



**SILVER DOLLAR**  
RESOURCES

## **Management's Discussion and Analysis**

**Financial year ended August 31, 2020**

Containing information as of December 22, 2020

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## **Caution Regarding Forward-Looking Information**

Certain of the statements made and information contained herein and in the financial statements is “forward-looking information” within the meaning of the *Securities Act* (British Columbia). This includes statements by Silver Dollar Resources Inc. (the “Company” or “Silver Dollar”) concerning exploration results, including deposit size, quantities, grades and contained metals, which are generally made on the basis of estimations and extrapolations from a limited number of samples, drill holes and assays. These estimations and extrapolations are subject to uncertainties which include but are not limited to uncertainties in connection with evaluating a deposit until the deposit has been extensively drilled on closely spaced centres. Should one or more of these underlying estimations or extrapolations prove incorrect, actual results may vary materially from those described in forward-looking statements.

Forward-looking statements contained herein also include the Company’s future operating costs and exploration plans at its mineral properties. These involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information including, without limitation, the ability of the Company to continue to be able to access the capital markets for funding necessary for operating costs, to acquire and maintain exploration properties and to carry out its desired exploration programs; difficulties in executing exploration programs on the Company’s proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or the availability of essential supplies and services; and factors beyond the capacity of the Company to anticipate and control, such as the marketability of minerals, government regulations relating to health, safety and the environment, foreign currency controls, and the scale and scope of royalties and taxes on production. Should one or more of these risks or uncertainties materialize actual results may vary materially from those described in forward-looking statements.

Accordingly, readers are advised not to place undue reliance on forward-looking information. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.

## **Description of Business**

Silver Dollar is a junior exploration company whose common shares are listed on the Canadian Securities Exchange and quoted on the OTCQB Venture Market. It is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The Company has options to purchase the La Joya Silver Project located in Durango, Mexico and the Longlegged Lake and Pakwash Lake gold properties located near Red Lake, Ontario.

The following discussion and analysis of the operations, results and financial position of the Company should be read in conjunction with the financial statements as of and for the year ended August 31, 2020 and the notes thereto (the “financial statements”). The financial statements are incorporated herein by reference.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and unless otherwise cited, references to dollar amounts are Canadian dollars. The financial statements were prepared on a going concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company had working capital of \$677,492 at August 31, 2020. The Company’s ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in the future.

## **Overall Performance and Discussion of Operations**

### **Fourth Quarter Results**

During the fourth quarter of its 2020 financial year, the Company’s net loss was \$481,570, as compared with a \$54,217 net loss during the corresponding period last year. This \$427,353 increase was caused mainly by the commencement of active operations and completion of the Company’s initial public offering and stock market listing during the fourth quarter. As such, the fourth quarter of 2020 saw increases in non-cash share-based compensation of \$188,694 upon the grant of stock options, a \$71,230 increase in consulting fees, a \$58,991 increase in professional fees, a \$51,000 increase in management and administration fees, and a \$46,720 increase in travel and promotion costs.

### **Annual Results**

During its 2020 financial year, the Company experienced a \$726,173 net loss, as compared with a \$127,355 loss during the comparative period. Like the fourth quarter results discussed above, this \$598,818 increased loss was caused primarily by the commencement of active operations and completion of the Company’s initial public offering and stock market listing during the year. Included in this increase was a \$179,694 increase in non-cash stock-based compensation upon the grant of stock options, a \$172,946 increase in professional fees, a \$71,230 increase in consulting fees and a \$58,800 increase in management and administration fees.

### **Cash Flow**

As of its August 31, 2020 year-end, the Company had cash of \$702,047 as compared with \$213,459 at the beginning of the year – an increase of \$488,588. Of this total, \$523,107 of cash was used for its operations and \$393,438 of cash was used for the acquisition and exploration of the Company’s silver and gold projects. During the 2020 financial year, the Company received \$1,405,133 from its initial public offering and the exercise of warrants and options.

For a detailed breakdown of exploration and evaluation assets for the 2020 financial year on a property-by-property basis as well as for the preceding year, refer to the Schedules of Exploration and Evaluation Assets accompanying the financial statements.

### **General**

The Company has begun exploring its recently-optioned La Joya Silver Project in Durango, Mexico and its Longlegged Lake and Pakwash Lake gold properties near Red Lake, Ontario. In general, silver and gold prices remain historically strong despite volatility in recent months. Many analysts expect silver and gold prices to remain stable or strengthen in the long term, so the Company plans to continue its strategy of advancing its mineral properties to add shareholder value.

Current global uncertainty with respect to the COVID-19 pandemic and its effect on the Canadian economy and financial markets may have significant and as-yet unpredictable effects on the

Company. While the impact remains unknown, ongoing spread of the virus and periodic future recurrences may have a material adverse effect on economic activity and could affect exploration plans, disrupt metals and financial markets, and affect other factors relevant to the Company.

## Selected Annual Information

	2020	2019	2018 <sup>1</sup>
Revenue	\$ -	\$ -	\$ -
Net loss	(726,173)	(127,355)	-
Net loss per share	(0.05)	(0.02)	-
Total assets	6,386,741	335,593	-
Total non-current financial liabilities	-	-	-
Cash dividends declared	-	-	-

## Summary of Unaudited Quarterly Results

	2020				2019			
	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	(481,570)	(138,209)	(55,541)	(50,853)	(54,217)	(24,671)	(18,458)	(30,009)
Net loss per share	(0.02)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.18)

Variations in operating loss from quarter to quarter typically result from increases in exploration and property acquisition activity. During periods of greater activity, such as the third and fourth quarters of 2020, professional fees, consulting fees, costs relating to regulatory approvals and travel costs will typically increase. In addition, the Company completed its initial public offering and stock exchange listing during its third and fourth quarters of 2020, which resulted in higher professional fees than previous quarters. During the third and fourth quarters of 2020, non-cash share-based compensation also contributed to the marked increases in net loss.

