



## **SILVER MOUNTAIN MINES INC.**

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

### **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, 2020 and 2019.**

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

	Note	September 30, 2020	December 31, 2019
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 6,762	\$ 1,310
GST and interest receivable		1,678	1,221
Prepaid expense		7,247	10,629
		15,687	13,160
Non-current assets:			
Property and equipment	4	49,528	51,814
Exploration and evaluation costs	5	6,086,590	6,085,876
Reclamation bond	6	28,988	28,879
		6,165,106	6,166,569
<b>Total assets</b>		<b>\$6,180,793</b>	<b>\$6,179,729</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 6,154	\$ 9,379
Loans from directors		6,825	6,150
Promissory notes	7	62,250	-
		75,229	15,529
Non-current liabilities:			
Deferred tax liability		301,758	316,570
Decommissioning liability	8	38,785	38,173
		340,543	354,743
<b>Total liabilities</b>		<b>415,772</b>	<b>370,272</b>
Shareholders' equity:			
Share capital	9(b)	4,868,823	4,868,823
Contributed surplus	9(d)	3,347,407	3,347,407
Deficit		(2,451,209)	(2,406,773)
<b>Total shareholders' equity</b>		<b>5,765,021</b>	<b>5,809,457</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$6,180,793</b>	<b>\$6,179,729</b>
Going concern	1		
Subsequent event	10		
Commitments	11		

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 September 30,		For the nine months ended September 30,	
	Note	2020	2019	2020	2019
<b>Expenses</b>					
Accretion expense	8	\$ 204	\$ 193	\$ 612	\$ 580
Automotive		-	300	-	900
Consulting and management		885	772	1,915	2,275
Depreciation	4	762	722	2,286	2,166
Insurance		2,524	2,385	7,397	7,000
Interest		2,475	-	2,925	-
Licenses and listing fees		8,045	300	13,991	8,456
Office and storage		1,989	357	16,853	1,038
Professional fees		6,491	851	10,002	2,698
Telephone		1,292	300	3,692	900
		24,667	6,180	59,673	26,013
Interest income		161	119	425	341
Net loss before deferred tax recovery		(24,506)	(6,061)	(59,248)	(25,672)
Deferred tax recovery		6,127	1,664	14,812	6,958
Total net loss and comprehensive loss for the period attributable to common shareholders		\$(18,379)	\$ (4,397)	\$(44,436)	\$(18,714)
Basic and diluted loss per share	9(e)	\$(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	Deficit	Total
Balances at January 1, 2019	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
Total net income and comprehensive income	-	-	-	46,904	46,904
Balances at December 31, 2019	48,251,503	\$4,868,823	\$3,347,407	\$(2,406,773)	\$5,809,457
Common share consolidation	(45,034,736)				
Total net loss and comprehensive loss	-	-	-	(44,436)	(44,436)
Balances at September 30, 2020	3,216,767	\$4,868,823	\$3,347,407	\$(2,451,209)	\$5,765,021

**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	2020	2019	2020	2019
Cash provided by (used in):					
Operating activities					
Total net loss and comprehensive loss		\$(18,379)	\$(4,397)	\$(44,436)	\$(18,714)
Items not involving cash:					
Depreciation	4	762	722	2,286	2,166
Accretion expense	8	204	193	612	580
Deferred tax recovery		(6,127)	(1,664)	(14,812)	(6,958)
		(23,540)	(5,146)	(56,350)	(22,926)
Changes in non-cash working capital:					
GST and interest receivable		420	(179)	(457)	22
Prepaid expense		(1,968)	(1,524)	3,382	3,568
Accounts payable and accrued liabilities		(21,702)	(4,289)	(3,225)	(7,529)
		(23,250)	(5,992)	(300)	(3,939)
<b>Net cash used in operating activities</b>		<b>(46,790)</b>	<b>(11,138)</b>	<b>(56,650)</b>	<b>(26,865)</b>
Financing activities					
Loans from directors		225	-	675	-
Promissory notes	7	2,250	-	62,250	-
<b>Net cash provided by financing activities</b>		<b>2,475</b>	<b>-</b>	<b>62,925</b>	<b>-</b>
Investing activities					
Interest earned on reclamation bond	6	(109)	(37)	(109)	(37)
Purchase of exploration and evaluation assets	5	(238)	(238)	(714)	(715)
<b>Net cash used in investing activities</b>		<b>(347)</b>	<b>(275)</b>	<b>(823)</b>	<b>(752)</b>
Increase (decrease) in cash and cash equivalents		(44,662)	(11,413)	5,452	(27,617)
Cash and cash equivalents, beginning of the period		51,424	14,262	1,310	30,466
<b>Cash and cash equivalents, end of the period</b>		<b>\$6,762</b>	<b>\$2,849</b>	<b>\$6,762</b>	<b>\$2,849</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 and nine months ended September 30, 2020 and 2019

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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 November 24, 2020 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, 2020, the Company incurred a total net loss and comprehensive loss of (\$18,379) and (\$44,436), respectively. In comparison, 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. As of September 30, 2020, the Company had an accumulated deficit of \$2,451,209 (December 31, 2019 - \$2,406,773).

