



## **SILVER MOUNTAIN MINES INC.**

Condensed Interim Financial Statements

For the three and six months ended June 30, 2015 and 2014

**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, 2015 and 2014.**

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

	Note	June 30, 2015	December 31, 2014
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$666,635	\$691,798
GST receivable		2,172	39,405
Receivable due from related party		-	2,500
Prepaid expense		9,386	22,011
		<u>678,193</u>	<u>755,714</u>
Non-current assets:			
Property and equipment	4	64,967	68,258
Exploration and evaluation costs	5	6,013,830	6,010,863
Reclamation bond	6	27,631	27,514
		<u>6,106,428</u>	<u>6,106,635</u>
Total assets		<u>6,784,621</u>	<u>6,862,349</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		4,394	29,033
Premium liability	8(b)	-	34,767
		<u>4,394</u>	<u>63,800</u>
Non-current liabilities:			
Deferred tax liability		513,716	515,795
Decommissioning liability	7	34,649	34,262
		<u>548,365</u>	<u>550,057</u>
Total liabilities		<u>552,759</u>	<u>613,857</u>
Shareholders' equity:			
Share capital	8(b)	4,868,823	4,868,823
Subscriptions receivable	8(b)	-	(74,890)
Warrants	8(c)	756,324	756,324
Contributed surplus	8(e)	2,589,658	2,589,183
Deficit		(1,982,943)	(1,890,948)
Total shareholders' equity		<u>6,231,862</u>	<u>6,248,492</u>
Total liabilities and shareholders' equity		<u>\$6,784,621</u>	<u>\$6,862,349</u>
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 June 30,		For the six months ended June 30,	
	Note	2015	2014	2015	2014
<b>Expenses</b>					
Accretion expense		\$194	\$194	\$387	\$387
Advertising and promotion		-	15,000	313	30,000
Automotive		413	802	1,045	1,399
Consulting and management		45,783	11,734	89,309	23,108
Depreciation	4	905	1,131	2,091	2,372
Insurance		5,660	5,630	11,944	11,161
Licenses and listing fees		-	-	7,393	8,766
Meals and entertainment		224	776	694	2,524
Office		2,202	4,578	7,553	19,720
Professional fees		-	3,782	6,759	5,875
Share-based compensation	8(d)	88	3,977	475	8,884
Telephone		411	943	1,185	2,143
Travel		-	1,718	2,640	5,841
		55,880	50,265	131,788	122,180
Interest income		1,583	4,591	2,947	6,824
Net loss before deferred income tax recovery		(54,297)	(45,674)	(128,841)	(115,356)
Deferred income tax recovery (expense)		14,202	(1,213)	36,846	192,690
Total comprehensive income (loss) for the period attributable to common shareholders		\$(40,095)	\$(46,887)	\$(91,995)	\$77,334
Basic and diluted income (loss) per share	8(f)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)

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 (net of subscriptions receivable)	Contributed Surplus	Warrants	Deficit	Total
Balance, January 1, 2014	45,933,703	\$4,656,775	\$2,021,162	\$1,259,335	\$(1,819,511)	\$6,117,761
Shares issued for cash, net of share issue costs	-	169,400	-	-	-	169,400
Share-based compensation	-	-	8,884	-	-	8,884
Total comprehensive income	-	-	-	-	77,334	77,334
Balance, June 30, 2014	45,933,703	\$4,826,175	\$2,030,046	\$1,259,335	\$(1,742,177)	\$6,373,379
Shares issued for cash, net of share issue costs	2,317,800	(32,242)	-	38,475	-	6,233
Share-based compensation	-	-	17,651	-	-	17,651
Expiry of warrants	-	-	541,486	(541,486)	-	-
Total comprehensive loss	-	-	-	-	(148,771)	(148,771)
Balance, December 31, 2014	48,251,503	\$4,793,933	\$2,589,183	\$756,324	\$(1,890,948)	\$6,248,492
Shares issued for cash, net of share issue costs	-	74,890	-	-	-	74,890
Share-based compensation	-	-	475	-	-	475
Total 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

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	2015	2014	2015	2014
Cash provided by (used in):					
Operations					
Total comprehensive income (loss)		\$(40,095)	\$(46,887)	\$(91,995)	\$77,334
Items not involving cash:					
Depreciation	4	905	1,131	2,091	2,372
Accretion expense		194	194	387	387
Share-based compensation	8(d)	88	3,977	475	8,884
Deferred income tax expense (recovery)		(14,202)	1,213	(2,079)	26,035
		(53,110)	(40,372)	(91,121)	115,012
Change in non-cash working capital					
Interest and GST receivable		38,921	29,447	37,233	27,529
Receivable due from related party		-	-	2,500	-
Prepaid expense		6,433	16,977	12,625	11,527
Accounts payable and accrued liabilities		(8,799)	(9,342)	(24,639)	(84,462)
		36,555	37,082	27,719	(45,406)
Net cash provided by (used in) operations		(16,555)	(3,290)	(63,402)	69,606
Financing					
Issuance of flow-through units, net of share issue costs	8(b)	-	-	74,890	169,400
Change in non-cash working capital					
Premium liability		-	-	(34,767)	(218,725)
Net cash provided by (used in) financing activities		-	-	40,123	(49,325)
Investing					
Proceeds on disposition of property and equipment	4	-	-	1,200	-
Interest adjustment on reclamation bond		-	-	(117)	-
Purchase of exploration and evaluation assets	5	(881)	(52,465)	(2,967)	(97,223)
Net cash used in investing activities		(881)	(52,465)	(1,884)	(97,223)
Decrease in cash and cash equivalents		(17,436)	(55,755)	(25,163)	(76,942)
Cash and cash equivalents, beginning of the period		684,071	1,405,104	691,798	1,426,291
Cash and cash equivalents, end of the period		\$666,635	\$1,349,349	\$666,635	\$1,349,349

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, 2015 and 2014

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## 1. Nature of Operations and Continuance of Operations

Silver Mountain Mines Inc. (the "Company"), formerly Rupestris Mines Inc., 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 17, 2015 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, 2015, the Company incurred a total net loss and comprehensive loss of (\$40,095) and (\$91,995), respectively. In comparison, for the three and six months ended June 30, 2014, the Company incurred a total net income (loss) and comprehensive income (loss) of (\$46,887) and \$77,334, respectively. As of June 30, 2015, the Company had an accumulated deficit of \$1,982,943 (December 31, 2014 - \$1,890,948).

