



**SILVER DOLLAR**  
RESOURCES

**Silver Dollar Resources Inc.**  
(An exploration stage company)

Financial Statements  
(Expressed in Canadian Dollars)

August 31, 2021 and 2020

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## Independent Auditor's Report

To the Shareholders of Silver Dollar Resources Inc.

### Opinion

We have audited the financial statements of Silver Dollar Resources Inc. ("the Company"), which comprise the statements of financial position as at August 31, 2021 and August 31, 2020 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and August 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
December 17, 2021**

## Silver Dollar Resources Inc.

(An exploration stage company)

### Statements of Financial Position

(Expressed in Canadian Dollars)

	August 31 2021	August 31 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 10,267,287	\$ 702,047
Accounts receivable	4,196	19,086
Prepaid expenses	490,897	57,863
	10,762,380	778,996
<b>Equipment</b>	6,025	-
<b>Exploration and evaluation assets (note 5)</b>	6,631,909	5,607,745
	\$ 17,400,314	\$ 6,386,741
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 40,933	\$ 69,504
Due to related party (note 7)	-	32,000
	40,933	101,504
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (note 6)</b>	19,156,098	6,831,692
<b>Share-based payment reserve (note 6)</b>	3,178,055	307,073
<b>Deficit</b>	(4,974,772)	(853,528)
	17,359,381	6,285,237
	\$ 17,400,314	\$ 6,386,741

Approved on behalf of the board on December 17, 2021

*"Michael Romanik"*

Michael Romanik

*"Jeff Smulders"*

Jeff Smulders

The accompanying Notes to the Financial Statements are an integral part of these financial statements

## Silver Dollar Resources Inc.

(An exploration stage company)

### Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

Years ended August 31

	2021	2020
<b>Expenses</b>		
Consulting	\$ 473,519	\$ 71,230
Depreciation	1,350	-
Insurance	18,705	5,170
Interest and bank charges	3,331	996
Listing and filing fees	37,406	36,712
Management and administration fees (note 7)	83,000	87,000
Office	10,067	12,391
Professional fees	91,277	208,592
Rent	-	28,456
Share-based compensation (notes 6 and 7)	3,295,575	209,694
Site investigation fees	16,617	3,414
Transfer agent	21,334	4,836
Travel and promotion	529,342	57,682
<b>Operating loss</b>	<b>(4,581,523)</b>	<b>(726,173)</b>
<b>Other income</b>		
Interest income	103,065	-
<b>Net and comprehensive loss</b>	<b>\$ (4,478,458)</b>	<b>\$ (726,173)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.12)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of shares outstanding</b>	<b>38,131,766</b>	<b>14,807,116</b>

The accompanying Notes to the Financial Statements are an integral part of these financial statements

## Silver Dollar Resources Inc.

(An exploration stage company)

### Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Years ended August 31, 2021 and 2020

	Issued Share Capital		Share-based			
	Number	Amount	Payment Reserve	Deficit	Total	
<b>Balances, August 31, 2019</b>	<b>12,600,001</b>	<b>\$ 399,001</b>	<b>\$ 30,000</b>	<b>\$ (127,355)</b>	<b>\$ 301,646</b>	
Shares and warrants issued for cash	7,000,000	1,050,000	-	-	1,050,000	
Shares issued upon exercise of options and warrants	2,236,218	529,698	(24,065)	-	505,633	
Shares issued for exploration and evaluation assets	5,146,401	5,094,937	-	-	5,094,937	
Share issuance costs	-	(241,944)	91,444	-	(150,500)	
Share-based compensation	-	-	209,694	-	209,694	
Net loss	-	-	-	(726,173)	(726,173)	
<b>Balances, August 31, 2020</b>	<b>26,982,620</b>	<b>6,831,692</b>	<b>307,073</b>	<b>(853,528)</b>	<b>6,285,237</b>	
Shares and warrants issued for cash	7,900,000	11,060,000	-	-	11,060,000	
Shares issued upon exercise of options and warrants	6,863,257	1,311,667	(424,593)	357,214	1,244,288	
Share issuance costs	101,360	(47,261)	-	-	(47,261)	
Share-based compensation	-	-	3,295,575	-	3,295,575	
Net loss	-	-	-	(4,478,458)	(4,478,458)	
<b>Balances, August 31, 2021</b>	<b>41,847,237</b>	<b>\$ 19,156,098</b>	<b>\$ 3,178,055</b>	<b>\$ (4,974,772)</b>	<b>\$ 17,359,381</b>	

