



SILVER MOUNTAIN MINES INC.

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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 nine months ended September 30, 2019 and 2018.

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

| | Note | September 30, 2019 | December 31, 2018 |
|---|------|--------------------|-------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | | \$ 2,849 | \$ 30,466 |
| GST and interest receivable | | 1,480 | 1,502 |
| Prepaid expense | | 7,704 | 11,272 |
| | | 12,033 | 43,240 |
| Non-current assets: | | | |
| Property and equipment | 4 | 52,696 | 54,862 |
| Exploration and evaluation costs | 5 | 6,085,638 | 6,084,923 |
| Reclamation bond | 6 | 28,396 | 28,359 |
| | | 6,166,730 | 6,168,144 |
| Total assets | | \$6,178,763 | \$6,211,384 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | | \$ 3,671 | \$ 11,200 |
| Non-current liabilities: | | | |
| Deferred tax liability | | 374,601 | 381,559 |
| Decommissioning liability | 7 | 37,938 | 37,358 |
| | | 412,539 | 418,917 |
| Total liabilities | | 416,210 | 430,117 |
| Shareholders' equity: | | | |
| Share capital | 8(b) | 4,868,823 | 4,868,823 |
| Contributed surplus | 8(e) | 3,347,407 | 3,347,407 |
| Deficit | | (2,453,677) | (2,434,963) |
| Total shareholders' equity | | 5,762,553 | 5,731,267 |
| Total liabilities and shareholders' equity | | \$6,178,763 | \$6,211,384 |
| Going concern | 1 | | |
| Commitments | 9 | | |

Approved on behalf of the Board:

Steve Konopelky

Director, President and CEO – Steve Konopelky

Dan 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 September 30, | | For the nine months ended September 30, | |
|---|------|---|------------------|--|-------------------|
| | Note | 2019 | 2018 | 2019 | 2018 |
| Expenses | | | | | |
| Accretion expense | 7 | \$193 | \$193 | \$580 | \$580 |
| Automotive | | 300 | 300 | 900 | 900 |
| Consulting and management | | 772 | 430 | 2,275 | 2,455 |
| Depreciation | 4 | 722 | 722 | 2,166 | 2,166 |
| Insurance | | 2,385 | 2,183 | 7,000 | 6,548 |
| Licenses and listing fees | | 300 | 1,862 | 8,456 | 8,015 |
| Office and storage | | 357 | 403 | 1,038 | 1,018 |
| Professional fees | | 851 | 2,334 | 2,698 | 4,178 |
| Telephone | | 300 | 300 | 900 | 900 |
| | | 6,180 | 8,727 | 26,013 | 26,760 |
| Interest income | | 119 | 278 | 341 | 334 |
| Net loss before deferred tax recovery | | (6,061) | (8,449) | (25,672) | (26,426) |
| Deferred tax recovery | | 1,664 | 2,253 | 6,958 | 7,107 |
| Total net loss and comprehensive loss for the period attributable to common shareholders | | \$(4,397) | \$(6,196) | \$(18,714) | \$(19,319) |
| 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, 2018 | 48,251,503 | \$4,868,823 | \$3,238,045 | \$109,362 | \$(2,403,195) | \$5,813,035 |
| Total net loss and comprehensive loss | - | - | - | - | (19,319) | (19,319) |
| Balances at September 30, 2018 | 48,251,503 | \$4,868,823 | \$3,238,045 | \$109,362 | \$(2,422,514) | \$5,793,716 |
| Expiry of warrants (note 9 (c)) | - | - | 109,362 | (109,362) | - | - |
| Total net loss and comprehensive loss | - | - | - | - | (12,449) | (12,449) |
| Balances at December 31, 2018 | 48,251,503 | \$4,868,823 | \$3,347,407 | \$ - | \$(2,434,963) | \$5,781,267 |
| Total net loss and comprehensive loss | - | - | - | - | (18,714) | (18,714) |
| Balances at September 30, 2019 | 48,251,503 | \$4,868,823 | \$3,347,407 | \$ - | \$(2,453,677) | \$5,762,553 |

