

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") is dated November 28, 2019 for the three months and nine months ended September 30, 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **BUSINESS DESCRIPTION AND READER GUIDANCE**

Silver Mountain Mines Inc. (the "Company") is a Canadian exploration and mining company incorporated on May 12, 2008. The principal business activities of the Company are the exploration and development of mining properties and are considered to be in the exploration stage.

On June 21, 2011, the Company listed on the Canadian National Stock Exchange under the symbol SMM. On February 15, 2012, the Company moved its listing from the Canadian National Stock Exchange to the TSX Venture Exchange ("TSXV") trading under the symbol SMM.

The Company's financial statements were prepared in accordance with IFRS that are applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. At September 30, 2019, the Company had an accumulated deficit of \$2,453,677 (December 31, 2018 – \$2,434,963), and a working capital surplus of \$8,362 (December 31, 2018 – \$32,040).

The Company's ability to continue as a going concern is dependent upon the ability to generate profitable operations and/or raise the necessary debt or equity financing to meet obligations and repay liabilities as they come due. The Company plans to explore all alternatives possible for securing its financial viability including joint ventures, debt and equity financings, merger opportunities and asset dispositions. There are no assurances that the Company will be successful with these initiatives and there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

During these unsettled markets, we continue to manage our cash position and reviewing new opportunities. We believe that if an opportunity exists for stakeholders to benefit from in other industries, then optimising our company value is key in these markets. These potential M&A assessments may present an attractive business opportunity for the company during this market downturn.

The Company has accepted from 3 Directors capital investment in the form of a Promissory Convertible Note. (the "Note") The Note 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 1<sup>st</sup>, 2019.

### **FORWARD-LOOKING INFORMATION**

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ materially from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Company to implement its strategic initiatives, the availability and price of precious metal commodities, government and regulatory decisions, plant availability, competitive factors in the mining industry and prevailing economic conditions in the regions the Company operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Company believes the expectations reflected in forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

## OVERALL PERFORMANCE

### Performance Highlights

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Other income - interest	\$ 119	\$ 278	\$ 341	\$ 334
Net loss before deferred tax recovery	\$ (6,061)	\$ (8,449)	\$ (25,672)	\$ (26,426)
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Net cash used in operating activities	\$ (11,138)	\$ (12,560)	\$ (26,865)	\$ (43,794)
Capital expenditures	\$ (238)	\$ (238)	\$ (715)	\$ (715)
Total assets	\$ 6,178,763	\$ 6,220,306	\$ 6,178,763	\$ 6,220,306

The net loss before deferred tax recovery for the three and nine months ended September 30, 2019 was \$(6,061) and \$(25,672), respectively. In comparison, the net loss for the three and nine months ended September 30, 2018 was \$(8,449) and \$(26,426). The net loss before deferred tax recovery for the nine months ended September 30, 2019 was \$754 lower than the loss for the same period ended September 30, 2018, mainly due to lower professional fees of \$1,480 and slightly lower consulting and management fees of \$180 partly offset by higher insurance expense of \$452 and higher licencing and listing fees of \$441.

Net cash used by operating activities for the three and nine months ended September 30, 2019 was \$(11,138) and \$(26,865), respectively. In comparison, the net cash used in operating activities for the three and nine months ended September 30, 2018 was \$(12,560) and \$(43,794). The net cash used in operating activities for the nine months ended September 30, 2019 was lower by \$16,929 as compared to the same period in 2018, mainly due to the positive impact of non-cash working capital changes of \$16,175 plus the above-noted reduction in net loss before tax recovery of \$754.

For the three and nine months ended September 30, 2019, the Company incurred capital expenditures of \$238 and \$715, respectively which were identical to the amounts capitalized for the three and nine months ended September 30, 2018. The capitalized costs for the nine months ended September 30, 2019 and 2018 were comprised of exploration and evaluation costs associated with the field exploration program.

Total assets have declined by \$41,543 between September 30, 2018 and September 30, 2019 mainly due to the Company using cash and cash equivalents of \$35,494 during the 12-month period.

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.

As part of the overall strategy to add value to the Company, the leadership team is reviewing several business opportunities within various sectors. The Company's focus is to look at cash flowing companies and/or assets by way of purchasing all or a participating interest in assets (either in one transaction or more), a merger, recapitalization, amalgamation or any combination thereof. There are no assurances that a transaction will be undertaken or if a transaction is undertaken, as to its terms or timing.

## RESULTS OF OPERATIONS

### Consulting and Management Expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Consulting and management	\$ 772	\$ 430	\$ 2,275	\$ 2,455

Consulting and management expenses for the nine months ended September 30, 2019 were \$180 lower than expenses for the same period in 2018 due to reduced corporate activity. The 2019 and 2018 expenses relate to consulting fees charged by a privately held company owned by a senior officer of the Company.

