

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

The following Management's Discussion and Analysis ("MD&A") is dated March 26, 2019 for the fiscal year ended December 31, 2018. 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 December 31, 2018, the Company had accumulated losses of \$2,434,963 since inception (December 31, 2017 – \$2,403,195), and a working capital surplus of \$32,040 (December 31, 2017 – \$73,181).

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.

Our continuation of analysing all our data sets, including geochemistry, geophysics, gravity, drilling, trenching and extensive review combined with various interpretations from a wide variety of recognized technical experts has continued to present new areas of mineralization on the property.

During these unsettled markets, we continue to manage our cash position and define new and expanded exploration opportunities on our highly prospective 100% owned property. Additionally, Silver Mountain Mines' leadership is currently reviewing new merger and acquisition prospects across various industries. 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 down turn while the company continues to build upon its original strategy of building value through discovery.

## **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

	2018	2017	2016
Other income - interest	\$ 447	\$ 359	\$ 3,059
Net loss and comprehensive loss	\$ (31,768)	\$ (142,871)	\$ (171,349)
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)
Cash used in operating activities	\$ (51,434)	\$ (181,829)	\$ (207,680)
Total assets	\$ 6,211,384	\$ 6,268,179	\$ 6,455,672
Capital expenditures	\$ 953	\$ 32,369	\$ 25,838

The net loss and comprehensive loss decreased by \$111,103 from \$142,871 in 2017 to \$31,768 in 2018, mainly resulting from a \$127,413 decrease in consulting and management expenses, a decrease in office and storage expenses of \$12,682, reduced telephone expenses of \$2,780, a \$2,298 decrease in licences and listing fees, lower meals and entertainment expenses of \$2,137, reduced automotive expenses of \$1,923, a reduction in professional fees of \$1,912, and lower travel expenses of \$692, which more than offset a reduction in the Company's deferred tax recovery of \$40,739.

Cash used in operating activities in 2018 was \$51,434 compared to \$181,829 in 2017, an improvement of \$130,395, mainly as a result of the above-noted \$111,103 reduction in net loss and comprehensive loss plus a \$40,739 decrease in the non-cash deferred tax recovery partly offset by a \$21,447 decrease in changes in non-cash working capital.

During 2018, capital expenditures were \$953 compared to \$32,369 in 2017, which related to the exploration program on the Ptarmigan Property.

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 December 31, 2018.

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

	2018	2017
Consulting and management	\$ 3,733	\$ 131,146

Consulting and management expenses for 2018 were \$127,413 lower than expenses for 2017. This reduction was mainly due to elimination of the President and Chief Executive Officer's salary which was \$123,675 in 2017. The 2018 expenses of \$3,733 (2017 - \$7,471) relate to consulting expenses paid to the Company's CFO.

### Insurance

	2018	2017
Insurance	\$ 8,813	\$ 8,730

Insurance expenses consisted of both general liability and directors & officers liability insurance.

### Licences and Listing Fees

	2018	2017
Licences and listing fees	\$ 8,016	\$ 10,314

Licences and listing fees decreased by \$2,298 from \$10,314 in 2017 to \$8,016 in 2018. The decrease was mainly due to reduced filing fees charged by the agent.

### Office and Storage

	2018	2017
Office and storage	\$ 1,318	\$ 14,000

Office and storage expenses decreased by \$12,682 from \$14,000 in 2017 to \$1,318 in 2018. The reduction of over 90% is due to the greatly reduced corporate activity during 2018.

### Professional Fees

	2018	2017
Professional fees	\$ 15,986	\$ 17,898

Professional fees decreased by \$1,912 from \$17,898 in 2017 to \$15,986 in 2018. The decrease was the mainly due to lower transfer agent fees paid during 2018.

### Interest Income

	2018	2017
Interest income	\$ 447	\$ 359

During 2018, the Company received interest income of \$447 compared to \$359 in 2017. The small increase in interest income of \$88 is attributable to the higher interest rate earned during 2018 on GIC's relating to the Company's reclamation bond.

## Deferred Tax Recovery

	2018	2017
Deferred tax recovery	\$ 11,712	\$ 52,451

During the year ended December 31, 2018, the Company recognized a deferred tax recovery of \$11,712 compared to \$52,451 in 2017. The decrease of \$40,739 for 2018 compared to 2017 is entirely due to the reduced net loss before deferred tax recovery of \$151,842.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

The Company utilizes existing cash and the issuance of equity instruments to provide liquidity to the Company and finance exploration projects. The Company plans for major capital programs and preserves cash and plans equity issuances to finance these programs.

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

	2018	2017
Cash on hand, January 1	\$ 83,222	\$ 297,543
Net cash used in operating activities:		
Total funds used in operations	(39,819)	(191,661)
Total changes in non-cash working capital	(11,615)	9,832
Available for investments	31,788	115,714
Net cash used in investing activities	(1,322)	(32,492)
Cash on hand, December 31	\$ 30,466	\$ 83,222

Cash on hand declined during 2018 by \$52,756 as cash used for expenses and to fund investing activities amounting to \$41,141 was also negatively affected by working capital changes of \$11,615. In comparison, cash on hand declined by \$214,321 during the year ended December 31, 2017 as cash used for expenses and to fund investing activities amounting to \$224,143 was partly offset by working capital changes of \$9,832.