The quarterly results summarized herein were prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars.

## Liquidity and Capital Resources

The Company does not yet generate positive cash flow from operations and is therefore reliant upon the issuance of its own common shares to fund its operations. In September 2020, the Company completed a \$10.5 million private placement and as of the date hereof, the Company is adequately funded for the short- and medium-term. To continue to fund its long-term exploration plans, the Company must raise additional equity capital. There is, however, no certainty that such financings will be completed.

The Company has no debt obligations and no commitments other than as described herein and in its financial statements. Management expects that the Company presently has enough working capital to fund operating costs through at least December 2021.

<sup>1</sup> The Company was incorporated November 18, 2019

## Mineral Exploration Activities

### La Joya Silver Project, Durango, Mexico

#### Overview

In August 2020, Silver Dollar entered into a definitive option agreement whereby Silver Dollar can acquire an initial 80% interest, and if exercised, a second option to acquire an additional 20% interest for an aggregate 100% interest in the La Joya silver-copper-gold property. The property, located in the south-eastern portion of the State of Durango in the Mexican Silver Belt, consists of 15 mineral concessions totalling 4,646 hectares and hosts the Main Mineralized Trend, Santo Nino and Coloradito deposits.

In 2013, SilverCrest Mines Inc. disclosed a mineral resource estimate for the property that was reported to conform to CIM definitions for resource estimation. A qualified person of Silver Dollar has not done sufficient work to classify this historical estimate as a current mineral resource and the Company is not treating this historical resource estimate as a current mineral resource. Independent data verification and an assessment of the mineral resource estimation methods are required to verify the historical mineral resource.

Zone	Category**	Cut off	Rounded Tonnes	SG	Av Ag (gpt)	Av Au (gpt)	Av Cu (%)	Contained Ag (oz)	Contained Au (oz)	Contained Cu (lbs)	Contained AgEQ (oz)*
MMT (Ag, Au, Cu)	***inferred	15	120,570,000	3	23.7	0.18	0.18	91,855,000	708,000	466,474,000	185,757,000
		30	67,618,000	3	34.67	0.24	0.25	75,367,000	519,000	377,392,000	148,671,000
		60	26,109,000	3	58.53	0.3	0.42	49,129,000	256,000	240,114,000	92,035,000
Santo Nino (Ag, Au, Cu)	***inferred	15	6,169,000	3	20.36	0.04	0.49	4,039,000	8,000	66,775,000	12,826,000
		30	3,586,000	3	29.17	0.05	0.75	3,363,000	5,000	59,384,000	11,078,481
		60	1,818,000	3	43.06	0.05	1.2	2,517,000	3,000	48,269,000	872,000
TOTAL	***inferred	15	126,739,000		23.5	0.17	0.20	95,894,000	716,000	533,249,000	198,583,000
		30	71,204,000		34.4	0.23	0.28	78,730,000	524,000	436,776,000	159,749,481
		60	27,927,000		57.5	0.28	0.47	51,646,000	259,000	288,383,000	92,907,000

Table 2 from National Instrument (NI) 43-101 Technical report titled "Preliminary Economic Assessment for The La Joya Property, Durango, Mexico", dated 5 December 2013.

Key assumptions, parameters, and methods used to prepare the historical mineral estimate:

- 89 holes totaling 30,085 metres (m)
- Raw assay data was composited to 2 metres, capped at 550 gpt Ag, 5.5 gpt Au 6% Cu and interpolated into a block model using 5 m x 5 m x 5 m block size using inverse distance squared (ID2) methodology
- Silver equivalency formula assumes Ag:Au is 50:1, Ag:Cu is 86:1, based on US\$24/oz silver, US\$1200/oz gold, US\$3/lb copper and 100% metallurgical recovery
- Mining by open-pit methods
- Mining and process costs assumptions not specifically stated.

The Property is situated approximately 75 kilometres directly southeast of the state capital city of Durango in a prolific mineralized region with past-producing and operating mines including Grupo Mexico's San Martin Mine, Industrias Penoles' Sabinas Mine, Pan American Silver's La Colorada Mine and First Majestic Silver's La Parrilla and Del Toro Silver Mines. Access and infrastructure near the Property are considered excellent with highway, rail and power lines nearby.

#### *Previously Unreported 2014 Drilling Results*

Between February and March 2014, SilverCrest Mines Inc. completed its Phase 3 drilling program; however, the results were not previously reported. Records of the Phase 3 program were obtained by Silver Dollar through the file-sharing arrangement under the definitive agreement with the optionor. Announcement of the drilling program was included in the final Management's Discussion and Analysis issued by SilverCrest November 12, 2014 for the three and nine months ended September 30, 2014, which read:

"La Joya Project third quarter highlights: SilverCrest completed a 17 hole in-fill drilling program (2,698 metres). The program provides valuable information that will enable SilverCrest to advance towards an updated resource model in H1 2015."