The accompanying Notes to the Financial Statements are an integral part of these financial statements



## Silver Dollar Resources Inc.

(An exploration stage company)

### Statements of Cash Flows

(Expressed in Canadian Dollars)

Years ended August 31

	2021	2020
<b>Operating activities</b>		
Net loss	\$ (4,478,458)	\$ (726,173)
Adjustment for items not involving cash:		
Depreciation	1,350	-
Share-based compensation	3,295,575	209,694
	(1,181,533)	(516,479)
Changes in non-cash working capital:		
Accounts receivable	14,890	(16,322)
Prepaid expenses	(433,034)	(57,863)
Accounts payable and accrued liabilities	(28,571)	35,557
Due to related party	(32,000)	32,000
	(1,660,248)	(523,107)
<b>Investing activities</b>		
Purchase of equipment	(7,375)	-
Investments in exploration and evaluation assets	(1,024,164)	(393,438)
	(1,031,539)	(393,438)
<b>Financing activity</b>		
Proceeds from issuance of shares and warrants, net	12,257,027	1,405,133
<b>Net change in cash</b>	9,565,240	488,588
<b>Cash, beginning of year</b>	702,047	213,459
<b>Cash, end of year</b>	\$ 10,267,287	\$ 702,047
<b>Supplemental cash flow information</b>		
Interest received	\$ 103,065	\$ -
Income taxes paid	-	-

Non-cash transactions (note 9)

The accompanying Notes to the Financial Statements are an integral part of these financial statements

# **Silver Dollar Resources Inc.**

(An exploration stage company)

## **Notes to the Financial Statements**

(Expressed in Canadian Dollars)

August 31, 2021 and 2020

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### **1. Nature and Continuance of Operations**

The Company was incorporated on November 19, 2018 under the laws of the Province of British Columbia, Canada.

The Company is in the business of exploring its mineral exploration assets and has not yet determined whether these properties contain ore reserves that are economically recoverable. As of August 31, 2021, the Company was in the exploration stage and had interests in properties in Durango, Mexico and Ontario, Canada.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management considers all available information about the future within one year from the date the financial statements are issued.

The Company has sustained losses from operations and has an ongoing requirement for capital investment to explore its exploration and evaluation assets. As of August 31, 2021, the Company had working capital of \$10,721,447 (2020 – \$677,492). Based on its current plans, budgeted expenditures and cash requirements, the Company has sufficient cash to finance its current plans for at least 12 months from the date the financial statements are issued.

The Company expects it will need to raise substantial additional capital to accomplish its plans over the next several years. The Company intends to seek additional financing through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

In early 2020, there was a global outbreak of a novel coronavirus identified as COVID-19. In March 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide enacted emergency measures including travel restrictions, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

**Silver Dollar Resources Inc.**  
(An exploration stage company)

**Notes to the Financial Statements**  
(Expressed in Canadian Dollars)  
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**1. Nature and Continuance of Operations (continued)**

There can be no assurance that the Company will not be impacted by adverse consequences from the pandemic on global financial markets, resources, share prices and financial liquidity that may severely limit the financing capital available in the mineral exploration sector. Should such financing not be available in that timeframe, the Company will be required to reduce its activities and will not be able to carry out all of its presently planned exploration and development activities on its currently anticipated scheduling.

The address of the Company's office is 179 - 2945 Jacklin Road, Suite 416, Victoria, British Columbia, V9B 6J9, Canada.

**2. Significant Accounting Policies**

*Basis of Presentation*

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC"). The policies applied in these financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved these financial statements.

These financial statements are presented in the Company's functional and presentation currency – the Canadian dollar – on a historical cost basis except for certain items that are measured at fair value. The accounting policies described herein have been applied consistently to all periods presented in these financial statements.