Fluctuations in working capital represented a cash outflow of \$11,615 in 2018 compared to a cash inflow of \$9,832 in 2017. The change of \$21,447 was a result of reductions in accounts payable and accrued liabilities partly offset by the collection of GST and interest receivable and decreases in prepaid expenses.

During 2018, the Company spent a total of \$1.322 on investing activities compared to \$32,492 in 2017. The expenses mainly relate to the exploration program on the Ptarmigan Property.

The following table shows the capital of the Company:

	2018	2017
Cash and cash equivalents	\$ 30,466	\$ 83,222
Shareholders' equity	\$ 5,781,267	\$ 5,813,035

As noted above, the Company used cash and cash equivalents totalling \$52,756 during the year ended December 31, 2018 while shareholders' equity decreased by \$31,768 during the same period which was entirely due to the net loss and comprehensive loss incurred.

## Working Capital

Working capital decreased by \$41,141 from \$73,181 as at December 31, 2017 to \$32,040 at the end of 2017 mainly due to the decrease in current assets, specifically cash and cash equivalents which declined by \$52,756.

## 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	2018 – 2019
Trade accounts payable and accrued liabilities	\$ 11,200	\$ 11,200	\$ 11,200	\$ -	\$ -
Total	\$ 11,200	\$ 11,200	\$ 11,200	\$ -	\$ -

**SELECTED QUARTERLY FINANCIAL INFORMATION**  
**Financial Quarter Ended (Unaudited)**

	2018			
	Dec 31	Sept 30	Jun 30	Mar 31
Revenue	\$ -	\$ -	\$ -	\$ -
Total comprehensive loss	\$ (12,449)	\$ (6,196)	\$ (4,845)	\$ (8,278)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total assets	\$ 6,211,384	\$ 6,220,306	\$ 6,228,300	\$ 6,243,758

  

	2017			
	Dec 31	Sept 30	Jun 30	Mar 31
Revenue	\$ -	\$ -	\$ -	\$ -
Total comprehensive loss	\$ (38,052)	\$ (30,178)	\$ (33,895)	\$ (40,746)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total assets	\$ 6,268,179	\$ 6,307,049	\$ 6,348,801	\$ 6,399,872

For the three months ended December 31, 2018, the Company had a comprehensive loss of \$12,339 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.

For the three months ended September 30, 2018, the Company had a comprehensive loss of \$6,196 mainly due to insurance costs, licensing and listing fees for the TSX-V, and professional fees which are necessary for the ongoing operations of the Company partly offset by interest income and a deferred tax recovery.

For the three months ended June 30, 2018, the Company had a comprehensive loss of \$4,845 due to automotive expenses, consulting and management expenses, insurance costs, office and storage expenses, professional fees and telephone expenses which are necessary for the ongoing operations of the Company partly offset by a deferred tax recovery.

For the three months ended March 31, 2018, the Company had a comprehensive loss of \$8,278 due to consulting and management expenses, insurance costs, licensing and listing fees for the TSX-V, 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**

The Company adopted IFRS 9 with a date of initial application of January 1, 2018. The Company retrospectively adopted the standard. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). IFRS 9 eliminates the previous IAS 39 categories of 'held to maturity investments, loans and receivables and other financial liabilities' and 'available for sale financial assets'. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and the nature of its contractual cash flow characteristics. Embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9; the entire hybrid contract is assessed for classification and measurement.

IFRS 9 replaces the 'incurred credit loss model' in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortized cost, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. Under IFRS 9, credit losses are recognized earlier than under IAS 39; it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities. The Company has no contract assets or financial instruments measured at FVOCI.

Financial Instrument	Measurement Category	
	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Interest receivable	Loans and receivables	Amortized cost
Reclamation bond	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

## 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 December 31, 2018, 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 December 31, 2018, 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 December 31, 2018, 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 for 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.

### **FUTURE ACCOUNTING STANDARDS**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

- IFRS 16, "Leases". IFRS 16, "Leases" issued on January 13, 2016 by the IASB replaces IAS 17 Leases. The new standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than twelve months. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 "Revenue from Contracts with Customers" at or before the initial adoption date of January 1, 2018. Based on a preliminary assessment, the adoption of the standard will not have a material impact on the financial statements of the Company.

### **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.

TSXV 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 MI 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.

## **TRANSACTIONS WITH RELATED PARTIES**

During 2018, 1888025 Alberta Ltd., a privately held company owned by a senior officer of the Company, provided consulting services amounting to \$3,773 (2017 - \$7,865) and included \$1,200 (2017 - \$2,500) in accounts payable and accrued liabilities at year end.

The terms and conditions of the transactions with 1888025 Alberta Ltd. were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

During 2018, the President and Chief Executive Officer's salary of \$nil (2017 - \$123,675) was included along with the above costs as consulting and management expenses.

Automotive, office and storage and telephone expenses were paid to a senior officer of the Company totalling \$3,600 for the year 2018 (2017 - \$7,200) which are included in the same expenses on the statement of comprehensive loss.

## **OUTSTANDING SHARE DATA**

### **Common shares**

The following table sets forth the Company's outstanding share data as at March 26, 2019:

Issued common shares at January 1, and December 31, 2018	48,251,503
Total outstanding share purchase options	100,000
Total outstanding warrants	0