The updated resource model was never completed due to the optionor's acquisition of SilverCrest, which was completed October 1, 2015.

The Phase 3 drilling program targeted infill drilling along the Main Mineralized Trend and was successful in confirming significant mineralization in 15 of 17 holes (two holes were drilled for geotechnical logging and no assay records have been located). The results provide Silver Dollar with further confidence in the extent of the mineralized system and verify several key features of the polymetallic Ag-Cu-Au deposit identified in the National Instrument 43-101 Preliminary Economic Assessment Technical Report with Effective Date of October 21, 2013, and Released Date of December 5, 2013 including:

- Confirmed presence of high-grade mineralization with 2014 highest assay grades reported for Ag of 1,915 grams per tonne (g/t) over 0.45 metre (hole LJ DD14-116 from 26.4 to 26.85 m), Cu of 20.4 % over 0.55 metre (hole LJ DD14-116 from 86 to 86.55 m), and Au of 33.5 g/t over 1.0 metre (hole LF DD14-120 from 211.15 to 212.15 m)
- Presence of discrete high-grade stockwork and structurally controlled veining (SCSV) style mineralization such as in hole LJ DD14-116 that intercepted 2.0 metres (from 86 to 88 m) grading 723.5 g/t Ag, 8.97 % Cu and 0.09 g/t Au, or 1,778.1 g/t silver equivalent (AgEq)
- Continuous broad intervals of mineralization hosted in replacement manto style mineralization, such as in hole LJ DD14-114 that intercepted 66.4 metres (from 27.1 to 93.5 m) grading 43.5 g/t Ag, 0.27 % Cu and 0.38 g/t Au, or 98.21 g/t AgEq and
- Outcropping and near-surface mineralization, such as in holes LJ DD14-109 that intercepted 21.92 metres (from 1.8 to 23.72 m) grading 31.5 g/t Ag, 0.36 % Cu and 0.95 g/t Au, or 130.4 g/t AgEq

Drilling results from the eastern extent of the (approximately east-west striking) SCSV revealed excellent exploration potential for extension of the deposit further to the east where hole LJ DD14-116 intercepted two broad mineralized zones grading 75.7 g/t Ag, 0.55 % Cu, and 0.06 g/t Au, or 143.9 g/t AgEq, over 25.1 metres (from 19.1 to 44.2 m), and 106.2 g/t Ag, 1.20 % Cu, and 0.29 g/t Au, or 264.0 g/t AgEq, over 23.1 metres (from 82.4 to 105.5 m).

Notably, hole LJ DD14-116 was drilled near to the previous holes LJ DD12-79 (48.8 metres grading 53.1 g/t Ag, 0.37 % Cu, and 0.06 g/t Au, from 102.2 to 150.8 m) and LJ DD12-86 (45 metres grading 135.5 g/t Ag, 1.14 % Cu and 0.11 g/t Au, from 67 to 112 m) along the interpreted Tecolote structure, which remains open to the east. This eastern area is a primary exploration

target representing a 750-metre-wide (approximate horizontal distance) gap where no drilling has been undertaken and is flanked on the east by the Santo Nino Deposit.

Assay highlights from drill hole core samples are summarized in the following table:

Hole ID	From	To	Width (m)	Au g/t	Ag g/t	Cu %	AgEq * (values from 2013 PEA)	AgEq ** (current values)
<b>LJ DD14-109</b>	1.8	23.72	21.92	0.73	32.7	0.36	100.1	118.6
Including	1.8	6.2	4.4	3.45	12.3	0.10	193.3	230.8
	120.6	125.75	5.15	0.10	112.1	0.57	166.1	184.7
<b>LJ DD14-110</b>	10.3	22.6	12.3	0.36	99.8	0.71	179.0	204.7
including	16.8	21.3	4.5	0.56	189.6	1.34	333.1	380.3
	98.2	104.8	6.6	0.05	47.1	0.15	62.4	67.5
<b>LJ DD14-111</b>	34.95	35.9	0.95	0.12	210.2	2.11	397.4	463.9
	56.9	58.6	1.7	0.04	139.7	0.41	177.5	190.8
	143	149.35	6.35	0.38	55.8	0.25	96.3	107.9
	162.4	165.35	2.95	0.29	57.0	0.11	80.8	87.0
<b>LJ DD14-112</b>	88.9	91.3	2.4	0.04	95.5	0.51	141.4	157.6
<b>LJ DD14-113</b>	93.75	96.4	2.65	0.06	108.8	0.56	160.0	177.9
	146.9	149.5	2.6	0.09	47.1	0.25	72.8	81.4
<b>LJ DD14-114</b>	13.7	14.9	1.2	0.09	192.9	2.58	419.7	500.8
	27.1	93.5	66.4	0.38	43.5	0.27	85.9	98.2
including	67.7	70.85	3.15	1.26	219.0	1.48	409.6	468.2
	131.7	138.85	7.15	0.30	26.6	0.14	53.2	60.4
	160.4	178.1	18.1	0.26	6.9	0.15	32.6	39.8
<b>LJ DD14-115</b>	30.85	36.95	6.1	0.06	233.8	1.24	343.4	382.5
including	34.15	35.15	1	0.17	734.0	3.75	1,064.5	1,182.2
	44.9	68.3	23.4	0.34	31.7	0.12	58.9	66.0
	74.8	79.2	4.4	0.40	48.6	0.26	91.0	103.0
	134.8	137.05	2.25	0.41	90.4	0.84	182.5	212.5
<b>LJ DD14-116</b>	19.1	44.2	25.1	0.06	75.7	0.55	126.2	143.9
including	19.1	28.2	9.1	0.04	185.1	1.37	305.2	348.2
and	26.4	28.2	1.8	0.11	602.3	4.64	1,006.4	1,151.1
	82.4	105.5	23.1	0.29	106.2	1.20	223.9	264.0
including	86	88	2	0.09	723.5	8.97	1499.2	1,778.1
<b>LJ DD14-117</b>	61	80.8	19.8	0.36	29.5	0.36	78.4	93.2
including	74.5	75.8	1.3	0.88	219.0	2.05	439.1	511.3
	106.8	108.6	1.8	0.85	46.7	0.53	134.2	158.9

