



## **SILVER MOUNTAIN MINES INC.**

Condensed Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

### **Unaudited condensed interim financial statements**

**In accordance with National Instrument 51-102 released by the Canadian Securities administrators, the Company discloses that its auditors have not reviewed these condensed interim financial statements for the three and six months ended June 30, 2016 and 2015.**

**SILVER MOUNTAIN MINES INC.**  
**Condensed Interim Statements of Financial Position**  
**(Unaudited)**

|   | Note | June 30, 2016      | December 31, 2015  |
|---|------|--------------------|--------------------|
| <b>Assets</b>                                     |      |                    |                    |
| Current assets:                                   |      |                    |                    |
| Cash and cash equivalents                         |      | \$ 417,453         | \$ 531,194         |
| GST receivable                                    |      | 1,607              | 925                |
| Prepaid expense                                   |      | 5,806              | 14,131             |
|   |      | 424,866            | 546,250            |
| Non-current assets:                               |      |                    |                    |
| Property and equipment                            | 4    | 62,080             | 63,523             |
| Exploration and evaluation costs                  | 5    | 6,027,661          | 6,025,763          |
| Reclamation bond                                  | 6    | 27,868             | 27,734             |
|   |      | 6,117,609          | 6,117,020          |
| <b>Total assets</b>                               |      | <b>\$6,542,475</b> | <b>\$6,663,270</b> |
| <b>Liabilities and Shareholders' Equity</b>       |      |                    |                    |
| Current liabilities:                              |      |                    |                    |
| Accounts payable and accrued liabilities          |      | \$ 3,350           | \$ 12,368          |
| Non-current liabilities:                          |      |                    |                    |
| Deferred tax liability                            |      | 460,120            | 489,086            |
| Decommissioning liability                         | 7    | 35,423             | 35,036             |
|   |      | 495,543            | 524,122            |
| <b>Total liabilities</b>                          |      | <b>498,893</b>     | <b>536,490</b>     |
| Shareholders' equity:                             |      |                    |                    |
| Share capital                                     | 8(b) | 4,868,823          | 4,868,823          |
| Warrants  | 8(c) | 405,857            | 424,900            |
| Contributed surplus                               | 8(e) | 2,941,550          | 2,922,032          |
| Deficit   |      | (2,172,648)        | (2,088,975)        |
| <b>Total shareholders' equity</b>                 |      | <b>6,043,582</b>   | <b>6,126,780</b>   |
| <b>Total liabilities and shareholders' equity</b> |      | <b>\$6,542,475</b> | <b>\$6,663,270</b> |
| Going concern                                     | 1    |                    |                    |
| Commitments                                       | 9    |                    |                    |

Approved on behalf of the Board:

