



## **SILVER MOUNTAIN MINES INC.**

Condensed Interim Financial Statements

For the three and six months ended June 30, 2017 and 2016

### **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, 2017 and 2016.**

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

	Note	June 30, 2017	December 31, 2016
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 196,138	\$ 297,543
GST receivable		1,301	3,764
Prepaid expense		8,670	14,261
		206,109	315,568
Non-current assets:			
Property and equipment	4	59,192	60,636
Exploration and evaluation costs	5	6,055,551	6,051,601
Reclamation bond	6	27,949	27,867
		6,142,692	6,140,104
<b>Total assets</b>		<b>\$6,348,801</b>	<b>\$6,455,672</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 12,944	\$ 18,234
Non-current liabilities:			
Deferred tax liability		418,395	445,722
Decommissioning liability	7	36,197	35,810
		454,592	481,532
<b>Total liabilities</b>		<b>467,536</b>	<b>499,766</b>
Shareholders' equity:			
Share capital	8(b)	4,868,823	4,868,823
Warrants	8(c)	253,513	253,513
Contributed surplus	8(e)	3,093,894	3,093,894
Deficit		(2,334,965)	(2,260,324)
<b>Total shareholders' equity</b>		<b>5,881,265</b>	<b>5,955,906</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$6,348,801</b>	<b>\$6,455,672</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)**

	Note	For the three months ended June 30,		For the six months ended June 30,	
		2017	2016	2017	2016
<b>Expenses</b>					
Accretion expense	7	\$194	\$194	\$387	\$387
Automotive		428	-	1,259	434
Consulting and management		33,819	31,413	66,417	75,109
Depreciation	4	722	721	1,444	1,443
Insurance		2,182	3,762	4,365	7,527
Licenses and listing fees		1,399	-	10,068	9,854
Meals and entertainment		507	-	1,517	504
Office and storage		3,570	1,819	10,173	8,591
Professional fees		2,022	1,728	3,842	6,926
Share-based compensation	8(d)	-	-	-	475
Telephone		832	-	2,107	755
Travel		692	-	692	2,346
		46,367	39,637	102,271	114,351
Interest income		28	850	303	1,712
Net loss before deferred tax recovery		(46,339)	(38,787)	(101,968)	(112,639)
Deferred tax recovery		12,444	10,195	27,327	28,966
Total net loss and comprehensive loss for the period attributable to common shareholders		\$(33,895)	\$(28,592)	\$(74,641)	\$(83,673)
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 Shares	Amount	Contributed Surplus	Warrants	Deficit	Total
Balances at January 1, 2016	48,251,503	\$4,868,823	\$2,922,032	\$424,900	\$(2,088,975)	\$6,126,780
Share-based compensation (note 8 (e))	-	-	475	-	-	475
Expiry of warrants (note 9 (c))	-	-	19,043	(19,043)	-	-
Total net loss and comprehensive loss	-	-	-	-	(83,673)	(83,673)
Balances at June 30, 2016	48,251,503	\$4,868,823	\$2,941,550	\$405,857	\$(2,172,648)	\$6,043,582
Expiry of warrants (note 9 (c))	-	-	152,344	(152,344)	-	-
Total net loss and comprehensive loss	-	-	-	-	(87,676)	(87,676)
Balances at December 31, 2016	48,251,503	\$4,868,823	\$3,093,894	\$253,513	\$(2,260,324)	\$5,955,906
Total net loss and comprehensive loss	-	-	-	-	(74,641)	(74,641)
Balances at June 30, 2017	48,251,503	\$4,868,823	\$3,093,894	\$253,513	\$(2,334,965)	\$5,881,265