Hole ID	From	To	Width (m)	Au g/t	Ag g/t	Cu %	AgEq * (values from 2013 PEA)	AgEq ** (current values)
<b>LJ DD14-118</b>	54	58	4	0.14	72.8	0.35	109.5	121.6
	64	104.2	40.2	0.05	32.9	0.49	77.3	93.0
including	68	74.3	6.3	0.06	61.7	1.35	181.2	223.8
and	93.4	97.7	4.3	0.12	79.3	1.00	171.2	203.3
	132.75	149.85	17.1	0.44	14.8	0.16	50.9	60.4
<b>LJ DD14-119</b>	63.15	74.8	11.65	0.06	82.7	0.99	171.1	202.5
including	72.4	73.8	1.4	0.26	387.1	4.62	797.4	943.3
	91.4	95.5	4.1	0.28	35.2	0.34	78.4	91.8
	119	122.5	3.5	0.62	44.3	0.45	114.0	134.2
<b>LJ DD14-120</b>	39.5	43.1	3.6	0.05	91.6	0.49	136.5	152.3
	59.65	68.35	8.7	0.14	59.1	0.27	89.2	98.9
including	67.3	68.35	1.05	0.08	375.2	1.09	472.8	507.3
	96.25	151.1	54.85	0.10	36.5	0.23	61.5	69.7
including	130.2	134.6	4.4	0.17	171.5	1.41	301.7	347.2
	199.5	217.15	17.64	2.30	31.7	0.12	157.6	184.5
including	208.5	212.15	3.65	10.43	52.3	0.22	592.6	703.6
<b>LJ DD14-121</b>	Geotechnical hole, no assays							
<b>LJ DD14-122</b>	68.7	70.55	1.4	0.18	225.4	1.95	402.1	464.3
	90.9	93.5	2.6	1.53	5.5	0.10	90.6	109.0
	99.9	101.6	1.7	1.88	32.6	0.32	154.2	183.0
	129.25	131.2	1.95	0.04	33.7	0.37	67.3	79.1
	150.8	152.75	1.95	0.37	46.6	0.36	96.2	111.0
<b>LJ DD14-123</b>	Geotechnical hole, no assays							
<b>LJ DD14-124</b>	116.4	122.65	6.25	0.20	94.0	0.77	170.5	196.5
<b>LJ DD14-125</b>	26.75	37.05	10.3	0.02	34.1	0.02	37.4	38.4
	120.45	126.6	6.15	0.07	67.2	0.11	80.2	84.3
	200.6	201.85	1.25	0.07	121.7	0.54	171.5	188.9

Notes:

- lengths are downhole length
  - the reported assay values have been validated by SLV using laboratory certificates and digital drill hole database, however, SLV has not yet reviewed drill core nor verified the drill hole survey information
  - all intercept lengths are reported as downhole length
- \* AgEq as calculated in the La Joya NI 43-101 PEA Technical Report (Effective Date October 21, 2013) which used metal prices of US\$ 24/oz silver, US\$ 1,200/oz gold, and US\$ 3/lb. copper, and equal metallurgical recoveries.
- \*\* AgEq as calculated using current metals price assumptions of US\$ 17.50/oz silver, US\$ 1,500/oz gold, and US\$ 3/lb. copper, along with preliminary and conceptual metallurgical recoveries reported in the PEA of 85% Ag, 85% Cu and 60% Au.

### Sample Analyses and QA/QC

Sampling of the drill core was conducted along the entire length of each hole below overburden (excepting hole LJ DD14-117, where sampling started at 34.55 m downhole depth) generally at 1 metre sample lengths, up to a maximum of 5.5 metres, except within visually mineralized intervals



where sample intervals respected geological contacts down to a minimum interval of 0.10 metre downhole length. A total of 2,596 drill core samples were collected.

The samples were submitted to the Inspectorate preparation lab based in Durango, Mexico, and shipped to Acme Laboratories (both labs part of the Bureau Veritas Group Companies), based in Vancouver, Canada for analysis. Samples were crushed and split from which 250-gram subsamples were pulverized to 200 mesh.

All samples were submitted for 33 trace elements inductively coupled plasma emission spectroscopy (ICP-ES) (using aqua regia digestion), and 30-gram fire assay (FA) (using lead fusion) with atomic absorption spectrometry (AAS) analyses for gold. Where gold assays exceeded the upper FA-AAS detection limit of 10 g/t, or where silver assays exceeded the upper ICP-ES detection limit of 100 g/t, then analysis was conducted for both gold and silver using fire assay with a gravimetric finish. Any copper, lead or zinc assay exceeding the upper ICP-ES detection limit of 10,000 ppm triggered re-analysis of all three elements at higher grade ICP-ES detection limits.