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 nine months ended | |
|--|------|----------------------------|-----------|---------------------------|------------|
| | | September 30, | | September 30, | |
| | Note | 2019 | 2018 | 2019 | 2018 |
| Cash provided by (used in): | | | | | |
| Operating activities | | | | | |
| Total net loss and comprehensive loss | | \$(4,397) | \$(6,196) | \$(18,714) | \$(19,319) |
| Items not involving cash: | | | | | |
| Depreciation | 4 | 722 | 722 | 2,166 | 2,166 |
| Accretion expense | 7 | 193 | 193 | 580 | 580 |
| Deferred tax recovery | | (1,664) | (2,253) | (6,958) | (7,107) |
| | | (5,146) | (7,534) | (22,926) | (23,680) |
| Changes in non-cash working capital: | | | | | |
| GST and interest receivable | | (179) | (4,079) | 22 | (1,719) |
| Prepaid expense | | (1,524) | (1,209) | 3,568 | 3,632 |
| Accounts payable and accrued liabilities | | (4,289) | 262 | (7,529) | (22,027) |
| | | (5,992) | (5,026) | (3,939) | (20,114) |
| Net cash used in operating activities | | (11,138) | (12,560) | (26,865) | (43,794) |
| Investing activities | | | | | |
| Interest earned on reclamation bond | 6 | (37) | (370) | (37) | (370) |
| Purchase of exploration and evaluation assets | 5 | (238) | (238) | (715) | (715) |
| Net cash used in investing activities | | (275) | (608) | (752) | (1,085) |
| Decrease in cash and cash equivalents | | (11,413) | (13,168) | (27,617) | (44,879) |
| Cash and cash equivalents, beginning of the period | | 14,262 | 51,511 | 30,466 | 83,222 |
| Cash and cash equivalents, end of the period | | \$2,849 | \$38,343 | \$2,849 | \$38,343 |

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 nine months ended September 30, 2019 and 2018

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 November 28, 2019 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 nine months ended September 30, 2019, the Company incurred a total net loss and comprehensive loss of (\$4,397) and (\$18,714), respectively. In comparison, for the three and nine months ended September 30, 2018, the Company incurred a total net loss and comprehensive loss of (\$6,196) and (\$19,319), respectively. As of September 30, 2019, the Company had an accumulated deficit of \$2,453,677 (December 31, 2018 - \$2,434,963).

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 for the next 3 months. Three board members have extended capital to fund certain obligations as a Promissory convertible note to such 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 September 30, 2019.

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 September 30, 2019.

(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

For the three and nine months ended September 30, 2019 and 2018

(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, 2018. Details outlining the Company's accounting policies are contained in the notes to the financial statements for the year ended December 31, 2018.

SILVER MOUNTAIN MINES INC.

Notes to the Condensed Interim Financial Statements
For the three and nine months ended September 30, 2019 and 2018

4. Property and Equipment

| | Buildings | Total |
|------------------------------------|-----------------|-----------------|
| Net book value | | |
| Balance, January 1, 2018 | \$57,749 | \$57,749 |
| Less: Depreciation | (2,166) | (2,166) |
| Balance, September 30, 2018 | 55,583 | 55,583 |
| Less: Depreciation | (721) | (721) |
| Balance, December 31, 2018 | 54,862 | 54,862 |
| Less: Depreciation | (2,166) | (2,166) |
| Balance, September 30, 2019 | \$52,696 | \$52,696 |

For the nine months ended September 30, 2019, the Company recognized a depreciation expense of \$2,166 (September 30, 2018 - \$2,166).

5. Exploration and Evaluation Costs

| | |
|------------------------------------|--------------------|
| Cost | |
| Balance, January 1, 2018 | \$6,083,970 |
| Additions | 715 |
| Balance, September 30, 2018 | \$6,084,685 |
| Additions | 238 |
| Balance, December 31, 2018 | \$6,084,923 |
| Additions | 715 |
| Balance, September 30, 2019 | \$6,085,638 |

For the nine months ended September 30, 2019, the Company capitalized \$715 of exploration and evaluation costs. The capitalized costs for the nine months ended September 30, 2019 is comprised entirely of costs associated with the field exploration program.

