



## **SILVER MOUNTAIN MINES INC.**

Condensed Interim Financial Statements

For the three months ended March 31, 2018 and 2017

**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 months ended March 31, 2018 and 2017.**

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

	Note	March 31, 2018	December 31, 2017
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 60,786	\$ 83,222
GST receivable		4,359	3,440
Prepaid expense		9,388	11,808
		74,533	98,470
Non-current assets:			
Property and equipment	4	57,027	57,749
Exploration and evaluation costs	5	6,084,208	6,083,970
Reclamation bond	6	27,990	27,990
		6,169,225	6,169,709
Total assets		\$6,243,758	\$6,268,179
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 12,015	\$ 25,289
Non-current liabilities:			
Deferred tax liability		390,209	393,271
Decommissioning liability	7	36,777	36,584
		426,986	429,855
Total liabilities		439,001	455,144
Shareholders' equity:			
Share capital	8(b)	4,868,823	4,868,823
Warrants	8(c)	109,362	109,362
Contributed surplus	8(e)	3,238,045	3,238,045
Deficit		(2,411,473)	(2,403,195)
Total shareholders' equity		5,804,757	5,813,035
Total liabilities and shareholders' equity		\$6,243,758	\$6,268,179
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 March 31,	
	Note	2018	2017
<b>Expenses</b>			
Accretion expense	7	\$ 193	\$ 193
Automotive		-	831
Consulting and management		780	32,598
Depreciation	4	722	722
Insurance		2,183	2,183
Licenses and listing fees		6,153	8,669
Meals and entertainment		-	1,010
Office and storage		-	6,603
Professional fees		1,337	1,820
Telephone		-	1,275
		11,368	55,904
<b>Interest income</b>		28	275
Net loss before deferred tax recovery		(11,340)	(55,629)
Deferred tax recovery		3,062	14,883
Total net loss and comprehensive loss for the period attributable to common shareholders		<b>\$(8,278)</b>	<b>\$(40,746)</b>
Basic and diluted loss per share	8(f)	<b>\$(0.00)</b>	<b>\$(0.00)</b>

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
Balance, January 1, 2017	48,251,503	\$4,868,823	\$3,093,894	\$253,513	\$(2,260,324)	\$5,955,906
Total net loss and comprehensive loss	-	-	-	-	(40,746)	(40,746)
Balance, March 31, 2017	48,251,503	\$4,868,823	\$3,093,894	\$253,513	\$(2,301,070)	\$5,915,160
Expiry of warrants (note 8 (c))	-	-	144,151	(144,151)	-	-
Total net loss and comprehensive loss	-	-	-	-	(102,125)	(102,125)
Balance, December 31, 2017	48,251,503	\$4,868,823	\$3,238,045	\$109,362	\$(2,403,195)	\$5,813,035
Total net loss and comprehensive loss	-	-	-	-	(8,278)	(8,278)
Balance, March 31, 2018	48,251,503	\$4,868,823	\$3,238,045	\$109,362	\$(2,411,473)	\$5,804,757

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 March 31,	
	Note	2018	2017
Cash provided by (used in):			
Operating Activities			
Total net loss and comprehensive loss		\$ (8,278)	\$ (40,746)
Items not involving cash:			
Depreciation	4	722	722
Accretion expense	7	193	193
Deferred income tax		(3,062)	(14,883)
<b>Total funds used in operations</b>		<b>(10,425)</b>	<b>(54,714)</b>
Changes in non-cash working capital:			
Interest and GST receivable		(919)	2,931
Prepaid expense		2,420	2,796
Accounts payable and accrued liabilities		(13,274)	(364)
<b>Total changes in non-cash working capital</b>		<b>(11,773)</b>	<b>5,363</b>
<b>Net cash used in operating activities</b>		<b>(22,198)</b>	<b>(49,351)</b>
Investing Activities			
Purchase of exploration and evaluation assets	5	(238)	(613)
<b>Net cash used in investing activities</b>		<b>(238)</b>	<b>(613)</b>
Decrease in cash and cash equivalents		(22,436)	(49,964)
Cash and cash equivalents, beginning of the period		83,222	297,543
<b>Cash and cash equivalents, end of the period</b>		<b>\$60,786</b>	<b>\$247,579</b>

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 months ended March 31, 2018 and 2017

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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 May 29, 2018 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 months ended March 31, 2018, the Company incurred a total net loss and comprehensive loss of \$(8,278). In comparison, for the three months ended March 31, 2017, the Company had total net loss and comprehensive loss of \$(40,746). As of March 31, 2018, the Company had an accumulated deficit of \$2,411,473 (December 31, 2017 - \$2,403,195).