Additionally, 279 samples were submitted to the laboratory for quality assurance and control (QA/QC). These were comprised of 246 blank samples and 33 certified standard reference samples. No duplicate samples appear to have been collected as part of this campaign. The QA/QC results have been reviewed and no concerns have been identified.

Garry Clark, P.Geo., of Clark Exploration Consulting, a Qualified Person as defined in NI 43-101, has reviewed and approved the technical contents herein.

#### *2021 Exploration Planning*

In October 2020, Silver Dollar engaged Tetra Tech Inc. to assist with planning its 2021 exploration of the La Joya Silver Project.

Tetra Tech was previously involved with the project providing technical support services between 2010 and 2015 when SilverCrest Mines Inc. owned and operated the property. The Tetra Tech team has visited the site on several occasions and completed two inferred mineral resource estimates and developed a preliminary economic assessment study on behalf of SilverCrest.

Tetra Tech's involvement is expected to enable Silver Dollar to hit the ground running as it prepares for its initial drilling program. A formal historical data compilation is in progress and will be used for the development of an updated geological model to aid in identifying regional targets for follow-up exploration.

#### *Key Terms of the Option*

Under the terms of the definitive agreement, Silver Dollar may exercise the first option and acquire an initial 80% interest in the subsidiary holding the La Joya Silver Project by:

- a) paying to the optionor a total of \$1,300,000 plus annual holding costs for the property, of which:
  - i) \$300,000 upon execution of the definitive agreement (paid August 2020),
  - ii) \$200,000 on or before the first anniversary of the definitive agreement,
  - iii) \$200,000 on or before the second anniversary of the definitive agreement,
  - iv) \$300,000 on or before the third anniversary of the definitive agreement, and
  - v) \$300,000 on or before the fourth anniversary of the definitive agreement;

- b) incurring exploration expenditures on the property of not less than \$1,000,000 within three years of entering into a surface rights agreement relating to the property, but in any event within five years of the date of the definitive agreement; and
- c) issuing to the optionor, within 45 days of the date of the definitive agreement, such number of common shares of the Company as is equal to 19.9% of the then-issued and outstanding shares of Silver Dollar (issued August 2020).

If Silver Dollar incurs at least \$1,000,000 of exploration expenditures on the property within three years of the date of the definitive agreement, the optionor will waive the third- and fourth-anniversary cash option payments described above totalling \$600,000.

In addition, the optionor will reserve a 2% net smelter returns royalty interest in all minerals produced from the property.

Within 30 days after exercising its first option, Silver Dollar may exercise its second option and acquire the remaining 20% interest in the subsidiary that owns the La Joya Silver Project by delivering notice and issuing to the optionor the number of shares as is equal to 5% of the then-issued and outstanding shares of Silver Dollar.

If Silver Dollar exercises its first option, but elects to not exercise its second option, Silver Dollar and the optionor will be deemed to have formed a joint venture with respect to the property.

The definitive agreement also includes representations, warranties and covenants customary in transactions of this nature.

### **Longlegged Lake Property, Red Lake, Ontario**

#### *Overview*

Silver Dollar entered into an option agreement in January 2019 to acquire the 8 multi-cell mining claims covering an area of 2,597 hectares comprising the Longlegged Lake Property. The property is located in the Red Lake Mining Division in northwestern Ontario, approximately 30 kilometres south of the community of Red Lake.

The Longlegged Lake Property lies within the Superior Province, straddling the suture zone between the east-west trending, Mesoarchean North Caribou and Winnipeg River Terranes to the north and south respectively. More specifically, the property is underlain by rocks assigned to the Uchi subprovince in the north, and the English River subprovince in the south. The English River and Uchi subprovinces in the property area are separated by the Pakwash Lake Fault Zone, a major east-west trending fault that is interpreted to splay from the Sydney Lake Fault zone, located south of the property.

The local geology fits the model for the style of mineralization found at the Eleonore deposit of Newmont Goldcorp Corp. in northern Quebec, where mineralization occurs in polydeformed sedimentary rocks near a subprovince boundary and near a quartz diorite stock (Beausoleil, 2015). However, the Company has not verified information with respect to the Eleonore deposit, and information with respect to the Eleonore deposit is not necessarily indicative of the mineralization on the Longlegged Lake Property.

On the Longlegged Lake Property, Silver Dollar is focused on identifying and delineating Archean-aged orogenic gold deposits (Groves et al., 1998). Following Kerrich et al. (2000), orogenic gold deposits are typically associated with crustal-scale fault structures, although the most abundant gold mineralization is hosted by lower-order splays from these major structures. Deposition of gold is generally synkinematic, syn- to post-peak metamorphism and is largely restricted to the brittle-ductile transition zone. Host rocks are highly variable, but typically include mafic and ultramafic volcanic rocks, banded iron formation, sedimentary rocks and rarely granitoids.

Previous work on the Longlegged Lake Property has indicated the presence of elevated, or anomalous, gold values in soil samples over an area associated with the Pakwash Lake Fault Zone, which also marks the contact zone between a granodiorite to the north, and mafic volcanic and metasediments to the south. Management believes this environment represents a promising geological environment to host gold mineralization. This area is expected to be the main focus of exploration by Silver Dollar.

