The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity.

9. Capital Management

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital are:

(a) to safeguard the Company's ability to continue as a going concern and provide returns for shareholders; and,

(b) to facilitate the development of its core business.

The Company considers the following items capital of the Company:

(a) cash; and,

(b) shareholders' equity.

The following table represents the capital of the Company:

	2010	2009
Cash	3,648,332	107,472
Shareholders' equity	5,197,112	1,494,294

The Company does not have any externally imposed restrictions on its capital.

There have been no changes in the Company's approach to capital management from the previous years.

10. Commitments

The Company entered into two Net Smelter Royalty Agreements ("NSR") on May 16, 2008 with three directors of the Company. Each NSR requires the Company to pay a 3% royalty on the gross value of all products shipped from the lease to a third party smelter less allowable expenses. If the minerals are shipped to a party other than a smelter, the royalty is decreased to 2% of the value of the recoverable metals and minerals determined by third party testing.

11. Subsequent Event

On May 13, 2011 the Company filed a prospectus with the security regulators in Alberta and Ontario to qualify 14,695,533 Class A common shares and 7,347,767 common share purchase warrants for trading on the Canadian Stock Exchange (“CNSX”).

On January 24, 2011, the Company changed its name from Rupestris Mines Inc. to Silver Mountain Mines Inc.

Subsequent to year end, the Company issued 820,000 common share units consisting of one common share and half a purchase warrant, 1,756,297 flow-through units consisting of one flow through common share and half a purchase warrant, and 3,840,000 special unit warrants consisting of one common share and a half purchase warrant for total gross proceeds of $1,691,889.

CERTIFICATE OF THE COMPANY

Dated: June 21, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of Alberta and Ontario.

"Steve Konopelky"
Steve Konopelky
President, Chief Executive Officer

"Daryn Gordon"
Daryn Gordon
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Charles Burgess"
Charles Burgess, Director

"Daniel Belot"
Daniel Belot, Director

"Vince Goegan"
Vince Goegan, Director

CERTIFICATE OF THE PROMOTER

"Steve Konopelky"
Steve Konopelky

CERTIFICATE OF THE AGENT

Dated: June 21, 2011

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by securities legislation of Alberta and Ontario.

D&D Securities Inc.
(signed) "Patrick Lilly"