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. The Company completed a consolidation based on 1 new common share for every 15 issued common shares on July 7, 2020.

## 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, 2020.

### (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 valuation (Note 9(c))

The Company uses an option-pricing model to determine the fair value of share-based payments. 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, 2019. Details outlining the Company's accounting policies are contained in the notes to the financial statements for the year ended December 31, 2019.

# SILVER MOUNTAIN MINES INC.

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## 4. Property and Equipment

	Buildings	Total
<b>Net book value</b>		
Balance, January 1, 2019	\$54,862	\$54,862
Less: Depreciation	(2,166)	(2,166)
<b>Balance, September 30, 2019</b>	<b>52,696</b>	<b>52,696</b>
Less: Depreciation	(882)	(882)
Balance, December 31, 2019	51,814	51,814
Less: Depreciation	(2,286)	(2,286)
<b>Balance, September 30, 2020</b>	<b>\$49,528</b>	<b>\$49,528</b>

For the nine months ended September 30, 2020, the Company recognized a depreciation expense of \$2,286 (September 30, 2019 - \$2,166).

## 5. Exploration and Evaluation Costs

<b>Cost</b>	
Balance, January 1, 2019	\$6,084,923
Additions	715
<b>Balance, September 30, 2019</b>	<b>\$6,085,638</b>
Additions	238
Balance, December 31, 2019	\$6,085,876
Additions	714
<b>Balance, September 30, 2020</b>	<b>\$6,086,590</b>

For the nine months ended September 30, 2020, the Company capitalized \$714 of exploration and evaluation costs. The capitalized costs for the nine months ended September 30, 2020 is comprised entirely of costs associated with the field exploration program.

In comparison, for the nine months ended September 30, 2019 and three months ended December 31, 2019, the Company capitalized \$715 and \$238 of exploration and evaluation costs, respectively. The capitalized costs for the twelve months ended December 31, 2019 totalled \$953 and was comprised of costs associated with the field exploration program.

## 6. Reclamation Bond

As at:	September 30, 2020	December 31, 2019
Guaranteed investment certificate bearing interest at 1.95% maturing January 24, 2021	\$21,587	\$21,587
Guaranteed investment certificate bearing interest at 0.50% maturing August 28, 2021	7,401	7,292
<b>Total</b>	<b>\$28,988</b>	<b>\$28,879</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.

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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. Promissory Notes

On June 15, 2020, the Company issued promissory notes valued at a total of \$60,000 which bear simple interest at a rate of 15.0% per annum commencing on July 1, 2020 with payment of principal and interest due on or before June 30, 2021.

## 8. 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 \$38,900 (September 30, 2019 - \$38,000) and will be incurred in approximately twenty years from the date of these financial statements.

	2020	2019
Balance at January 1,	\$38,173	\$37,358
Accretion expense	612	387
<b>Balance at September 30,</b>	<b>\$38,785</b>	<b>\$37,745</b>

## 9. 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, 2019, September 30, 2019 and December 31, 2019	48,251,503	\$4,868,823
Common share consolidation on July 7, 2020	(45,034,736)	-
<b>Balances at September 30, 2020</b>	<b>3,216,767</b>	<b>\$4,868,823</b>

### (c) 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.

There were no share options issued and outstanding at September 30, 2020.

# SILVER MOUNTAIN MINES INC.

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(d) Contributed surplus

Balances at January 1, 2019, September 30, 2019, December 31, 2019 and September 30, 2020	\$3,347,407
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(e) 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, 2020 was 34,116,513 (September 30, 2019 – 48,251,503).

## 10. Subsequent Event

On October 15, 2020, the Company closed a non-brokered offering of 384,000 Common Units and 408,000 Flow-Through Units which raised a total of \$198,000. \$69,075 of the funds raised was used to repay in full the loans from directors and promissory notes. Each Common Unit, priced at \$0.25 per unit, consists of one common share and one common share purchase warrant while each Flow-Through Unit, also priced at \$0.25 per unit, consists of one common share issued on a flow-through basis and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire, subject to adjustment, one common share at a price of \$0.35 per share on or before December 31, 2023.

## 11. 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.