The technical information comprising the above overview was summarized from a report entitled “*Technical Report on the Longlegged Lake Property, Red Lake Mining Division, Northwestern Ontario (Amended and Restated)*” dated June 4, 2020 by Matthew Long, P. Geo., a Qualified Person for the purposes of National Instrument 43-101. The full text of the report is available on [SEDAR](#).

### 2019 Geophysical Survey

Silver Dollar completed a heliborne high-resolution magnetic (MAG) survey on the Longlegged Lake Property in the spring of 2019 that identified dominant northeast-southwest MAG lineaments interpreted to be the deep-seated crustal scale Pakwash Lake Fault Zone (Figure 1).

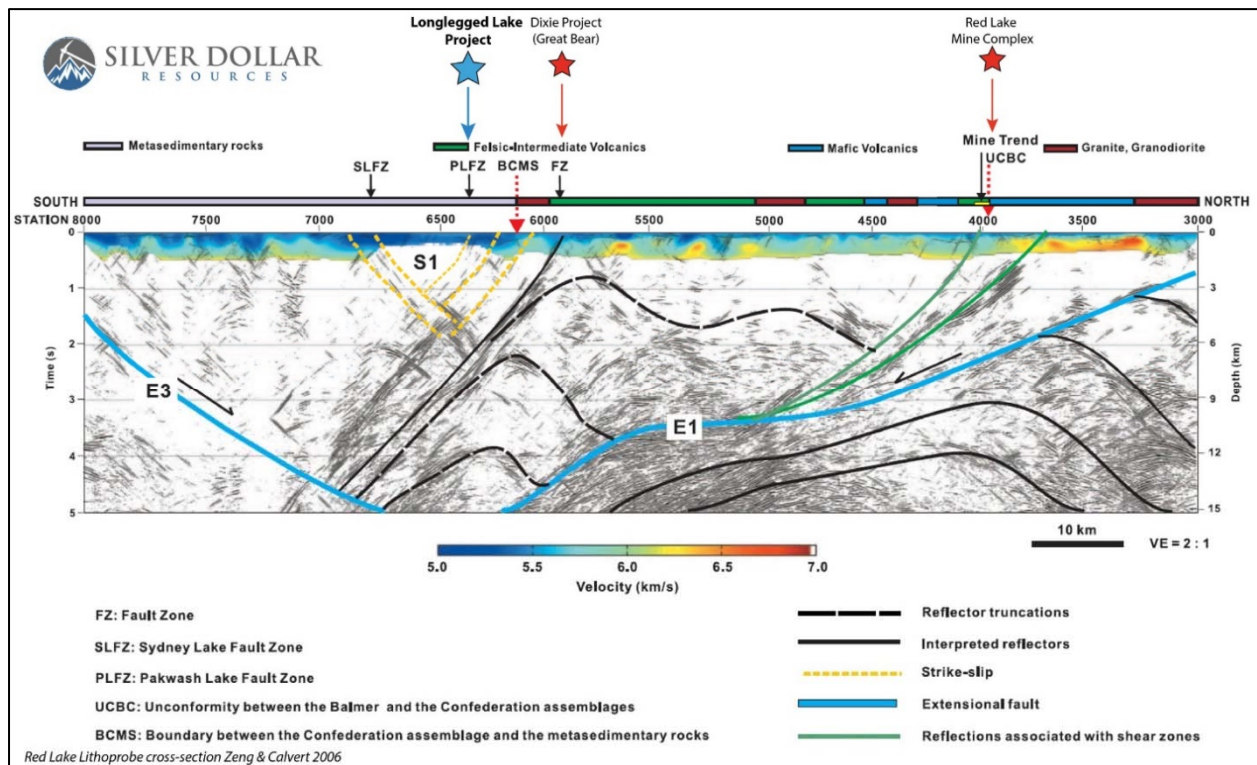


Figure 1: Deep Penetrating Regional Lithoprobe Seismic Survey

The MAG survey, which included a total of 1,837 line-kilometres on 25-meter line spacing, also identified many curved lineaments (Figure 2) which could be related to shearing and folding where dilation zones may have enabled mineralization to occur. Fieldwork underway will include soil sampling, geological mapping and prospecting to follow up on the key structures identified by the MAG survey. Previous work by Laurentian Goldfields indicated the presence of elevated or anomalous gold in soils along the Pakwash Lake Fault Zone. The Property is fully permitted for exploration and drilling.

