



Silver Dollar Resources Inc.

(An exploration stage company)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

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Independent Auditor's Report

To the Shareholders of Silver Dollar Resources Inc.

Opinion

We have audited the consolidated financial statements of Silver Dollar Resources Inc. (the "Group"), which comprise the consolidated statements of financial position as at August 31, 2022 and August 31, 2021 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at August 31, 2022 and August 31, 2021, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 22, 2022**

Silver Dollar Resources Inc.

(An exploration stage company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	August 31 2022	August 31 2021
ASSETS		
Current		
Cash	\$ 7,155,593	\$ 10,267,287
Accounts receivable	244,126	4,196
Prepaid expenses	97,444	490,897
	7,497,163	10,762,380
Equipment	7,059	6,025
Exploration and evaluation assets (note 5)	9,053,112	6,631,909
	\$ 16,557,334	\$ 17,400,314
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 194,785	\$ 40,933
SHAREHOLDERS' EQUITY		
Share capital (note 6)	19,165,348	19,156,098
Share-based payment reserve (note 6)	2,709,352	3,178,055
Accumulated other comprehensive income	49,899	-
Deficit	(5,562,050)	(4,974,772)
	16,362,549	17,359,381
	\$ 16,557,334	\$ 17,400,314

Approved on behalf of the board on December 22, 2022

"Michael Romanik"
Michael Romanik

"Jeff Smulders"
Jeff Smulders

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

Silver Dollar Resources Inc.

(An exploration stage company)

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

Years ended August 31, 2022 and 2021

	2022	2021
Expenses		
Consulting	\$ 296,767	\$ 473,519
Depreciation	1,764	1,350
Foreign exchange loss (gain)	(4,717)	-
Insurance	20,673	18,705
Interest and bank charges	2,693	3,331
Listing and filing fees	62,022	37,406
Management and administration fees (note 7)	92,000	83,000
Office	10,838	10,067
Professional fees	93,827	91,277
Share-based compensation (notes 6 and 7)	-	3,295,575
Site investigation fees	4,901	16,617
Transfer agent	13,177	21,334
Travel and promotion	527,119	529,342
Operating loss	(1,121,064)	(4,581,523)
Other income		
Interest income	66,833	103,065
Loss for the year	(1,054,231)	(4,478,458)
Other comprehensive income		
Exchange difference on translating foreign operations	49,899	-
Total comprehensive loss	\$ (1,004,332)	\$ (4,478,458)
Loss per share - basic and diluted	\$ (0.03)	\$ (0.12)
Weighted average number of shares outstanding	41,877,648	38,131,766

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

Silver Dollar Resources Inc.

(An exploration stage company)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Years ended August 31, 2022 and 2021

	Issued Share Capital Number	Capital Amount	Share-based Payment Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balances, August 31, 2020	26,982,620	\$ 6,831,692	\$ 307,073	\$ -	\$ (853,528)	\$ 6,285,237
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	(67,379)	-	-	1,244,288
Transfer upon warrant and option expiration	-	-	(357,214)	-	357,214	-
Share issuance costs	101,360	(47,261)	-	-	-	(47,261)
Share-based compensation	-	-	3,295,575	-	-	3,295,575
Loss for the year	-	-	-	-	(4,478,458)	(4,478,458)
Balances, August 31, 2021	41,847,237	19,156,098	3,178,055	-	(4,974,772)	17,359,381
Shares issued upon exercise of options	50,000	9,250	(1,750)	-	-	7,500
Transfer upon option expiration	-	-	(466,953)	-	466,953	-
Loss for the year	-	-	-	-	(1,054,231)	(1,054,231)
Exchange difference on translating foreign operations	-	-	-	49,899	-	49,899
Balances, August 31, 2022	41,897,237	\$ 19,165,348	\$ 2,709,352	\$ 49,899	\$ (5,562,050)	\$ 16,362,549

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

Silver Dollar Resources Inc.

(An exploration stage company)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Years ended August 31, 2022 and 2021

	2022	2021
Operating activities		
Loss for the year	\$ (1,054,231)	\$ (4,478,458)
Adjustment for items not involving cash:		
Depreciation	1,764	1,350
Foreign exchange loss (gain)	(4,717)	-
Share-based compensation	-	3,295,575
	(1,057,184)	(1,181,533)
Changes in non-cash working capital:		
Accounts receivable	(239,930)	14,890
Prepaid expenses	393,453	(433,034)
Accounts payable and accrued liabilities	32,271	(28,571)
Due to related party	-	(32,000)
	(871,390)	(1,660,248)
Investing activities		
Purchase of equipment	(2,798)	(7,375)
Investments in exploration and evaluation assets	(2,234,367)	(1,024,164)
	(2,237,165)	(1,031,539)
Financing activity		
Proceeds from issuance of shares and warrants, net	7,500	12,257,027
Net change in cash	(3,101,055)	9,565,240
Effect of foreign exchange on cash	(10,639)	-
Cash, beginning of year	10,267,287	702,047
Cash, end of year	\$ 7,155,593	\$ 10,267,287
Supplemental cash flow information		
Interest received	\$ 66,833	\$ 103,065
Income taxes paid	-	-

Non-cash transactions (note 9)

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

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

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, 2022, the Company was in the exploration stage and had interests in properties in Durango, Mexico and Ontario, Canada.