*Financial Instruments*

The Company recognizes a financial asset or financial liability in the statements of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

**Silver Dollar Resources Inc.**  
(An exploration stage company)

**Notes to the Financial Statements**  
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**2. Significant Accounting Policies (continued)**

*Financial Instruments (continued)*

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- a) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and
- b) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- a) amortized cost;
- b) FVTPL if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
- c) FVTOCI when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at FVTOCI or amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

**Silver Dollar Resources Inc.**  
(An exploration stage company)

**Notes to the Financial Statements**  
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**2. Significant Accounting Policies (continued)**

*Financial Instruments (continued)*

Classification and Measurement (continued)

The Company's financial assets consist of cash which is classified and measured at FVTPL with realized and unrealized gains or losses related to changes in fair value reported in profit or loss. The Company's financial liabilities consist of accounts payable and accrued liabilities and amounts due to related parties which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability or, where appropriate, a shorter period.

Impairment

The Company assesses all information available including, on a forward-looking basis, the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available and reasonable and supportive forward-looking information.

*Cash*

For purposes of reporting cash flows, the Company considers cash to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The Company places its cash with institutions of high creditworthiness.

*Equipment*

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset. Equipment is amortized using the declining-balance method at a rate of 20% per year.

**Silver Dollar Resources Inc.**  
(An exploration stage company)

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**2. Significant Accounting Policies (continued)**

*Exploration and Evaluation Assets*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and pre-exploration expenses, are expensed in the year in which they occur.

The Company may occasionally enter into option arrangements whereby the Company will transfer part of a mineral interest as consideration for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would otherwise be undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any consideration received from the agreement is credited against the costs previously capitalized to the exploration and evaluation asset given up by the Company with any excess consideration accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation costs in excess of estimated recoveries are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment at each reporting date and when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets. Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits.

**Silver Dollar Resources Inc.**  
(An exploration stage company)

**Notes to the Financial Statements**  
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**2. Significant Accounting Policies (continued)**

*Decommissioning Provision*

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on internal estimates discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of reclamation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred upon cessation of exploration and evaluation or at the end of the life of a mine.

*Loss per Share*

The Company uses the treasury stock method of calculating diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the year. The assumed conversion of outstanding common share options and warrants had an anti-dilutive impact in 2021 and 2020. There were 3,200,000 outstanding options and warrants as of August 31, 2021 (2020 – 8,263,782) that were not included in the calculation of diluted per share amounts.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

*Share Capital*

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

## **Silver Dollar Resources Inc.**

(An exploration stage company)

### **Notes to the Financial Statements**

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#### **2. Significant Accounting Policies (continued)**

##### *Share Capital (continued)*

Commissions and finders' fees paid to underwriters, agents and finders and other related share issue costs, such as legal, auditing and printing, on the issue of the Company's shares are charged directly to share capital.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing trade price on the announcement date. The residual balance, if any, is allocated to attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

##### *Income Taxes*

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

##### *Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of assets requiring a substantial period to get ready for their intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense.



**Silver Dollar Resources Inc.**  
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**2. Significant Accounting Policies (continued)**

*Share-based Compensation*

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are considered by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid. When stock options expire or are forfeited, the applicable amounts of reserves are transferred to deficit.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**Silver Dollar Resources Inc.**  
(An exploration stage company)

**Notes to the Financial Statements**  
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**2. Significant Accounting Policies (continued)**

*Flow-Through Shares*

The Company will, from time to time, issue flow-through common shares to finance its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Upon issuance, the Company bifurcates the flow-through share into: (i) share capital; and (ii) a flow-through share premium equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the investors. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

*Impairment of Long-Lived Assets*

Management evaluates non-current assets at each reporting period for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

*Significant Accounting Estimates and Judgements*

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future years.

**Silver Dollar Resources Inc.**  
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**Notes to the Financial Statements**  
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**2. Significant Accounting Policies (continued)**

*Significant Accounting Estimates and Judgements (continued)*

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical Accounting Estimates**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to:

**Exploration and evaluation expenditures**

The application of the Company's accounting policy for exploration and evaluation expenditures requires estimate in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the year the new information becomes available.

**Reclamation and environmental obligations**

Reclamation provisions have been created based on internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates consider any material changes to the assumptions that occur when reviewed regularly by management.

Estimates are reviewed at least annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year.

Actual reclamation costs will ultimately depend on future market prices for the reclamation costs, which will reflect the market condition at the time the reclamation costs are actually incurred. The final cost of the currently recognized reclamation provisions may be higher or lower than currently provided for.

