# SILVER DOLLAR RESOURCES INC.

**Management Discussion and Analysis**
**For the nine month period ended May 31, 2020**

The Management Discussion and Analysis ("MD&A"), prepared July 3, 2020 should be read in conjunction with the audited financial statements and notes thereto for the year ended August 31, 2019 and the notes thereto of Silver Dollar Resources Inc. which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## DESCRIPTION OF BUSINESS

Silver Dollar Resources Inc. ("the Company") was incorporated on November 19, 2018 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2020, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

In March 2020, The World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The pandemic could continue to have negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. The impact on the Company is not currently determinable but management continues to monitor the situation.

## EXPLORATION PROJECT

| | Acquisition Costs | Exploration Costs | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance at incorporation, November 19, 2018 | - | - | - |
| Additions | 12,000 | 107,370 | 119,370 |
| Balance, August 31, 2019 | 12,000 | 107,370 | 119,370 |
| | | | |
| Balance, August 31, 2019 | 12,000 | 107,370 | 119,370 |
| Additions | 28,000 | 350 | 28,350 |
| Balance, May 31, 2020 | 40,000 | 107,720 | 147,720 |

*The additions of $107,720 consist of geophysical surveying of $93,857 and prospecting of $11,963 and other costs of $1,900.*

**Longlegged Lake Property, Ontario**

Pursuant to an option agreement dated January 9, 2019 (the "Property Option Agreement") with 1544230 Ontario Inc. (the "Optionor"), the Company was granted an option to acquire a 100% undivided interest in certain unpatented mineral claims at the Longlegged Lake property located in Ontario, Canada. Under the terms of the Agreement, the Company can earn 100% interest in the property by:

- making the following cash payments to the Optionor:
  - i) $6,000 upon the signing of the Property Option Agreement (paid);
  - ii) $6,000 within 6 months of the initial payment (paid);
  - iii) $12,000 on the first anniversary date of the initial payment;
  - iv) $16,000 on the second anniversary date of the initial payment;
  - v) $20,000 on the third anniversary date of the initial payment; and
  - vi) $25,000 on the fourth anniversary date of the initial payment;

The Optionor will retain a royalty of 1.5% net smelter returns royalty ("NSR") if commercial production on any part of the property is initiated. The Company has the option to purchase ½ of the NSR for $500,000.

**Pakwash Lake Property, Ontario**

Pursuant to an option agreement dated November 18, 2019 (the "Property Option Agreement") with 1544230 Ontario Inc. (the "Optionor"), the Company was granted an option to acquire a 100% undivided interest in certain unpatented mineral claims at the Pakwash Lake property located located in the District of Red Lake in the Province of Ontario. Under the terms of the Agreement, the Company can earn 100% interest in the property by:

- making the following cash payments to the Optionor:

  - i) $16,000 upon the execution and delivery of the Property Option Agreement by both of the parties (paid);
  - ii) $20,000 on or before the first anniversary of the Effective Date;
  - iii) $25,000 on or before the second anniversary of the Effective Date;
  - iv) $30,000 on or before the third anniversary of the Effective Date; and
  - v) $40,000 on or before the fourth anniversary of the Effective Date.

The Optionor will retain a royalty of 1.5% net smelter returns royalty ("NSR") if commercial production on any part of the property is initiated. The Company has the option to purchase ½ of the NSR for $500,000.

**SELECTED ANNUAL INFORMATION**
**($000's except loss per share)**

| | | August, 2019 |
|---|---|---|
| Revenue | $ | 0 |
| Net Loss | $ | (127) |
| Basic and Diluted Loss Per Share | $ | (0.02) |
| Total Assets | $ | 336 |
| Long-Term Debt | $ | 0 |
| Dividends | $ | 0 |

**OPERATIONS**

## Three month period ended May 31, 2020

During the three months ended May 31, 2020 the Company reported a net loss of $138,209 (2019 - $24,672). Included in the determination of operating loss was $10,451 (2019 - $7,770) on rent, $86,189 (2019 - $925) on professional fees, $9,000 (2019 – $9,000) on management, $5,918 (2019 - $Nil) on transfer agent and filing fees, $251 (2019 - $662) on travel and promotion, and $26,400 (2019 - $6,315) on office and miscellaneous.