### Insurance Expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Insurance	\$ 2,385	\$ 2,183	\$ 7,000	\$ 6,548

Insurance expenses for the three and nine months ended September 30, 2019 were \$202 and \$452 higher than the expenses of the same periods in 2018, respectively, as the Company's policies and premiums have increased slightly.

### Licences and Listing Fees

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Licences and listing fees	\$ 300	\$ 1,862	\$ 8,456	\$ 8,015

During the nine months ended September 30, 2019, the Company recorded licenses and listing fees of \$8,456 compared to \$8,015 paid for the same period in 2018. The increase of \$441 was mainly due to increased filing fees paid in 2019.

### Office and Storage Expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Office and storage	\$ 357	\$ 403	\$ 1,038	\$ 1,018

Office and storage expenses for the nine months ended September 30, 2019 were \$1,380 versus expenses of \$1,018 for the same period in 2018 – the slight increase is mainly due to bank charges being paid which were previously waived due to higher cash balances.

### Professional Fees

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Professional fees	\$ 851	\$ 2,334	\$ 2,698	\$ 4,178

During the nine months ended September 30, 2019, the Company paid professional fees of \$2,698 to the Company's lawyers and transfer agent versus expenses of \$4,178 for the same period in 2018. The total reduction of \$1,480 is due to significantly reduced legal fees of \$815 in 2019 and lower fees charged by the Company's filing agent of \$665.

## Deferred Tax Recovery

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Deferred tax recovery	\$ 1,664	\$ 2,253	\$ 6,958	\$ 7,107

During the three and nine months ended September 30, 2019, the Company recognized a deferred income tax recovery of \$1,664 and \$6,958, respectively, compared to recoveries of \$2,253 and \$7,107 for the three and nine months ended September 30, 2018, respectively. The decrease of \$149 for the nine month period ended September 30, 2019 compared to the same period in 2018 is due to the lower comprehensive loss for the nine months ended September 30, 2019.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

The Company utilizes existing cash and the issuance of debt and/or equity instruments to provide liquidity to the Company

The following table shows how the activities of the Company were financed:

<b>For the nine-month period ended September 30,</b>	<b>2019</b>	<b>2018</b>
Cash on hand, January 1	\$30,466	\$83,222
Net cash used in operating activities	(26,865)	(43,794)
Available for investments	\$3,601	\$39,428
Net cash used in investing activities	(752)	(1,085)
<b>Cash on hand, September 30</b>	<b>\$2,849</b>	<b>\$38,343</b>

Cash on hand declined during the nine months ended September 30, 2019 by \$27,617 as cash was used for expenses and to fund investing activities and working capital requirements. In comparison, cash on hand declined by \$44,879 during the nine months ended September 30, 2018 as cash was used for expenses and to fund investing activities and working capital requirements.

The following table shows the capital of the Company:

<b>As at,</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Cash and cash equivalents	\$ 2,849	\$ 30,466
Shareholders' equity	\$ 5,762,553	\$ 5,781,267

Shareholders' equity decreased by \$18,714 during the nine months ended September 30, 2019 which was entirely due to the comprehensive loss for the period.

### Working Capital

Working capital decreased by \$23,678 from \$32,040 as at December 31, 2018 to \$8,362 as at September 30, 2019. This decrease is mainly due to "funds used in operations" during the nine months ended September 30, 2019 of \$22,926.

## Contractual Obligations

In the normal course of operations, the Company assumes various contractual obligations and commitments. The Company considers these obligations and commitments in its assessment of liquidity.

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	Greater than one year
Trade accounts payable and accrued liabilities	\$3,671	\$3,671	\$3,671	\$ -	\$ -

## SELECTED QUARTERLY FINANCIAL INFORMATION

### Financial Quarter Ended (Unaudited)

	September 30, 2019	June 30, 2019	Mar. 31, 2018	Dec. 31, 2018
Revenue	\$ -	\$ -	\$ -	\$ -
Comprehensive income (loss)	\$ (4,397)	\$ (7,756)	\$ (6,561)	\$ (12,449)
Basic income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total assets	\$ 6,178,763	\$ 6,188,920	\$ 6,194,076	\$ 6,211,384

	September 30, 2018	June 30, 2018	Mar. 31, 2018	Dec. 30, 2017
Revenue	\$ -	\$ -	\$ -	\$ -
Comprehensive income (loss)	\$ (6,196)	\$ (4,845)	\$ (8,278)	\$ (38,052)
Basic income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total assets	\$6,220,306	\$6,228,300	\$6,243,758	\$6,268,179

For the three months ended September 30, 2019, the Company had a comprehensive loss of \$4,397 due to consulting and management expenses, insurance costs, licenses and listing fees and professional fees which are necessary for the ongoing operations of the Company partly offset by a deferred tax recovery.