*"Steve Konopelky"*

Director, President and CEO – Steve Konopelky

*"Daniel Belot"*

Director – Daniel Belot

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

**SILVER MOUNTAIN MINES INC.**  
**Condensed Interim Statements of Comprehensive Income (Loss)**  
**(Unaudited)**

|   |      | For the three months ended<br>June 30, |            | For the six months ended<br>June 30, |            |
|---|------|--|------------|--------------------------------------|------------|
|   | Note | 2016                                   | 2015       | 2016                                 | 2015       |
| <b>Expenses</b>   |      |  |            |                                      |            |
| Accretion expense   | 7    | \$194                                  | \$194      | \$387                                | \$387      |
| Advertising and promotion   |      | -                                      | -          | -                                    | 313        |
| Automotive  |      | -                                      | 413        | 434                                  | 1,045      |
| Consulting and management   |      | 31,413                                 | 45,783     | 75,109                               | 89,309     |
| Depreciation  | 4    | 721                                    | 905        | 1,443                                | 2,091      |
| Insurance   |      | 3,762                                  | 5,660      | 7,527                                | 11,944     |
| Licenses and listing fees   |      | -                                      | -          | 9,854                                | 7,393      |
| Meals and entertainment   |      | -                                      | 224        | 504                                  | 694        |
| Office and storage  |      | 1,819                                  | 2,202      | 8,591                                | 7,553      |
| Professional fees   |      | 1,728                                  | -          | 6,926                                | 6,759      |
| Share-based compensation  | 8(d) | -                                      | 88         | 475                                  | 475        |
| Telephone   |      | -                                      | 411        | 755                                  | 1,185      |
| Travel  |      | -                                      | -          | 2,346                                | 2,640      |
|   |      | 39,637                                 | 55,880     | 114,351                              | 131,788    |
| Interest income   |      | 850                                    | 1,583      | 1,712                                | 2,947      |
| Net loss before deferred tax recovery   |      | (38,787)                               | (54,297)   | (112,639)                            | (128,841)  |
| Deferred tax recovery   |      | 10,195                                 | 14,202     | 28,966                               | 36,846     |
| Total net loss and comprehensive loss for the period<br>attributable to common shareholders |      | \$(28,592)                             | \$(40,095) | \$(83,673)                           | \$(91,995) |
| Basic and diluted loss per share  | 8(f) | \$(0.00)                               | \$(0.00)   | \$(0.00)                             | \$(0.00)   |

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

**SILVER MOUNTAIN MINES INC.**  
**Condensed Interim Statements of Changes in Equity**  
**(Unaudited)**

|  | Number of<br>Shares | Amount<br>(net of<br>subscriptions<br>receivable) | Contributed<br>Surplus | Warrants  | Deficit       | Total       |
|--|---------------------|---|------------------------|-----------|---------------|-------------|
| Balance, January 1, 2015                 | 48,251,503          | \$4,793,933                                       | \$2,589,183            | \$756,324 | \$(1,890,948) | \$6,248,492 |
| Subscription receivable collected        | -                   | 74,890  | -                      | -         | -             | 74,890      |
| Share-based compensation<br>(note 8 (e)) | -                   | -   | 475                    | -         | -             | 475         |
| Total net loss and<br>comprehensive loss | -                   | -   | -                      | -         | (91,995)      | (91,995)    |
| Balance, June 30, 2015                   | 48,251,503          | \$4,868,823                                       | \$2,589,658            | \$756,324 | \$(1,982,943) | \$6,231,862 |
| Share-based compensation<br>(note 8 (e)) | -                   | -   | 950                    | -         | -             | 950         |
| Expiry of warrants (note 9 (c))          | -                   | -   | 331,424                | (331,424) | -             | -           |
| Total net loss and<br>comprehensive loss | -                   | -   | -                      | -         | (106,032)     | (106,032)   |
| Balance, December 31, 2015               | 48,251,503          | \$4,868,823                                       | \$2,922,032            | \$424,900 | \$(2,088,975) | \$6,126,780 |
| Share-based compensation<br>(note 8 (e)) | -                   | -   | 475                    | -         | -             | 475         |
| Expiry of warrants (note 9 (c))          | -                   | -   | 19,043                 | (19,043)  | -             | -           |
| Total net loss and<br>comprehensive loss | -                   | -   | -                      | -         | (83,673)      | (83,673)    |
| Balance, June 30, 2016                   | 48,251,503          | \$4,868,823                                       | \$2,941,550            | \$405,857 | \$(2,172,648) | \$6,043,582 |