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.

## 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, 2015.

### (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

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2015 and 2014

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, 2014. Details outlining the Company's accounting policies are contained in the notes to the financial statements for the year ended December 31, 2014.

### 4. Property and Equipment

	Office Equipment	Buildings	Total
<b>Cost</b>			
Balance, January 1, 2014	\$4,336	\$69,298	\$73,634
Less: Depreciation	(930)	(1,442)	(2,372)
<b>Balance, June 30, 2014</b>	<b>3,406</b>	<b>67,856</b>	<b>71,262</b>
Disposition of assets	(630)	-	(630)
Less: Depreciation	(929)	(1,445)	(2,374)
Balance, December 31, 2014	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>

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2015 and 2014

For the three and six months ended June 30, 2015, the Company recognized a depreciation expense of \$905 and \$2,091. In comparison, for the three and six months ended June 30, 2014 the Company recognized a depreciation expense of \$1,131 and \$2,372, respectively.

## 5. Exploration and Evaluation Costs

<b>Cost</b>	
Balance, January 1, 2014	\$5,297,784
Additions	97,223
<b>Balance, June 30, 2014</b>	<b>\$5,395,007</b>
Additions	615,856
Balance, December 31, 2014	\$6,010,863
Additions	2,967
<b>Balance, June 30, 2015</b>	<b>\$6,013,830</b>

For the three and six months ended June 30, 2015, the Company capitalized \$881 and \$2,967 of exploration and evaluation costs, respectively. The capitalized costs for the six months ended June 30, 2015 is comprised of costs associated with the 2014 field exploration program.

In comparison, for the six months ended June 30, 2014 and six months ended December 31, 2014, the Company capitalized \$97,223 and \$615,856 of exploration and evaluation costs, respectively. The capitalized costs for the twelve months ended December 31, 2014 totalled \$713,079 and was comprised of the following: President and Chief Executive Officer's salary was \$158,864 and costs associated with the 2014 field exploration program were \$554,215. For the six months ended June 30, 2015, exploration expenses were minimal and the President and Chief Executive Officer's salary of \$82,533 was included in consulting and management expenses.

## 6. Reclamation Bond

<b>As at June 30,</b>	<b>2015</b>	<b>2014</b>
Guaranteed investment certificate bearing interest at 0.50% maturing May 29, 2016	\$ 20,519	\$ 20,240
Guaranteed investment certificate bearing interest at 0.80% maturing August 28, 2015	7,112	7,056
<b>Total</b>	<b>\$ 27,631</b>	<b>\$ 27,296</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, 2015 and 2014

## 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 \$35,000 (2014 - \$35,000) and will be incurred in approximately twenty-one years from the date of these financial statements.

	2015	2014
Balance at January 1,	\$34,262	\$33,488
Accretion expense	387	387
<b>Balance at June 30,</b>	<b>\$34,649</b>	<b>\$33,875</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		
Balance, January 1, and June 30, 2014	45,933,703	\$4,826,175
Private placement offering - flow-through	2,317,800	(32,242)
Balance, December 31, 2014	48,251,503	\$4,793,933
Subscriptions received	-	74,890
<b>Balance, June 30, 2015</b>	<b>48,251,503</b>	<b>\$4,868,823</b>

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.

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2015 and 2014

## (c) Warrants

Warrants issued and outstanding at June 30, 2015 are as follows:

	Number	Warrant Value	Average Exercise Price	Weighted Average Remaining Life
Balance at January 1, 2015	11,763,301	\$756,324	\$0.23	2.68
<b>Balance at June 30, 2015</b>	<b>11,763,301</b>	<b>\$756,324</b>	<b>\$0.23</b>	<b>2.18</b>

Details of the warrants outstanding at June 30, 2015 are as follows:

Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life
\$0.10	1,158,900	2.50
\$0.15	3,645,417	3.50
\$0.20	3,522,500	2.33
\$0.25	1,300,000	0.49
\$0.50	2,136,484	0.52
	11,763,301	2.18

The warrants 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.

Share options issued and outstanding at June 30, 2015 are as follows:

	Number	Weighted Average Exercise Price
Balance at January 1, and June 30, 2015	4,745,220	\$0.17

# SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2015 and 2014

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

	November 2013	January 2014	April 2015
Risk-free interest rate	1.51%	1.33%	0.82%
Expected life	5.0 years	5.0 years	5.0 years
Expected volatility	181%	248%	358%
Weighted average grant date share price	\$0.03	\$0.04	\$0.02
Expected dividend yield	0%	0%	0%

## (e) Contributed surplus

Balance, January 1, 2014	\$2,021,162
Share-based compensation expense	8,884
<b>Balance, June 30, 2014</b>	<b>2,030,046</b>
Share-based compensation expense	17,651
Expiry of warrants	541,486
Balance, December 31, 2014	2,589,183
Share-based compensation expense	475
<b>Balance, June 30, 2015</b>	<b>\$2,589,658</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, 2015 was 48,251,503 (June 30, 2014 – 45,933,703).

## 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.