These consolidated 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 consolidated 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, 2022, the Company had working capital of \$7,302,378 (2021 – \$10,721,447). 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 consolidated 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.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and the Russian Federation regarding the conflict in Ukraine and potential economic global challenges, such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

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

2. Significant Accounting Policies

Basis of Presentation

These consolidated 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. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved these consolidated financial statements.

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Basis of Presentation (continued)

These consolidated financial statements are presented in the Company's 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 consolidated financial statements.

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary, Meta Victoria, S.A. de C.V. of Mexico. As of August 31, 2022, the Company owned and controlled 100% (2021 – 0%) of its subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiary. Intercompany balances, transactions, income and expenses are eliminated on consolidation.

Financial Instruments

The Company recognizes a financial asset or financial liability in the Consolidated 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.

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).

Silver Dollar Resources Inc.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Classification and Measurement (continued)

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.

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, 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.

Silver Dollar Resources Inc.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

2. Significant Accounting Policies (continued)

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.

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 optionee 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 Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

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 2022 and 2021. There were 2,750,000 outstanding options as of August 31, 2022 (2021 – 3,200,000) 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.

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.

Silver Dollar Resources Inc.

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(Expressed in Canadian Dollars)

August 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Share Capital (continued)

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.

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.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Share-based Compensation (continued)

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.

Foreign Currency Translation

The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiary, Meta Victoria, S.A. de C.V., is the Mexican Peso. The functional currency is the currency of the primary economic environment in which the component operates. The Company's consolidated financial statements are presented in Canadian dollars.

Transactions in foreign currencies are translated to the functional currency of each entity at a rate of exchange approximating the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate in effect at that date. Nonmonetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Realized and unrealized exchange gains and losses are recognized in profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of income (loss) are translated at the average exchange rates for the reporting period. The exchange differences arising on consolidation are recognized in other comprehensive income or loss. On disposal of a foreign operation, the component of other comprehensive income or loss relating to that particular foreign operation is reclassified to profit or loss.

Silver Dollar Resources Inc.

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Flow-Through Shares

The Company may, 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 consolidated 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated 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.

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.

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

2. Significant Accounting Policies (continued)

Significant Accounting Estimates and Judgements (continued)

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, which 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 consolidated financial statements.

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.

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

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, 2022.

4. Financial Instruments

The fair value of the Company's accounts payable and accrued liabilities approximates 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, liquidity risk and market 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, 2022, such contractual obligations comprised cash held with high creditworthy financial institutions in the amount of \$7,155,593 (2021 – \$10,267,287). 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, 2022, the Company had working capital of \$7,302,378 (2021 – \$10,721,447). Management anticipates that the Company will be able to meet its obligations as they become due.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of currency risk, interest rate risk and other price risk. Management considers this risk to be negligible.

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

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4. Financial Instruments (continued)

Market risk (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has operations in Canada and Mexico and incurs operating and exploration expenditures in Canadian dollars, Mexican Pesos and United States dollars. The fluctuation of the Canadian dollar in relation to other currencies will have an impact upon the results of the Company. The Company does not hold substantial funds in foreign currencies, and only a small amount of its accounts payable and accrued liabilities is denominated in foreign currencies. A fluctuation in the exchange rates between Canadian dollars and Mexican Pesos of 10% would result in a \$15,800 change in the Company's cash and a \$193,700 change in net assets. The Company does not use any techniques to mitigate currency risk.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. Management considers this risk to be negligible.

Fair Value Hierarchy

Financial instruments recorded at fair value in the Consolidated 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).

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.

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

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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 \$700,000 has been paid) plus annual holding costs; (ii) issue 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); and (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. The optionor will reserve for itself 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 April 2022, the Company exercised its 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 the option, the Company paid the optionor \$85,000 and granted a 1.5% net smelter returns royalty. The Company may repurchase half of the royalty for \$500,000.

Pakwash Lake Property, Red Lake, Ontario, Canada

In April 2022, the Company exercised its option 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 the option, the Company paid the optionor \$131,000 and granted a 1.5% net smelter returns royalty. The Company may repurchase half of the royalty for \$500,000.

6. Share Capital

Authorized

An unlimited number of common shares without par value

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

6. Share Capital (continued)

Escrow Shares

The Company is party to an escrow agreement with four directors, officers and former directors pursuant to which as of August 31, 2022 600,001 common shares were held in escrow (2021 – 1,200,001) and will be released in six equal instalments over a period of three years.