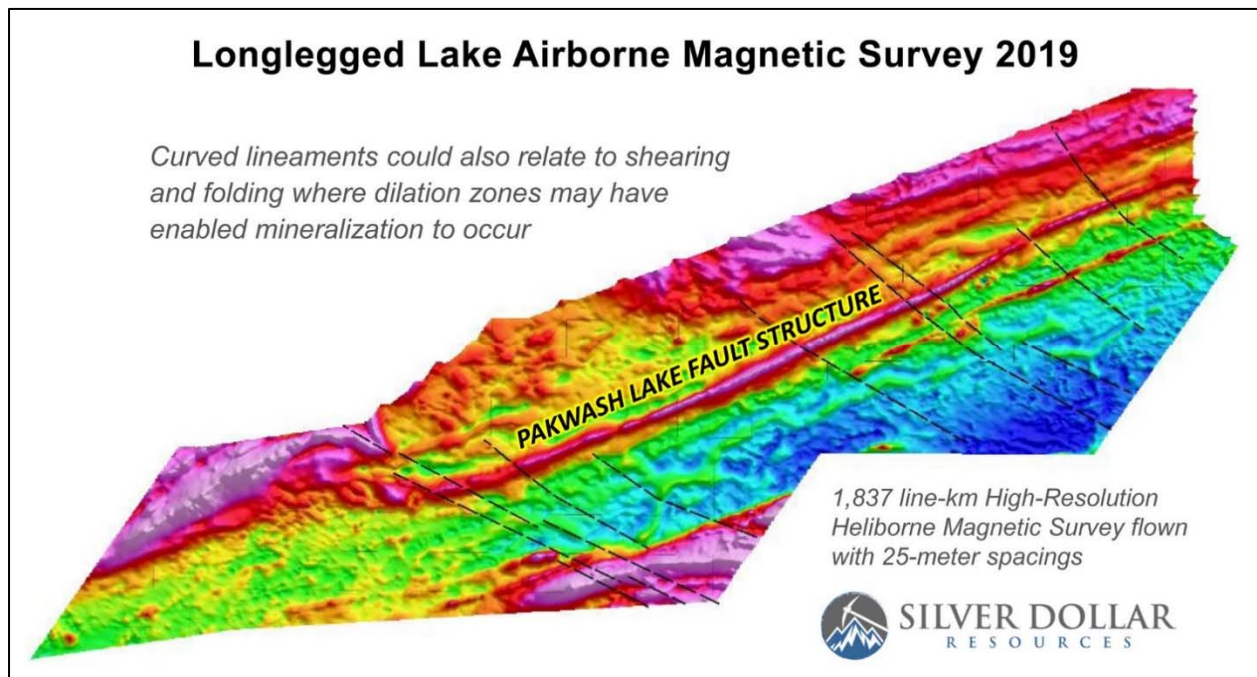


Figure 2: MAG Survey Showing Pakwash Lake Fault Zone Structure and Curved Lineaments

#### 2020 Fieldwork

To further evaluate the Pakwash Lake Fault Zone, in 2020 Silver Dollar completed a program of prospecting and soil sampling of areas interpreted to be prospective to host gold mineralization. A till sampling program of 30 samples was completed to assess the potential of gold in basal till down ice direction of the Pakwash Lake Fault Zone. These samples were sent to Overburden Drilling Management in Nepean, Ontario for determination of the presence of gold grains. Gold grains within the samples will be classified as to their shape and size to help determine proximity to the potential source. The results of the sampling have been recently received and are being integrated into the exploration model.

The next phase of exploration is comprised of two areas of Induced Polarization (IP) surveying. The two grids were selected using the interpretation of the airborne magnetics. The IP survey is intended to define sulfide mineralization within or adjacent to the Pakwash Lake Fault Zone. In other locations within the Red Lake area, sulfide mineralization is associated with gold values.

Garry Clark, P.Geo. of Clark Exploration Consulting, a Qualified Person as defined in National Instrument 43-101, reviewed and approved the 2019 Geophysical Survey and 2020 Fieldwork technical content herein.

### Key Terms of the Option

To exercise its option and purchase a 100% interest in the Longlegged Lake Property, the Company must pay the optionor \$85,000 over four years (of which \$24,000 has been paid) and grant to the optionor a 1.5% net smelter returns royalty. The Company may repurchase half of the royalty for \$500,000.

### Pakwash Lake Property, Red Lake, Ontario

#### Overview

In November 2019, the Company entered into an option to acquire 18 mining claims located in the Red Lake Mining Division in northwestern Ontario approximately 30 kilometres south southeast of the community of Red Lake.

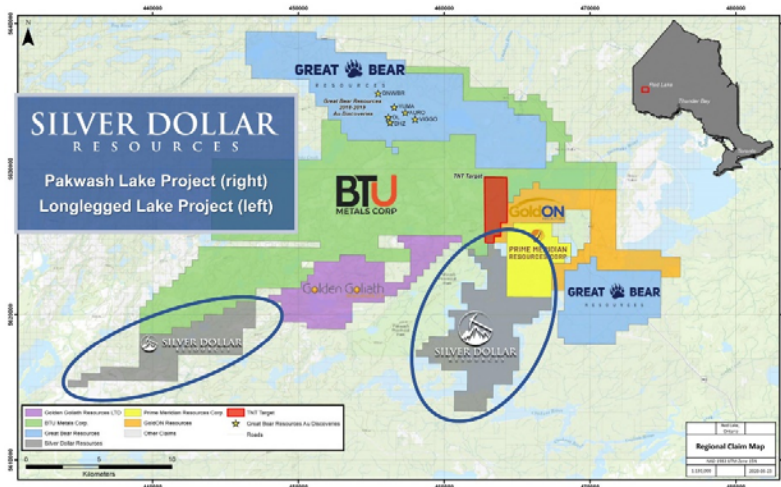


Figure 3: Pakwash Lake property regional claim map

The 4,252-hectare property is situated in a structurally active area of the Red Lake Mining Division where exploration activity has been re-energized with the success of Great Bear Resources and the numerous high-grade gold discoveries on their Dixie property. Other active neighbours in the area include BTU Metals who have been drilling a potential Cu-Ag-Au VMS discovery called the TNT Target that adjoins the northern boundary of the Property (Figure 3).

A high-resolution airborne magnetic (MAG) survey completed by Laurentian Goldfields in 2011 identified the numerous geophysical features on the property including two dominant east-west trending MAG lineaments. These lineaments are interpreted to be the Pakwash Lake Fault Zone and Sydney Lake Fault Zone, which are deep-seated crustal-scale features and important markers for exploration in the region and warrant further investigation.