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	2017	2016	2017	2016
Cash provided by (used in):					
Operating activities					
Total net loss and comprehensive loss		\$(33,895)	\$(28,592)	\$(74,641)	\$(83,673)
Items not involving cash:					
Depreciation	4	722	721	1,444	1,443
Accretion expense	7	194	194	387	387
Share-based compensation	8(d)	-	-	-	475
Deferred tax recovery		(12,444)	(10,195)	(27,327)	(28,966)
		(45,423)	(37,872)	(100,137)	(110,334)
Changes in non-cash working capital:					
GST receivable		(468)	(154)	2,463	(682)
Prepaid expense		2,795	4,537	5,591	8,325
Accounts payable and accrued liabilities		(4,926)	(8,100)	(5,290)	(9,018)
		(2,599)	(3,717)	2,764	(1,375)
Net cash used in operating activities		(48,022)	(41,589)	(97,373)	(111,709)
Investing activities					
Interest earned on reclamation bond	6	(82)	(134)	(82)	(134)
Purchase of exploration and evaluation assets	5	(3,337)	(1,874)	(3,950)	(1,898)
Net cash used in investing activities		(3,419)	(2,008)	(4,032)	(2,032)
Decrease in cash and cash equivalents		(51,441)	(43,597)	(101,405)	(113,741)
Cash and cash equivalents, beginning of the period		247,579	461,050	297,543	531,194
Cash and cash equivalents, end of the period		\$196,138	\$417,453	\$196,138	\$417,453

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, 2017 and 2016

---

## 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 15, 2017 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, 2017, the Company incurred a total net loss and comprehensive loss of (\$33,895) and (\$74,641), respectively. In comparison, 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. As of June 30, 2017, the Company had an accumulated deficit of \$2,334,965 (December 31, 2016 - \$2,260,324).

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 June 29, 2017, a special resolution was approved cancelling all prior consolidation resolutions and allowing a consolidation of the issued and outstanding common shares on the basis of one (1) post-consolidation common share for up to thirty (30) pre-consolidation common shares.

## 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, 2017.

### (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

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2017 and 2016

---

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, 2016. Details outlining the Company's accounting policies are contained in the notes to the financial statements for the year ended December 31, 2016.

### 4. Property and Equipment

	Buildings	Total
<b>Net book value</b>		
Balances at January 1, 2016	\$63,523	\$63,523
Less: Depreciation	(1,443)	(1,443)
<b>Balances at June 30, 2016</b>	<b>62,080</b>	<b>62,080</b>
Less: Depreciation	(1,444)	(1,444)
Balances at December 31, 2016	60,636	60,636
Less: Depreciation	(1,444)	(1,444)
<b>Balances at June 30, 2017</b>	<b>\$59,192</b>	<b>\$59,192</b>

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2017 and 2016

For the three and six months ended June 30, 2017, the Company recognized a depreciation expense of \$722 and \$1,444, respectively. In comparison, for the three and six months ended June 30, 2016, the Company recognized a depreciation expense of \$721 and \$1,443, respectively.

## 5. Exploration and Evaluation Costs

<b>Cost</b>	
Balance at January 1, 2016	\$6,025,763
Additions	1,898
<b>Balance at June 30, 2016</b>	<b>\$6,027,661</b>
Additions	23,940
Balance at December 31, 2016	\$6,051,601
Additions	3,950
<b>Balance at June 30, 2017</b>	<b>\$6,055,551</b>

For the three and six months ended June 30, 2017, the Company capitalized \$3,337 and \$3,950 of exploration and evaluation costs, respectively. The capitalized costs for the six months ended June 30, 2016 is comprised of costs associated with the field exploration program.

In comparison, for the six months ended June 30, 2016 and six months ended December 31, 2016, the Company capitalized \$1,898 and \$23,940 of exploration and evaluation costs, respectively. The capitalized costs for the twelve months ended December 31, 2016 totalled \$25,838 and was comprised of costs associated with the field exploration program.

## 6. Reclamation Bond

<b>As at:</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Guaranteed investment certificate bearing interest at 0.40% maturing May 30, 2018	\$ 20,751	\$ 20,669
Guaranteed investment certificate bearing interest at 0.40% maturing August 27, 2017	7,198	7,198
<b>Total</b>	<b>\$ 27,949</b>	<b>\$ 27,867</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.



# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2017 and 2016

## 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 \$36,400 (June 30, 2016 - \$35,700) and will be incurred in approximately twenty years from the date of these financial statements.

	2017	2016
Balances at January 1,	\$35,810	\$35,036
Accretion expense	387	387
<b>Balances at June 30,</b>	<b>\$36,197</b>	<b>\$35,423</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>		
<b>Balances at January 1, 2016, June 30, 2016, December 31, 2016 and June 30, 2017</b>	<b>48,251,503</b>	<b>\$4,868,823</b>

### (c) Warrants

Warrants issued and outstanding at June 30, 2017 are as follows:

	Number	Warrant Value	Average Exercise Price	Weighted Average Remaining Life
Balances at January 1, 2016	8,618,467	\$424,900	\$0.18	2.29
Expiry of warrants	(291,650)	(19,043)	\$0.40	-
Balances at June 30, 2016	8,326,817	\$405,857	\$0.16	1.80
Expiry of warrants		(152,344)	\$0.50	-
<b>Balances at December 31, 2016 and June 30, 2017</b>	<b>8,326,817</b>	<b>\$253,513</b>	<b>\$0.16</b>	<b>0.87</b>

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2017 and 2016

Details of the warrants outstanding at June 30, 2017 are as follows:

Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Life
\$0.10	1,158,900	0.50
\$0.15	3,645,417	1.50
\$0.20	3,522,500	0.33
	8,326,817	0.87

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,	2014
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.

During the three and six months ended June 30, 2017, the Company recorded share-based compensation expense of \$nil and \$nil, respectively. In comparison, for the three and six months ended June 30, 2016, the Company recorded share-based compensation expenses of \$nil and \$475, respectively.

Share options issued and outstanding at June 30, 2017 are as follows:

	Number	Weighted Average Exercise Price
Balances at January 1, 2016	4,375,000	\$ 0.17
Expired	(2,500,000)	(0.25)
<b>Balances at June 30, 2016, December 31, 2016 and June 30, 2017</b>	<b>1,875,000</b>	<b>\$ 0.07</b>

Details of the share options outstanding at June 30, 2017 are as follows:

Exercise Price	Outstanding Number of Options	Exercisable Number of Options	Weighted Average Remaining Life (years)
\$ 0.05	1,260,000	1,260,000	1.55
\$ 0.10	615,000	615,000	0.09

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2017 and 2016

During 2015, the Company granted 100,000 share purchase options to purchase common shares at an average exercise price of \$0.05. Options were priced using the Black-Scholes option pricing model using the weighted average assumptions to estimate the fair value of options granted:

As at December 31,	2015
Risk-free interest rate	0.82%
Expected life	5.0 years
Expected volatility	358%
Expected dividend yield	0%
Expected forfeiture rate	5%

## (e) Contributed surplus

Balance at January 1, 2016	\$2,922,032
Share-based compensation expense	475
Expiry of warrants	19,043
<b>Balance at June 30, 2016</b>	<b>2,941,550</b>
Expiry of warrants	152,344
<b>Balances at December 31, 2016 and June 30, 2017</b>	<b>\$3,093,894</b>

## (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, 2017 was 48,251,503 (June 30, 2016 – 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.

## 10. Subsequent event

Subsequent to June 30, 2017, the Company announced a non-brokered private placement of 10,000,000 Flow-Through Units (the "Units") at a price of \$0.03 per unit for total proceeds of \$300,000.

Each Unit consists of one common share and one half (1/2) of a common share purchase warrant. Each full common share purchase warrant entitles the holder thereof to acquire one common share at a price of \$0.07 per share on or before December 31, 2019 (the "Expiry Date"). In the event the shares close at or above \$0.10 per share for twenty-one (21) consecutive trading days, the Company may at its election accelerate the Expiry Date upon not less than 30 days written notice to each subscriber.