MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated June 11, 2020 for the fiscal year ended December 31, 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 December 31, 2019, the Company had accumulated losses of $2,406,773 since inception (December 31, 2018 – $2,434,963), and a working capital deficiency of $2,369 (December 31, 2018 – surplus of $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.

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 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 accepted capital investment on October 28, 2019 from three members of the Board of Directors in the form of Promissory Notes. Each Note is valued at $2,000 and bears simple interest at a rate of 15.0% per annum. Interest payments commenced on November 1, 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

		2019		2018		2017
Other income - interest	$	475	$	447	$	359
Net income (loss) and comprehensive income (loss)	$	28,190	$	(31,768)	$	(142,871)
Net income (loss) per share – basic and diluted	$	0.00	$	(0.00)	$	(0.00)
Cash used in operating activities	$	(32,936)	$	(51,434)	$	(181,829)
Total assets	$	6,179,729	$	6, 211,384	$	6, 268,179
Capital expenditures	$	953	$	953	$	32,369

The net income (loss) and comprehensive income (loss) increased by $59,598 from a net loss and comprehensive loss of $31,768 in 2018 to a net income and comprehensive income of $28,190 in 2019, mainly resulting from a $7,237 decrease in professional fees, which more than offset an increase in the Company's deferred tax recovery of $53,277.

Cash used in operating activities in 2019 was $32,396 compared to $51,434 in 2018, an improvement of $19,038, mainly as a result of the above-noted $59,598 increase in net income (loss) and comprehensive income (loss) plus a $53,277 increase in the non-cash deferred tax recovery plus a $10,718 increase in changes in non-cash working capital.

During 2019, capital expenditures were $953 (2018 - $953), 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, 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

		2019		2018
Consulting and management	$	2,825	$	3,733

Consulting and management expenses for 2019 were $908 lower than expenses for 2018. This reduction was due to lower consulting expenses paid to the Company's CFO.

Insurance

		2019		2018
Insurance	$	9,436	$	8,813

Insurance expenses consisted of both general liability and directors & officers liability insurance. The increase of $523 in 2019 related to a higher general liability insurance premium.

Licences and Listing Fees

		2019		2018
Licences and listing fees	$	8,456	$	8,016

Licences and listing fees increased by $440 from $8,016 in 2018 to $8,456 in 2019. The increase was mainly due to higher filing fees charged by the agent.

Office and Storage

		2019		2018
Office and storage	$	1,395	$	1,318

Office and storage expenses increased by $77 from $1,318 in 2018 to $1,395 in 2019. The increase is insignificant.

Professional Fees

		2019		2018
Professional fees	$	8,749	$	15,986

Professional fees decreased by $7,237 from $15,986 in 2018 to $8,749 in 2019. The decrease was the mainly due to significantly lower audit fees and lower transfer agent fees paid during 2019.

Interest Income

		2019		2018
Interest income	$	475	$	447

During 2019, the Company received interest income of $475 compared to $447 in 2018. The small increase in interest income of $28 is attributable to the higher interest rate earned during 2019 on GIC's relating to the Company's reclamation bond.

Deferred Tax Recovery

		2019		2018
Deferred tax recovery	$	64,989	$	11,712

During the year ended December 31, 2019, the Company recognized a deferred tax recovery of $64,989 compared to $11,712 in 2018. The increase of $53,277 for 2019 compared to 2018 is due to changes in statutory tax rates.

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:

		2019		2018
Cash on hand, January 1	$	30,466	$	83,222
Net cash used in operating activities:				
Total funds used in operations		(32,936)		(39,819)
Total changes in non-cash working capital		(897)		(11,615)
Net cash provided by financing activities		6,150		-
Available for investments		2,783		31,788
Net cash used in investing activities		(1,473)		(1,322)
Cash on hand, December 31	$	1,310	$	30,466

Cash on hand declined during 2019 by $29,156 as cash used for expenses and to fund investing activities amounting to $34,409 was also negatively affected by working capital changes of $897 but partly offset by cash provided by financing activities of $6,150. In comparison, cash on hand declined by $52,756 during the year ended December 31, 2018 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.

Fluctuations in working capital represented a cash outflow of $897 in 2019 compared to a cash outflow of $11,615 in 2018. The change of $10,718 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 2019, the Company spent a total of $1,473 on investing activities compared to $1,322 in 2018. The expenses mainly relate to the exploration program on the Ptarmigan Property.

The following table shows the capital of the Company:

		2019		2018
Cash and cash equivalents	$	1,310	$	30,466
Shareholders' equity	$	5,809,457	$	5,781,267

As noted above, the Company used cash and cash equivalents totalling $29,156 during the year ended December 31, 2018 while shareholders' equity increased by $28,190 during the same period which was due to the net income and comprehensive income as a result of the deferred tax recovery.

Working Capital

Working capital decreased by $34,409 from $32,040 as at December 31, 2018 to a deficit of $2,369 at the end of 2019 mainly due to the decrease in current assets, specifically cash and cash equivalents which declined by $29,156.

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	2021 – 2022
Trade accounts payable and accrued liabilities	$ 9,379	$ 9,379	$ 9,379	$ -	$ -
Total	$ 9,379	$ 9,379	$ 9,379	$ -	$ -

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

	2019			
	Dec 31	Sept 30	Jun 30	Mar 31
Revenue	$ -	$ -	$ -	$ -
Total comprehensive loss	$ 36,192	$ (4,397)	$ (7,756)	$ (6,561)
Basic income (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	$ 6,179,729	$ 6,220,306	$ 6,188,920	$ 6,194,076

	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

For the three months ended December 31, 2019, the Company had a comprehensive income of $36,192 due to consulting and management expenses, insurance costs and professional fees which are necessary for the ongoing operations of the Company which was offset by a deferred tax recovery.

For the three months ended September 30, 2019, the Company had a comprehensive loss of $4,397 mainly 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.

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, 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.

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 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 16, "Leases", on January 1, 2019. IFRS 15 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. The adoption of the standard has no impact on the financial statements of the Company.

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. All financial assets are initially recognized at fair value and are subsequently classified as measured at fair value through profit of loss (“FVTPL”), fair value through other comprehensive income (“FVTOCI”), or amortized cost based on the Company’s assessment of the business model within which the financial asset is managed and the financial asset’s contractual cash flow characteristics. Measurement in subsequent periods is dependent on the classification of the financial instrument.

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, 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.

Financial assets at amortized cost are measured 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 orloss 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. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company’s financial statements.

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 2019, 1888025 Alberta Ltd., a privately held company owned by a senior officer of the Company, provided consulting services amounting to $2,825 (2018 - $3,733) and included $500 (2018 - $1,200) 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.

Automotive, office and storage and telephone expenses were paid to a senior officer of the Company totalling $3,600 for the year 2019 (2018 - $3,600) which are included in the same expenses on the statement of comprehensive loss.

During 2019, $2,000 was received from each of 3 directors in exchange for a promissory note which bears simple interest at 15% per annum and is repayable, at the sole discretion of each lender no sooner than 1 year from the date of issue.

OUTSTANDING SHARE DATA

Common shares

The following table sets forth the Company's outstanding share data as at December 31, 2019:

Issued common shares at January 1, and December 31, 2019	48,251,503
Total outstanding share purchase options	100,000
Total outstanding warrants	0