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. No such consolidation has taken place as at March 31, 2018.

## 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 March 31, 2018.

### (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.

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
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## (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(d) and (c))

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, 2017. Details outlining the Company's accounting policies are contained in the notes to the financial statements for the year ended December 31, 2017.

# SILVER MOUNTAIN MINES INC.

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## 4. Property and Equipment

	Buildings	Total
<b>Net book value</b>		
Balance, January 1, 2017	\$60,636	\$60,636
Less: Depreciation	(722)	(722)
<b>Balance, March 31, 2017</b>	<b>59,914</b>	<b>59,914</b>
Less: Depreciation	(2,165)	(2,165)
Balance, December 31, 2017	57,749	57,749
Less: Depreciation	(722)	(722)
<b>Balance, March 31, 2018</b>	<b>\$57,027</b>	<b>\$57,027</b>

For the three months ended March 31, 2018, the Company recognized a depreciation expense of \$722 (March 31, 2017 - \$722).

## 5. Exploration and Evaluation Costs

<b>Cost</b>		
Balance, January 1, 2017		\$6,051,601
Additions		613
<b>Balance, March 31, 2017</b>		<b>\$6,052,214</b>
Additions		31,756
Balance, December 31, 2017		\$6,083,970
Additions		238
<b>Balance, March 31, 2018</b>		<b>\$6,084,208</b>

For the three months ended March 31, 2018, the Company capitalized \$238 of exploration and evaluation costs. The capitalized costs for the three months ended March 31, 2018 is comprised entirely of costs associated with the field exploration program.

In comparison, for the three months ended March 31, 2017 and nine months ended December 31, 2017, the Company capitalized \$613 and \$31,756 of exploration and evaluation costs, respectively. The capitalized costs for the twelve months ended December 31, 2017 totalled \$32,369 and was comprised of costs associated with the field exploration program.

## 6. Reclamation Bond

As at:	March 31, 2018	December 31, 2017
Guaranteed investment certificate bearing interest at 0.40% maturing July 25, 2018	\$20,764	\$20,764
Guaranteed investment certificate bearing interest at 0.40% maturing August 29, 2018	7,226	7,226
<b>Total</b>	<b>\$27,990</b>	<b>\$27,990</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.

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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 \$37,100 (March 31, 2017 - \$36,400) and will be incurred in approximately twenty years from the date of these financial statements.

	2018	2017
Balance at January 1,	\$36,584	\$35,810
Accretion expense	193	193
<b>Balance at March 31,</b>	<b>\$36,777</b>	<b>\$36,003</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
Common shares		
<b>Balances at January 1, 2017, March 31, 2017, December 31, 2017 and March 31, 2018</b>	<b>48,251,503</b>	<b>\$4,868,823</b>

### (c) Warrants

Warrants issued and outstanding at March 31, 2018 are as follows:

	Number	Warrant Value	Average Exercise Price	Weighted Average Remaining Life
Balance at January 1, 2017	8,326,817	\$253,513	\$0.16	1.36
Expiry of warrants	-	-	-	-
Balance at March 31, 2017	8,326,817	\$253,513	\$0.16	0.87
Expiry of warrants	(4,681,400)	(144,151)	0.18	-
<b>Balances at December 31, 2017 and March 31, 2018</b>	<b>3,645,417</b>	<b>\$109,362</b>	<b>\$0.15</b>	<b>0.75</b>

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Details of the warrants outstanding at March 31, 2018 are as follows:

Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life
\$0.15	3,645,417	0.75

## (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 purchase option plan, which was approved by the shareholders, the granted share purchase 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 purchase options under the plan is limited to 20% of the number of common shares outstanding. The number of share purchase 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 months ended March 31, 2018, the Company recorded share-based compensation expense of \$Nil (March 31, 2017 - \$Nil).

Share options issued and outstanding at March 31, 2018 are as follows:

	Number	Weighted Average Exercise Price
Balance, January 1, and March 31, 2017	1,875,000	\$ 0.07
Expired	(930,000)	(0.10)
<b>Balances, December 31, 2017 and March 31, 2018</b>	<b>945,000</b>	<b>\$ 0.05</b>

Details of the share options outstanding at March 31, 2018 are as follows:

Exercise Price	Outstanding Number of Options	Exercisable Number of Options	Weighted Average Remaining Life (years)
\$ 0.05	945,000	945,000	0.79

## (e) Contributed surplus

Balance, January 1, and March 31, 2017	\$3,093,894
Expiry of warrants	144,151
<b>Balances at December 31, 2017 and March 31, 2018</b>	<b>\$3,238,045</b>

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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 months ended March 31, 2018 was 48,251,503 (March 31, 2017 – 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.