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

**SILVER MOUNTAIN MINES INC.**  
**Condensed Interim Statements of Cash Flows**  
**(Unaudited)**

|  |      | For the three months ended |            | For the six months ended |            |
|--|------|----------------------------|------------|--------------------------|------------|
|  |      | June 30,                   |            | June 30,                 |            |
|  | Note | 2016                       | 2015       | 2016                     | 2015       |
| Cash provided by (used in):                              |      |                            |            |                          |            |
| Operating activities                                     |      |                            |            |                          |            |
| Total net loss and comprehensive loss                    |      | \$(28,592)                 | \$(40,095) | \$(83,673)               | \$(91,995) |
| Items not involving cash:                                |      |                            |            |                          |            |
| Depreciation   | 4    | 721                        | 905        | 1,443                    | 2,091      |
| Accretion expense  | 7    | 194                        | 194        | 387                      | 387        |
| Share-based compensation                                 | 8(d) | -                          | 88         | 475                      | 475        |
| Deferred tax recovery                                    |      | (10,195)                   | (14,202)   | (28,966)                 | (2,079)    |
|  |      | (37,872)                   | (53,110)   | (110,334)                | (91,121)   |
| Change in non-cash working capital                       |      |                            |            |                          |            |
| GST receivable   |      | (154)                      | 38,921     | (682)                    | 37,233     |
| Receivable due from related party                        |      | -                          | -          | -                        | 2,500      |
| Prepaid expense  |      | 4,537                      | 6,433      | 8,325                    | 12,625     |
| Accounts payable and accrued liabilities                 |      | (8,100)                    | (8,799)    | (9,018)                  | (24,639)   |
|  |      | (3,717)                    | 36,555     | (1,375)                  | 27,719     |
| Net cash used in operating activities                    |      | (41,589)                   | (16,555)   | (111,709)                | (63,402)   |
| Financing activities                                     |      |                            |            |                          |            |
| Issuance of flow-through units, net of share issue costs | 8(b) | -                          | -          | -                        | 74,890     |
| Change in non-cash working capital                       |      |                            |            |                          |            |
| Premium liability  |      | -                          | -          | -                        | (34,767)   |
| Net cash provided by financing activities                |      | -                          | -          | -                        | 40,123     |
| Investing activities                                     |      |                            |            |                          |            |
| Proceeds on disposition of property and equipment        | 4    | -                          | -          | -                        | 1,200      |
| Interest earned on reclamation bond                      | 6    | (134)                      | -          | (134)                    | (117)      |
| Purchase of exploration and evaluation assets            | 5    | (1,874)                    | (881)      | (1,898)                  | (2,967)    |
| Net cash used in investing activities                    |      | (2,008)                    | (881)      | (2,032)                  | (1,884)    |
| Decrease in cash and cash equivalents                    |      | (43,597)                   | (17,436)   | (113,741)                | (25,163)   |
| Cash and cash equivalents, beginning of the period       |      | 461,050                    | 684,071    | 531,194                  | 691,798    |
| Cash and cash equivalents, end of the period             |      | \$417,453                  | \$666,635  | \$417,453                | \$666,635  |

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

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2016 and 2015

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## 1. Nature of Operations and Continuance of Operations

Silver Mountain Mines Inc. (the "Company"), was incorporated on May 12, 2008 under the laws of Alberta and on August 13, 2008 under the laws of British Columbia. The Company's principal business activity is the exploration of mineral properties in British Columbia. The registered office of the Company is 223 Riverview Circle SE, Calgary, Alberta T2C 4K6. These financial statements were approved and authorized for issuance on August 4, 2016 by the Board of Directors.

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 three and six months ended June 30, 2016, the Company incurred a total net loss and comprehensive loss of (\$28,592) and (\$83,673), respectively. In comparison, for the three and six months ended June 30, 2015, the Company incurred a total net loss and comprehensive loss of (\$40,095) and \$(91,995), respectively. As of June 30, 2016, the Company had an accumulated deficit of \$2,172,648 (December 31, 2015 - \$2,088,975).

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. Management currently assesses the Company's ability to continue as a going concern using financial forecasts of 12 months to ensure the Company has adequate capital to meet its financial obligations.

At its annual and special meeting of shareholders on April 5, 2016, special resolutions supporting a share consolidation, Company name change and expansion of the business were passed by over 97% of the common shares voted at the meeting. With current economic and financial uncertainties in the resource sector, the Company has embarked on transforming itself into a diversified holding company to take advantage of global business opportunities. Under the new business plan, current shareholders will continue to own 100% in the Company's Ptarmigan silver project and will also be able to participate in the diversification of the Company's business going forward. All necessary paperwork will be filed with respective governing bodies concurrent with signing a definitive agreement.