**Critical Accounting Judgements**

Critical accounting judgements are accounting policies that have been identified as being complex or involve subjective judgements or assessments. There were no significant judgements required by management in the preparation of the financial statements.

**Silver Dollar Resources Inc.**  
(An exploration stage company)

**Notes to the Financial Statements**  
(Expressed in Canadian Dollars)  
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**2. Significant Accounting Policies (continued)**

*New Accounting Standards and Interpretations Recently Adopted*

The following standard was adopted by the Company effective September 1, 2020, but had no material impact on these 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.

*New Accounting Standards and Interpretations Not Yet Adopted*

**Amendment to IAS 1: Presentation of Financial Statements**

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. The Company is currently assessing the impact of this amendment.

**3. Capital Management**

The Company manages its capital to continue as a going concern largely through issuances of shares. These share issues depend on several factors, including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management. The capital structure of the Company consists of shareholders' equity, comprising share capital, share-based payment reserve and deficit. The Company is not subject to any external capital requirements. There were no changes to the Company's approach to capital management during the year ended August 31, 2021.

**Silver Dollar Resources Inc.**  
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**4. Financial Instruments**

The fair value of the Company's 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, 2021, such contractual obligations comprised cash held with high creditworthy financial institutions in the amount of \$10,267,287 (2020 – \$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, 2021, the Company had working capital of \$10,721,447 (2020 – \$677,492). Management anticipates that the Company will be able to meet its obligations as they become due.

*Fair Value Hierarchy*

Financial instruments recorded at fair value in the Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Silver Dollar Resources Inc.**  
(An exploration stage company)

**Notes to the Financial Statements**  
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**4. Financial Instruments (continued)**

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash is measured using Level 1 of the fair value hierarchy.

**5. Exploration and Evaluation Assets**

*La Joya Project, Durango, Mexico*

In August 2020, the Company acquired an option to purchase an initial 80% indirect interest in the La Joya Project comprising 15 mineral concessions located approximately 75 kilometres southeast of Durango in the State of Durango, Mexico, and if exercised, a second option to acquire the remaining 20% interest.

To exercise the first option and acquire an 80% interest in the optionor's subsidiary that owns the La Joya Project, the Company must: (i) pay \$1,300,000 over four years (of which \$500,000 has been paid) plus annual holding costs; (ii) issue by September 21, 2020 common shares of the Company equal to 19.9% of its then-issued and outstanding shares (for which 5,146,401 shares with a fair value of \$0.99 per share were issued); (iii) incur 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 by August 7, 2025; and (iv) grant the optionor a 2% net smelter returns royalty. If the Company incurs at least \$1,000,000 of exploration expenditures on the Property by August 7, 2023, the optionor will waive \$600,000 of the option payments.

To exercise the second option and acquire the remaining 20% interest in the optionor's subsidiary that owns the La Joya Project, the Company must, within 30 days after exercising its first option, issue common shares of the Company equal to 5% of its then-issued and outstanding shares.

*Longlegged Lake Property, Red Lake, Ontario, Canada*

In January 2019, the Company acquired an option to purchase 100% of the Longlegged Lake Property comprising eight cell claims located in the Red Lake Mining Division of northwestern Ontario, Canada. To exercise its option, the Company must pay the optionor \$85,000 over four years (of which \$40,000 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.

## **Silver Dollar Resources Inc.**

(An exploration stage company)

### **Notes to the Financial Statements**

(Expressed in Canadian Dollars)

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#### **5. Exploration and Evaluation Assets (continued)**

##### *Pakwash Lake Property, Red Lake, Ontario, Canada*

In November 2019, the Company entered into an option agreement to purchase a 100% interest in the Pakwash Lake Property comprising 18 cell claims located in the Red Lake Mining Division of northwestern Ontario, Canada. To exercise its option, the Company must pay the optionor \$131,000 over four years (of which \$36,000 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.

Subsequent to the end of the year, the Company paid the optionor an additional \$25,000 pursuant to the option agreement.

#### **6. Share Capital**

##### *Authorized*

An unlimited number of common shares without par value

##### *Escrow Shares*

The Company is party to an escrow agreement with four directors, officers and former directors pursuant to which as of August 31, 2021 1,200,001 common shares were held in escrow (2020 – 1,800,001) and will be released in six equal instalments over a period of three years.