For the three months ended June 30, 2019, the Company had a comprehensive loss of \$7,756 due to consulting and management expenses, insurance costs, licenses and listing fees and professional fees which are necessary for the ongoing operations of the Company partly offset by a deferred tax recovery.

For the three months ended March 31, 2019, the Company had a comprehensive loss of \$6,561 due to consulting and management expenses, insurance costs, licensing and listing fees and professional fees which are necessary for the ongoing operations of the Company partly offset by a deferred tax recovery.

For the three months ended December 31, 2018, the Company had a comprehensive loss of \$12,449 due to consulting and management expenses, insurance costs, office and storage expenses and professional fees which are necessary for the ongoing operations of the Company partly offset by a deferred tax recovery.

## **BUSINESS RISKS**

In the normal course of business, the Company is exposed to a variety of risks and uncertainties. In addition to the risks associated with liquidity and capital resources, critical accounting estimates, financial instruments, credit risk and market risk described in this MD&A, the Company is exposed to various operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect future results. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, the ability to attract and retain employees and contractors on a cost-effective basis, commodity and marketing risk and seasonality.

The Company is exposed to considerable risks and uncertainties including, but not limited to;

- finding mineral reserves on an economical basis;
- uncertainties related to estimating the Company's reserves;
- financial risks including access to debt or equity markets which the Company is dependent upon in order to meet obligations and liabilities as they fall due;
- technical problems which could lead to unsuccessful drilling programs and environmental damage;
- obtaining timely regulatory approvals;
- third party related operational risks including the ability to obtain access to certain properties, access to third party processing facilities, railway and other transportation infrastructure;
- fluctuations in commodity prices;
- adverse factors including climate, geographical and weather conditions and labour disputes;
- timing of future debt and other obligations;
- regulatory legislation and policies, including the fulfilment of contractual minimum work programs, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties, production restrictions, suspensions or revocations of contracts;
- changes to taxation policies, laws and interpretations thereof; and,
- obtaining comprehensive and appropriate insurance coverage at reasonable rates;

## **CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies during the nine months ended September 30, 2019.

## **CRITICAL ACCOUNTING ESTIMATES AND POLICIES**

### **Use of Estimates**

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments and contingent liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Proved reserves, taxes, decommissioning liability, share-based compensation, accruals, contingent liabilities and commitments are reviewed on an ongoing basis. These estimates are subject to measurement uncertainty and the impact on the financial statements of changes in such estimates and actual results could be material.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the statement of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

These instruments can be classified into one of the following categories: financial assets and liabilities at fair value through profit and loss, loans and receivables, and other financial liabilities.

Financial assets and financial liabilities at fair value through profit or loss instruments are typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate any financial instrument as financial assets and financial liabilities at fair value through profit or loss on initial recognition even if it would otherwise not satisfy the definition. As at September 30, 2019, the Company does not hold any financial instruments that do not satisfy the definition. Financial assets and liabilities required to be classified or designated as financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with gains and losses recorded in profit or loss for the period in which the change occurs.

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturity dates that an entity has the intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. As at September 30, 2019, the Company does not have any financial assets classified as held-to-maturity.

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. As at September 30, 2019, the Company does not have any financial assets classified as available-for-sale.

Financial assets classified as loans and receivables are measured at amortized cost using the effective-interest method. An impairment in the fair value of financial assets, which is not temporary, will be included in the determination of profit and loss for the period in which the impairment occurs.

Other financial liabilities are measured at amortized cost using the effective interest method and include all liabilities other than derivatives or liabilities that have been identified as financial assets and financial liabilities at fair value through profit or loss. The Company will assess at each reporting period whether there is any objective evidence that a financial asset, other than those classified as financial assets and financial liabilities at fair value through profit or loss, is impaired.

### **Exploration and Evaluation Costs**

Exploration and evaluation expenditures include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained legal rights to explore an area are recognized in profit and loss.

Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs are related to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability, and facts and circumstances suggest the carrying amount exceeds the recoverable amount.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

## **Decommissioning Liability**

An obligation to incur environmental restoration costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. These costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such cost arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Estimated costs for environmental restoration costs are adjusted as changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capital costs of the related assets, in which case the capitalized cost is reduced to zero and the difference is recognized in profit or loss.

## **Share-based Compensation**

The share purchase option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by employees.

The fair value is measured at the grant date and each tranche is recognized on a straight-line basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes pricing model taking into account the terms and conditions upon which the share purchase options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

## **CONTROLS AND PROCEDURES**

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX-V listed companies are not required to provide representations in filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI- 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosures of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **OUTSTANDING SHARE DATA**

### **Common shares**

The following table sets forth the Company's outstanding share data as at November 28, 2019:

Total issued common shares	48,251,503
Total outstanding stock options	100,000