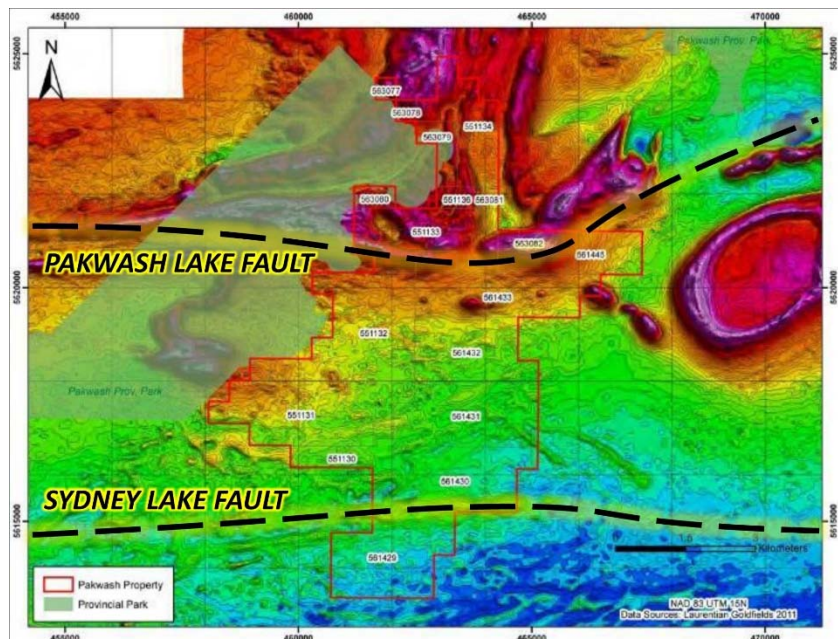


Figure 4: 2011 MAG survey with interpreted tracing of the Pakwash Lake and Sydney Lake fault zone structures crossing the property

The Pakwash Lake and Sydney Lake faults and splays run through the property

(Figure 4) and orogenic gold deposits are typically associated with crustal-scale fault structures, although the most abundant gold mineralization is hosted by lower-order splays from these major structures (Kerrich et al. 2000). The property is fully permitted for exploration and drilling.

#### *Key Terms of the Option*

To exercise its option and purchase a 100% interest in the Pakwash Lake Property, the Company must pay the optionor \$131,000 over four years (of which \$16,000 has been paid) and grant to the optionor a 1.5% net smelter returns royalty. The Company may repurchase half of the royalty for \$500,000.

### **Outstanding Share Data**

As of the date hereof, the Company has 35,553,567 common shares issued and outstanding.

Also as of the date hereof, the Company has outstanding warrants to purchase up to 6,444,195 shares. Of this total, 750,000 warrants may be exercised at a price of \$0.05 per share until February 21, 2021, 1,500,000 warrants may be exercised at \$0.05 per share until March 7, 2021, 2,500,000 warrants may be exercised at \$0.25 per share until March 27, 2021, 1,538,000 warrants may be exercised at \$0.25 per share until May 28, 2021, and 156,195 warrants may be exercised at \$0.15 per share until May 28, 2021.

In addition, the Company has options outstanding which may be exercised to purchase a total of 3,400,000 shares. Of this total, 450,000 options may be exercised at \$0.15 per share until October 23, 2024, 400,000 options may be exercised at \$0.59 per share until June 26, 2025, and 2,550,000 options may be exercised at \$1.75 per share until December 14, 2025.

### **Transactions with Related Parties**

During its 2020 financial year, the Company paid the following compensation in respect of the management and administration of the Company:

- a) \$32,000 to a corporation controlled by the Company's Chief Executive Officer,
- b) \$5,000 to the Company's Chief Financial Officer, and
- c) granted stock options to four directors and officers to purchase up to 600,000 shares at \$0.15 per share until October 23, 2024 and with a fair value of \$21,000.

### **Changes in Accounting Policies Including Initial Adoption**

The following standard was adopted by the Company effective September 1, 2019, but had no material impact on the financial statements:

#### *IFRS 16 – Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as was required by IAS 17 – Leases and, instead, introduces a single lessee accounting model.

The following standard will be adopted by the Company on September 1, 2020, but is expected to have no material impact on the financial statements:

*Amendments to IFRS 3: Business Combinations*

Amendments to IFRS 3: Business Combinations assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits.

## **Financial Instruments and Other Instruments**

The fair value of the Company's cash, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying value due to the short-term nature of these instruments unless otherwise noted. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Company monitors and manages the risks relating to its financial instruments through analysis of exposures by degree and magnitude of risks. These risks include credit risk, market risk and liquidity risk.

*Credit risk*

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. As of August 31, 2020, such contractual obligations comprised cash held with high creditworthy financial institutions in the amount of \$702,047. Management considers this risk to be negligible.

*Market risk*

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Management considers this risk to be negligible.

*Liquidity risk*

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost. As of August 31, 2020, the Company had working capital of \$677,492. Management anticipates that the Company will be able to meet its obligations as they become due.

## **Other Information**

Additional information relating to the Company is available from the Company's website at <https://silverdollarresources.com> and on SEDAR at [www.sedar.com](http://www.sedar.com).

ON BEHALF OF THE BOARD

Signed "Michael Romanik"  
Michael Romanik, President