##### *Common Shares*

In May 2020, the Company completed an initial public offering of 7,000,000 units at a price of \$0.15 per unit. Each unit comprised one common share and one-half of one share purchase warrant. Each full warrant, in turn, entitles the holder to purchase one additional common share at a price of \$0.25 per share until May 28, 2021. In respect of the offering, the Company paid agency and corporate finance fees and disbursements totalling \$150,500 and issued 700,000 agents' warrants exercisable at \$0.15 per share and valued at \$91,444 until May 28, 2021.

Between June and August 2020, the Company issued 2,086,218 shares at a weighted average price of \$0.23 per share upon the exercise of warrants.

In August 2020, the Company issued 150,000 shares at a price of \$0.15 per share upon the exercise of incentive stock options. The Company's common shares were trading at a price of \$0.93 per share when the stock options were exercised.

## Silver Dollar Resources Inc.

(An exploration stage company)

### Notes to the Financial Statements

(Expressed in Canadian Dollars)

August 31, 2021 and 2020

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#### 6. Share Capital (continued)

##### *Common Shares (continued)*

In August 2020, the Company issued 5,146,401 common shares at a price of \$0.99 per share pursuant to an option to purchase exploration and evaluation assets.

In September 2020, the Company completed a private placement of 7,500,000 common shares at a price of \$1.40 per share. The Company paid finders' fees of \$47,261 and 101,360 common shares valued at \$1.40 per share in respect of the offering.

In December 2020, the Company completed a private placement of 400,000 common shares at a price of \$1.40 per share.

Between September 2020 and May 2021, the Company issued 6,663,257 common shares at a weighted average price of \$0.18 per share upon the exercise of warrants.

In May 2021, the Company issued 200,000 shares at a price of \$0.15 per share upon the exercise of incentive stock options. The Company's common shares were trading at an average price of \$1.12 per share when the stock options were exercised.

##### *Warrants*

As of August 31, 2021, the Company had no outstanding warrants to purchase common shares (2020 – 7,413,782). A summary of the warrants as of August 31, 2021 and 2020, and the changes for the years ending on those dates is as follows:

	August 31, 2021		August 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	7,413,782	\$ 0.18	5,300,000	\$ 0.11
Issued	-	-	4,200,000	0.23
Exercised	(6,663,257)	0.18	(2,086,218)	0.23
Expired	(750,525)	0.18	-	-
Balance, end of year	-	\$ -	7,413,782	\$ 0.18



## Silver Dollar Resources Inc.

(An exploration stage company)

### Notes to the Financial Statements

(Expressed in Canadian Dollars)

August 31, 2021 and 2020

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#### 6. Share Capital (continued)

##### *Warrants (continued)*

A summary of warrants outstanding as of August 31, 2021 and 2020 is as follows:

Exercise Price Per Share	Expiry Date	Number of Warrants Outstanding and Exercisable	
		2021	2020
\$0.05	February 21, 2021	-	750,000
\$0.05	March 7, 2021	-	1,500,000
\$0.25	March 27, 2021	-	2,800,000
\$0.25	May 28, 2021	-	1,848,000
\$0.15	May 28, 2021	-	515,782
		-	7,413,782

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The Company issued agents' warrants in respect of an initial public offering in May 2020 to purchase 700,000 shares of the Company at a price of \$0.15 per share until May 28, 2021. The fair value of agents' warrants issued during the years ended August 31, 2021 and 2020 was estimated using the Black-Scholes option valuation model with the following assumptions:

	Total or Weighted Average	
	2021	2020
Number of finders' warrants	-	700,000
Estimated life	-	1 year
Share price at date of issuance	-	\$ 0.23
Agents' warrant exercise price	-	\$ 0.15
Risk-free interest rate	-	0.28%
Estimated annual volatility based on historical volatility	-	120%
Expected dividends	-	-
Agents' warrant fair value	-	\$ 0.131
Value of agents' warrants	-	\$91,444

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##### *Stock Options*

The Company adopted a stock option plan whereby up to a maximum of 10% of the outstanding shares of the Company as of the date of grant are reserved for the grant and issuance of incentive stock options. Under the plan, the exercise price of an option may not be set at less than the market price of the Company's common shares on the grant date and the options may be exercisable for up to 10 years. The aggregate number of options granted to any one individual during any twelve-month period may not exceed 5% of the issued shares of the Company or 2% in the case of consultants. Furthermore, the aggregate number of options granted to all investor relations representatives during any twelve-month period may not exceed 1% of the issued shares of the Company.