As part of the overall strategy to add value to the Company, the leadership team is reviewing several business opportunities within various sectors. The Company's focus is to look at cash flowing companies and/or assets by way of purchasing all or a participating interest in assets (either in one transaction or more), a merger, recapitalization, amalgamation or any combination thereof. There are no assurances that a transaction will be undertaken or if a transaction is undertaken, as to its terms or timing.

## 2. Basis of Presentation

### (a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), in effect on June 30, 2016.

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2016 and 2015

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## **(b) Basis of presentation and measurement**

These condensed interim financial statements have been prepared using the historical cost convention, except for certain financial instruments measured at fair value through profit and loss ("FVTPL") and share-based payment transactions measured at fair value.

## **(c) Functional and presentation currency**

The condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

## **(d) Use of estimates and judgments**

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key areas of estimation where management has made difficult, complex or subjective assumptions, often as a result of matters inherently uncertain are as follows:

### **(i) Measurement of share based payments and warrant valuation (Note 8(c) and (d))**

The Company uses an option-pricing model to determine the fair value of share-based payments and warrants. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields, forfeiture rates and expected life of the equity instruments issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

### **(ii) Income taxes**

The Company follows the liability method for calculating deferred taxes. Differences between the amounts reported in the annual financial statements of the Company and their respective tax bases are applied to tax rates in effect to calculate the deferred tax asset or liability. In addition, the Company recognizes the future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

### **(iii) Determination of fair values**

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

## **3. Significant Accounting Policies**

These condensed interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2015. Details outlining the Company's accounting policies are contained in the notes to the financial statements for the year ended December 31, 2015.

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2016 and 2015

## 4. Property and Equipment

|                               | Office Equipment | Buildings       | Total           |
|-------------------------------|------------------|-----------------|-----------------|
| <b>Cost</b>                   |                  |                 |                 |
| Balance, January 1, 2015      | \$1,847          | \$66,411        | \$68,258        |
| Disposition of assets         | (1,200)          | -               | (1,200)         |
| Less: Depreciation            | (647)            | (1,444)         | (2,091)         |
| <b>Balance, June 30, 2015</b> | <b>-</b>         | <b>64,967</b>   | <b>64,967</b>   |
| Less: Depreciation            | -                | (1,444)         | (1,444)         |
| Balance, December 31, 2015    | -                | 63,523          | 63,523          |
| Less: Depreciation            | -                | (1,443)         | (1,443)         |
| <b>Balance, June 30, 2016</b> | <b>\$ -</b>      | <b>\$62,080</b> | <b>\$62,080</b> |

For the three and six months ended June 30, 2016, the Company recognized a depreciation expense of \$721 and \$1,443. In comparison, for the three and six months ended June 30, 2015 the Company recognized a depreciation expense of \$905 and \$2,091, respectively.

## 5. Exploration and Evaluation Costs

|                               |                    |
|-------------------------------|--------------------|
| <b>Cost</b>                   |                    |
| Balance, January 1, 2015      | \$6,010,863        |
| Additions                     | 2,967              |
| <b>Balance, June 30, 2015</b> | <b>\$6,013,830</b> |
| Additions                     | 11,933             |
| Balance, December 31, 2015    | \$6,025,763        |
| Additions                     | 1,898              |
| <b>Balance, June 30, 2016</b> | <b>\$6,027,661</b> |

For the three and six months ended June 30, 2016, the Company capitalized \$1,874 and \$1,898 of exploration and evaluation costs, respectively. The capitalized costs for the six months ended June 30, 2015 is comprised of costs associated with the field exploration program.

In comparison, for the six months ended June 30, 2015 and six months ended December 31, 2015, the Company capitalized \$2,967 and \$11,933 of exploration and evaluation costs, respectively. The capitalized costs for the twelve months ended December 31, 2015 totalled \$14,900 and was comprised of costs associated with the field exploration program.

For the six months ended June 30, 2016, the President and Chief Executive Officer's salary of \$70,845 (June 31, 2015 - \$82,533) was included in consulting and management expenses. Prior to 2015, this salary was capitalized along with the costs of the field exploration program.



# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2016 and 2015

## 6. Reclamation Bond

| <b>As at:</b>  | <b>June 30,<br/>2016</b> | December 31,<br>2015 |
|--|--------------------------|----------------------|
| Guaranteed investment certificate bearing interest at 0.40% maturing May 29, 2017    | \$ 20,675                | \$ 20,565            |
| Guaranteed investment certificate bearing interest at 0.40% maturing August 27, 2016 | 7,193                    | 7,169                |
| <b>Total</b>   | <b>\$ 27,868</b>         | <b>\$ 27,734</b>     |

The reclamation bond is required by the Province of British Columbia in order to pursue drilling in the province. The cash is held in custody by the issuing bank in the form of guaranteed investment certificates and is restricted as to withdrawal or use. Interest income earned from the certificates is paid to the Company upon maturation of the deposit.

The Company will not receive the deposit back until such time that they have fulfilled their decommissioning liability with respect to their property. Accordingly, the reclamation bond has been classified as a non-current asset.

## 7. Decommissioning Liability

The Company's decommissioning liability is based on its net ownership in property and equipment and represents management's estimate of the costs to abandon and reclaim those assets as well as an estimate of the future timing of the costs to be incurred. Estimated cash flows have been discounted at the Company's nominal risk free rate of 2.31% and an inflation rate of 2.0%.

The total undiscounted amount of future cash flows required to settle the decommissioning liability is estimated to be \$35,700 (June 30, 2015 - \$35,000) and will be incurred in approximately twenty years from the date of these financial statements.

|                            | <b>2016</b>     | 2015            |
|----------------------------|-----------------|-----------------|
| Balance at January 1,      | \$35,036        | \$34,262        |
| Accretion expense          | 387             | 387             |
| <b>Balance at June 30,</b> | <b>\$35,423</b> | <b>\$34,649</b> |

## 8. 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      |
|--|-------------------|--------------------|
| <b>Common shares</b>   |                   |                    |
| Balance, January 1, 2015   | 48,251,503        | \$4,793,933        |
| Subscriptions received   | -                 | 74,890             |
| <b>Balance, June 30, 2015, December 31,<br/>2015 and June 30, 2016</b> | <b>48,251,503</b> | <b>\$4,868,823</b> |

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2016 and 2015

In 2014, the Company closed a private placement offering of 2,317,800 flow-through units for gross proceeds of \$115,890. At December 31, 2014, \$74,890 had been received but not yet deposited into the Company's bank account. The funds were deposited during January 2015. Each unit consisted of one flow-through common share and one half (1/2) of a purchase warrant to purchase one common share at \$0.10 expiring on December 31, 2017 (note 8 (c)). The Company recognized a premium liability of \$34,767 from the flow-through units issued for the year ended December 31, 2014. The premium liability was recognized in income for six months ended June 30, 2015.

## (c) Warrants

Warrants issued and outstanding at June 30, 2016 are as follows:

|  | Number           | Warrant Value    | Average Exercise Price | Weighted Average Remaining Life |
|--|------------------|------------------|------------------------|---------------------------------|
| Balance at January 1 and June 30, 2015 | 11,763,301       | \$756,324        | \$0.23                 | 2.43                            |
| Expiry of warrants                     | (3,144,834)      | (331,424)        | \$0.40                 | -                               |
| Balance at December 31, 2015           | 8,618,467        | \$424,900        | \$0.18                 | 2.29                            |
| Expiry of warrants                     | (291,650)        | (19,043)         | \$0.50                 | -                               |
| <b>Balance at June 30, 2016</b>        | <b>8,326,817</b> | <b>\$405,857</b> | <b>\$0.16</b>          | <b>1.80</b>                     |

Details of the warrants outstanding at June 30, 2016 are as follows:

| Exercise Price | Outstanding Number of Warrants | Weighted Average Remaining Life |
|----------------|--------------------------------|---------------------------------|
| \$0.10         | 1,158,900                      | 1.50                            |
| \$0.15         | 3,645,417                      | 2.50                            |
| \$0.20         | 3,522,500                      | 1.33                            |
|                | <b>8,326,817</b>               | <b>1.80</b>                     |