In comparison, for the nine months ended September 30, 2018 and three months ended December 31, 2018, the Company capitalized \$715 and \$238 of exploration and evaluation costs, respectively. The capitalized costs for the twelve months ended December 31, 2018 totalled \$953 and was comprised of costs associated with the field exploration program.

6. Reclamation Bond

| As at: | September 30, 2019 | December 31, 2018 |
|--|--------------------|-------------------|
| Guaranteed investment certificate bearing interest at 1.95% maturing November 23, 2019 | \$21,103 | \$21,103 |
| Guaranteed investment certificate bearing interest at 1.50% maturing August 28, 2020 | 7,293 | 7,256 |
| Total | \$28,396 | \$28,359 |

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 \$38,000 (September 30, 2018 - \$37,300) and will be incurred in approximately twenty years from the date of these financial statements.

| | 2019 | 2018 |
|---------------------------------|-----------------|-----------------|
| Balance at January 1, | \$37,358 | \$36,584 |
| Accretion expense | 580 | 580 |
| Balance at September 30, | \$37,938 | \$37,164 |

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 | | |
| Balances at January 1, 2018, September 30, 2018, December 31, 2018 and September 30, 2019 | 48,251,503 | \$4,868,823 |

(c) Warrants

There were no warrants issued and outstanding and exercisable at December 31, 2018 and September 30, 2019.

Warrants issued and outstanding and exercisable at September 30, 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 | 1.11 |
| Expiry of warrants | - | - | - | - |
| Balance at September 30, 2017 | 8,326,817 | \$253,513 | \$0.16 | 0.62 |
| Expiry of warrants | (4,681,400) | (144,151) | 0.18 | - |
| Balances at December 31, 2017 and September 30, 2018 | 3,645,417 | \$109,362 | \$0.15 | 0.50 |

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Details of the warrants outstanding at September 30, 2018 are as follows:

| Exercise Price | Outstanding Number of Warrants | Weighted Average Remaining Life |
|----------------|--------------------------------|---------------------------------|
| \$0.15 | 3,645,417 | 0.25 |

(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.

Share options issued and outstanding at September 30, 2019 are as follows:

| | Number | Weighted Average Exercise Price |
|--|-----------|---------------------------------|
| Balance, January 1, and September 30, 2018 | 945,000 | \$ 0.05 |
| Expired | (845,000) | (0.05) |
| Balances, December 31, 2018 and September 30, 2019 | 100,000 | \$ 0.05 |

Details of the share options outstanding at September 30, 2019 are as follows:

| Exercise Price | Outstanding Number of Options | Exercisable Number of Options | Weighted Average Remaining Life (years) |
|----------------|-------------------------------|-------------------------------|---|
| \$ 0.05 | 100,000 | 100,000 | 0.64 |

(e) Contributed surplus

| | |
|---|--------------------|
| Balance, January 1, and September 30, 2018 | \$3,093,894 |
| Expiry of warrants | 253,513 |
| Balances at December 31, 2018 and September 30, 2019 | \$3,347,407 |

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Notes to the Condensed Interim Financial Statements

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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 nine months ended September 30, 2019 was 48,251,503 (September 30, 2018 –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 expense. 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 Events

The Company has accepted from 3 Directors capital investment in the form of a Promissory Convertible Note.. The Company (the "**Borrower**"), for value received, hereby promises to pay to the Directors, (the "**Lender**"), of Calgary, Alberta, (the "**Principal Sum**") together with interest accruing on the outstanding amount of the Principal Sum from the date of advance until repaid in full (including accrued interest), at a rate of 15% per annum. The Principle Sum will bear simple interest at a rate of 15.0% per annum and shall be payable either in Common Shares of the Borrower or in cash. Shares payment will be based on a deemed value price per share of \$0.005. The Borrower current stock price is \$0.01 as of the date of the agreement. Interest payments shall commence on November 1st, 2019.