## Silver Dollar Resources Inc.

(An exploration stage company)

### Notes to the Financial Statements

(Expressed in Canadian Dollars)

August 31, 2021 and 2020

#### 6. Share Capital (continued)

##### *Stock Options (continued)*

The Company granted stock options in December 2020 to purchase 2,550,000 shares of the Company at a price of \$1.75 per share until December 14, 2025 and in March 2021 to purchase 300,000 shares of the Company at a price of \$1.75 per share until March 9, 2026. In October 2019, the Company granted stock options to purchase 600,000 shares of the Company at a price of \$0.15 per share until October 23, 2024, and in June 2020 to purchase 400,000 of the Company at a price of \$0.59 per share until June 26, 2025.

The fair value of stock options issued during the years ended August 31, 2021 and 2020 was estimated using the Black-Scholes option valuation model with the following assumptions:

	Total or Weighted Average	
	2021	2020
Number of options	2,850,000	1,000,000
Number of options vested	2,850,000	1,000,000
Estimated life	5 years	5 years
Share price at date of vesting	\$ 1.44	\$ 0.266
Option exercise price	\$ 1.75	\$ 0.326
Risk-free interest rate	0.49%	1.04%
Estimated annual volatility based on historical volatility	120%	120%
Expected dividends	-	-
Option fair value	\$ 1.156	\$ 0.215
Compensation cost	\$3,295,575	\$214,944

A summary of the Company's stock options as of August 31, 2021 and 2020, and the changes for the years ending on those dates is as follows:

	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
<b>Balances, August 31, 2019</b>	-	\$ -	-
Options granted	1,000,000	0.33	
Options exercised	(150,000)	0.15	
<b>Balances, August 31, 2020</b>	850,000	0.36	4.5
Options granted	2,850,000	1.75	
Options exercised	(200,000)	0.15	
Options expired	(300,000)	1.75	
<b>Balances, August 31, 2021</b>	3,200,000	\$ 1.48	4.2

## Silver Dollar Resources Inc.

(An exploration stage company)

### Notes to the Financial Statements

(Expressed in Canadian Dollars)

August 31, 2021 and 2020

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#### 6. Share Capital (continued)

##### *Stock Options (continued)*

A summary of stock options outstanding as of August 31, 2021 and 2020 is as follows:

Exercise Price Per Share	Expiry Date	Number of Stock Options Outstanding and Exercisable	
		2021	2020
\$0.15	October 23, 2024	250,000	450,000
\$0.59	June 26, 2025	400,000	400,000
\$1.75	December 14, 2025	2,250,000	-
\$1.75	March 9, 2026	300,000	-
		<b>3,200,000</b>	<b>850,000</b>

#### 7. Related Party Transactions

The following transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the parties:

##### *Key Management Compensation*

- During the year ended August 31, 2021, the Company paid management and administration fees of \$58,000 (2020 – \$32,000) to a corporation controlled by the Company's Chief Executive Officer;
- During the year ended August 31, 2021, the Company paid management and administration fees of \$nil (2020 – \$5,000) to the Company's Chief Financial Officer; and
- During the year ended August 31, 2021, the Company granted stock options to five directors and officers to purchase up to a total of 1,500,000 shares at \$1.75 per share until December 14, 2025 and March 9, 2026 and with a fair value of \$1,719,611 (2020 – \$21,000).

Amounts due to related parties are without interest, unsecured and without stated terms of repayment.