The \$0.10 warrants issued during 2014 were valued using the Black-Scholes option-pricing model using the weighted average assumptions to estimate the fair value as follows:

|                         |             |
|-------------------------|-------------|
| As at December 31       | <b>2014</b> |
| Risk-free interest rate | 1.06%       |
| Expected life           | 3.0 years   |
| Expected volatility     | 248%        |
| Expected dividend yield | 0%          |
| Forfeiture rate         | 0%          |

## (d) Share purchase options

The Company has a share purchase option plan under which employees, directors and key consultants and/or advisors are eligible to be granted options. Under the share option plan, which was approved by the shareholders, the granted share options vest to the grantee over one year and the grantee has the right to exercise those share 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 share options under the plan is limited to 20% of the number of common shares outstanding. The number of share options and the exercise price is set by the Company's Board of Directors based on the market value at the time of granting.

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2016 and 2015

During the three and six months ended June 30, 2016, the Company recorded share-based compensation expense of \$nil and \$475, respectively. In comparison, for the three and six months ended June 30, 2015, the Company recorded share-based compensation expenses of \$88 and \$475, respectively.

Share options issued and outstanding at June 30, 2016 are as follows:

|                                      | Number      | Weighted Average<br>Exercise Price |
|--------------------------------------|-------------|------------------------------------|
| Balance, January 1 and June 30, 2015 | 4,815,220   | \$ 0.17                            |
| Expired                              | (540,220)   | (0.09)                             |
| Granted                              | 100,000     | 0.05                               |
| Balance, December 31, 2015           | 4,375,000   | \$ 0.17                            |
| Expired                              | (2,500,000) | (0.25)                             |
| Balance, June 30, 2016               | 1,875,000   | \$ 0.07                            |

Details of the share options outstanding at June 30, 2016 are as follows:

| Exercise Price | Outstanding<br>Number<br>of Options | Exercisable Number<br>of Options | Weighted Average<br>Remaining<br>Life (years) |
|----------------|-------------------------------------|----------------------------------|---|
| \$ 0.05        | 1,260,000                           | 1,260,000                        | 2.55  |
| \$ 0.10        | 615,000                             | 615,000                          | 1.09  |

Options issued during 2014 and 2015 were priced using the Black-Scholes option-pricing model using the weighted average assumptions to estimate the fair value of options granted:

|                          | 2015  | 2014          |
|--------------------------|-------|---------------|
| Risk-free interest rate  | 0.82% | 1.33% - 1.66% |
| Expected life - years    | 5.00  | 5.00          |
| Expected volatility      | 358%  | 233% - 248%   |
| Expected dividend yield  | 0%    | 0%            |
| Expected forfeiture rate | 5%    | 5%            |

## (e) Contributed surplus

|                                  |                    |
|----------------------------------|--------------------|
| Balance, January 1, 2015         | \$2,589,183        |
| Share-based compensation expense | 475                |
| <b>Balance, June 30, 2015</b>    | <b>2,589,658</b>   |
| Share-based compensation expense | 950                |
| Expiry of warrants               | 331,424            |
| Balance, December 31, 2015       | 2,922,032          |
| Share-based compensation expense | 475                |
| Expiry of warrants               | 19,043             |
| <b>Balance, June 30, 2016</b>    | <b>\$2,941,550</b> |

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2016 and 2015

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## (f) Loss per share

Basic loss per share amounts are calculated by dividing the total net loss and comprehensive loss for the year attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the year.

The Company's dilutive instruments consist of share purchase options and warrants.

The basic and diluted loss per share amounts are the same as the share purchase 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 for the three and six months ended June 30, 2016 was 48,251,503 (June 30, 2015 – 48,251,503).

## 9. Commitments

The Company entered into two Net Smelter Royalty Agreements ("NSR") on May 15, 2008 with one director and two former 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 a third party testing.