## Nine month period ended May 31, 2020

During the nine months ended May 31, 2020 the Company reported a net loss of $244,603 (2019 - $73,138). Included in the determination of operating loss was $21,866 (2019 - $9,270) on rent, $116,742 (2019 - $2,787) on professional fees, $27,000 (2019 – $19,200) on management, $19,483 (2019 - $Nil) on transfer agent and filing fees, $6,398 (2019 - $2,300) on travel and promotion, and $32,114 (2019 - $9,581) on office and miscellaneous. The Company also incurred a stock based compensation charge of $21,000 (2019 - $30,000).

**SUMMARY OF QUARTERLY RESULTS**
**($000's except earnings per share)**

| | May 31, 2020 | February 29, 2019 | November 30, 2019 | August 31, 2019 |
|---|---|---|---|---|
| Revenue | $ 0 | $ 0 | $ 0 | $ 0 |
| Net loss | $ (132) | $ (56) | $ (57) | $ (54) |
| Basic and diluted Loss per share | $ (0.01) | $ (0.00) | $ (0.01) | $ (0.01) |

| | May 31, 2019 | February 28, 2018 | November 30, 2018 |
|---|---|---|---|
| Revenue | $ 0 | $ 0 | $ 0 |
| Net loss | $ (25) | $ (48) | $ 0 |
| Basic and diluted Loss per share | $ (0.00) | $ (0.01) | $ (0.00) |

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at May 31, 2020 were $24,129 compared to $213,459 at August 31, 2019.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company had incurred the following key management personnel cost from related parties:

| | **May 31, 2020** | **May 31, 2019** |
|---|---|---|
| | $ | $ |
| Share-based payments | 21,000 | 30,000 |

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). During the period ended November 30, 2018, the Company issued 2,000,000 common shares with estimated fair value of $40,000 (see Note 5c) to directors and officers of the Company. Accordingly, the Company recorded an amount of $30,000 as share-based payments for the period ended November 30, 2018.

During the period ended August 31, 2019, the Company entered into the Property Option agreement to earn a 100% undivided interest in certain unpatented mineral claims at the Red Lake Property, described in Note 4. The Company shares key management personnel and directors with the Optionor. Pursuant to the Property Option Agreement, the Company paid an aggregate of $12,000 to the Optionor.

During the period ended May 31, 2020, the Company entered into the Property Option Agreement to earn a 100% undivided interest in certain unpatented mineral claims at the Pakwash Lake Property, described in Note 4. The Company shares key management personnel and directors with the Optionor. Pursuant to the Property Option Agreement, the Company paid an aggregate of $16,000 to the Optionor.

## COMMITMENTS

There were no material commitments.

## SUBSEQUENT EVENTS

The Company has entered into an Agency Agreement and pursuant to the terms of the agency agreement, the Company has agreed to pay to the Agent a cash commission of 10% of the gross proceeds of the IPO. The Company has also agreed to grant Agent warrants (the "Agent's Warrants") which will entitle the Agent to purchase up to 10% of the units sold under the IPO, at a purchase price that is equal to the price per share offered in the IPO. The Agent's Warrants are exercisable for 12 months from the closing of the IPO. In addition, the Company has agreed to pay a corporate finance fee of $25,000. The Company will also pay the Agent's legal fees incurred and any other reasonable expenses pursuant to the IPO.

The Company completed the offering subsequent to May 31, 2020 and issued 7,000,000 shares for gross proceeds of $1,050,000.

## ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Company has adopted the following standards which had no impact on its condensed interim financial statements.

- IFRS 16 'Leases' establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard is effective for annual periods beginning on or after January 1, 2019.

- IFRIC 23 'Uncertainty over Income Tax Treatments' is interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after January 1, 2019.

## CRITICAL ACCOUNTING POLICIES

Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

*Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company's cash is classified as FVTPL assets.

*Held-to-maturity ("HTM")*

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

*Available-for-sale financial assets ("AFS")*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as AFS.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company does not have any assets classified as loans and receivables.

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

**SHARE CAPITAL**

Issued

The company has 12,600,001 shares issued and outstanding as at May 31, 2020 and 19,600,001 as at July 3, 2020.

Share Purchase Options

The Company has 600,000 stock options outstanding at May 31, 2020 and July 3, 2020.

Warrants

The Company had 5,300,000 share purchase warrants outstanding at May 31, 2020 and 600,000 as at July 3, 2020.

Escrow Shares

The Company has 2,000,000 shares held in escrow as at May 31, 2020 and 1,800,000 as at July 3, 2020.