## Silver Dollar Resources Inc.

(An exploration stage company)

### Notes to the Financial Statements

(Expressed in Canadian Dollars)

August 31, 2021 and 2020

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#### 8. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2021	2020
Net loss	\$ (4,478,458)	\$ (726,173)
Income tax recovery at statutory rates of 27% (2020 – 27%)	(1,209,184)	(196,067)
Adjustments to benefit resulting from:		
Non-deductible items for tax purposes	889,843	57,292
Tax benefits not recognized	319,341	138,775
Deferred income tax recovery	\$ -	\$ -

The components of the deferred income tax assets are as follows:

	2021	2020
Deferred income tax assets (liabilities):		
Non-capital loss carryforwards	\$ 508,000	\$ 178,000
Unused cumulative Canadian development and exploration expenses	(30,000)	(30,000)
Share issue costs and other	35,000	33,000
	513,000	181,000
Unrecognized tax benefits	(513,000)	(181,000)
Net deferred income tax assets	\$ -	\$ -

The Company has non-capital losses of approximately \$1,880,000 available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts. If unused, the losses will expire as follows:

2039	\$ 115,000
2040	544,000
2041	1,221,000
	<u>\$ 1,880,000</u>

The Company also has approximately \$6,522,000 in exploration and development expenses which are available indefinitely to reduce future years' income for tax purposes.

## **Silver Dollar Resources Inc.**

(An exploration stage company)

### **Notes to the Financial Statements**

(Expressed in Canadian Dollars)

August 31, 2021 and 2020

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#### **9. Non-Cash Transactions**

During the year ended August 31, 2021, the Company issued a total of 101,360 common shares with a fair value of \$141,904 as finders' fees in respect of a private placement. In addition, fair value of \$67,379 was transferred from share-based payment reserve to share capital upon the exercise of warrants, and \$357,214 was transferred from share-based payment reserve to deficit upon the expiration of stock options.

During the year ended August 31, 2020, the Company issued a total of 700,000 agents' warrants with a fair value of \$91,444 as agents' fees in respect of an initial public offering, and issued 5,146,401 common shares with a fair value of \$5,094,937 pursuant to an option to purchase exploration and evaluation assets. In addition, fair value of \$24,065 was transferred from share-based payment reserve to share capital upon the exercise of warrants.

## Silver Dollar Resources Inc.

(An exploration stage company)

### Schedule of Exploration and Evaluation Assets

(Expressed in Canadian Dollars)

Year ended August 31, 2021

	La Joya	Longlegged Lake	Pakwash Lake	Totals
<b>Acquisition costs</b>				
Option payments, cash	\$ 200,000	\$ 16,000	\$ 20,000	\$ 236,000
Staking, renewal and other	94,247	-	-	94,247
	294,247	16,000	20,000	330,247
Opening balance	5,394,937	24,000	16,000	5,434,937
	5,689,184	40,000	36,000	5,765,184
<b>Deferred exploration expenditures</b>				
Access rights	15,882	-	-	15,882
Drilling	50,922	-	-	50,922
Geological consulting	40,027	-	-	40,027
Geophysics	-	420,906	-	420,906
Prospecting and mapping	-	17,197	1,016	18,213
Reporting and analysis	147,967	-	-	147,967
	254,798	438,103	1,016	693,917
Opening balance	9,607	146,473	16,728	172,808
	264,405	584,576	17,744	866,725
<b>Balance, August 31, 2021</b>	<b>\$ 5,953,589</b>	<b>\$ 624,576</b>	<b>\$ 53,744</b>	<b>\$ 6,631,909</b>

The accompanying Notes to the Financial Statements are an integral part of these financial statements

## Silver Dollar Resources Inc.

(An exploration stage company)

### Schedule of Exploration and Evaluation Assets

(Expressed in Canadian Dollars)

Year ended August 31, 2020

	La Joya	Longlegged Lake	Pakwash Lake	Totals
<b>Acquisition costs</b>				
Option payments, cash	\$ 300,000	\$ 12,000	\$ 16,000	\$ 328,000
Option payments, shares	5,094,937	-	-	5,094,937
	5,394,937	12,000	16,000	5,422,937
Opening balance	-	12,000	-	12,000
	5,394,937	24,000	16,000	5,434,937
<b>Deferred exploration expenditures</b>				
Prospecting and mapping	-	39,103	16,728	55,831
Reporting and analysis	9,607	-	-	9,607
	9,607	39,103	16,728	65,438
Opening balance	-	107,370	-	107,370
	9,607	146,473	16,728	172,808
<b>Balance, August 31, 2020</b>	<b>\$ 5,404,544</b>	<b>\$ 170,473</b>	<b>\$ 32,728</b>	<b>\$ 5,607,745</b>

The accompanying Notes to the Financial Statements are an integral part of these financial statements