Common Shares

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.

In January 2022, the Company issued 50,000 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 \$0.72 per share when the stock options were exercised.

Warrants

As of August 31, 2022 and 2021, the Company had no outstanding warrants to purchase common shares. A summary of the warrants as of August 31, 2022 and 2021 and the changes for the years ending on those dates is as follows:

	2022		2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	-	\$ -	7,413,782	\$ 0.18
Exercised	-	-	(6,663,257)	0.18
Expired	-	-	(750,525)	0.18
Balance, end of year	-	\$ -	-	\$ -

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

6. Share Capital (continued)

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. 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.

The Company granted no stock options during the year ended August 31, 2022. In December 2020, the Company granted stock options 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.

The fair value of stock options issued during the years ended August 31, 2022 and 2021 was estimated using the Black-Scholes option valuation model with the following assumptions:

	Total or Weighted Average	
	2022	2021
Number of options	-	2,850,000
Number of options vested	-	2,850,000
Estimated life	-	5 years
Share price at date of vesting	-	\$ 1.44
Option exercise price	-	\$ 1.75
Risk-free interest rate	-	0.49%
Estimated annual volatility (based on historical volatility)	-	120%
Expected dividends	-	\$ -
Option fair value	-	\$ 1.156
Compensation cost	-	\$3,295,575

A summary of the Company's stock options as of August 31, 2022 and 2021, and the changes for the years ending on those dates is as follows:

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

6. Share Capital (continued)

Stock Options (continued)

	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balances, August 31, 2020	850,000	\$ 0.36	4.5
Options granted	2,850,000	1.75	
Options exercised	(200,000)	0.15	
Options forfeited	(300,000)	1.75	
Balances, August 31, 2021	3,200,000	1.48	4.2
Options granted	-	-	
Options exercised	(50,000)	0.15	
Options forfeited	(400,000)	1.75	
Balances, August 31, 2022	2,750,000	\$ 1.46	3.2

A summary of stock options outstanding as of August 31, 2022 and 2021 is as follows:

Exercise Price Per Share	Expiry Date	Number of Stock Options Outstanding and Exercisable	
		2022	2021
\$0.15	October 23, 2024	200,000	250,000
\$0.59	June 26, 2025	400,000	400,000
\$1.75	December 14, 2025	1,850,000	2,250,000
\$1.75	March 9, 2026	300,000	300,000
		2,750,000	3,200,000

7. Related Party Transactions

The following transactions with related parties have been valued in these consolidated 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, 2022, the Company paid management and administration fees of \$60,000 (2021 – \$58,000) to a corporation controlled by the Company's Chief Executive Officer.

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.

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

8. Income Taxes

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

	2022	2021
Net loss	\$ (1,054,231)	\$ (4,478,458)
Income tax recovery at statutory rates of 27% (2021 – 27%)	(284,642)	(1,209,184)
Adjustments to benefit resulting from:		
Non-deductible items for tax purposes	152	889,843
Difference in tax rate in other jurisdictions	(324)	-
Tax benefits not recognized	284,814	319,341
Deferred income tax recovery	\$ -	\$ -

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

	2022	2021
Deferred income tax assets (liabilities):		
Non-capital or other operating loss carryforwards	\$ 803,000	\$ 508,000
Excess of carrying value of exploration and evaluation assets over tax value	(30,000)	(30,000)
Share issue costs and other	25,000	35,000
	798,000	513,000
Unrecognized tax benefits	(798,000)	(513,000)
Net deferred income tax assets	\$ -	\$ -

The Company has Canadian non-capital losses of approximately \$2,961,000 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
2042	1,081,000
	<u>\$ 2,961,000</u>

The Company has approximately \$7,278,000 in exploration and development expenses which are available indefinitely to reduce future years' income for tax purposes.

The Company also has foreign operating losses of approximately \$11,000 available to reduce future years' income for tax purposes expiring in 2032.

Silver Dollar Resources Inc.

(An exploration stage company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

August 31, 2022 and 2021

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.

As of August 31, 2022, there was \$121,581 of accounts payable related to the Company's exploration and evaluation assets (2021 – \$nil).

10. Segmented Disclosure

The Company has one operating segment: mineral exploration and development. The Company's reportable segments are summarized as follows:

Geographical information

Non-current assets	Canada	Mexico	Total
August 31, 2022	\$911,084	\$8,149,087	\$9,060,171
August 31, 2021	684,345	5,953,589	6,637,934

Silver Dollar Resources Inc.

(An exploration stage company)

Consolidated Schedule of Exploration and Evaluation Assets

(Expressed in Canadian Dollars)

Year ended August 31, 2022

	La Joya	Longlegged Lake	Pakwash Lake	Totals
Acquisition costs				
Option payments, cash	\$ 200,000	\$ 45,000	\$ 95,000	\$ 340,000
Staking, renewal and other	114,284	-	-	114,284
	314,284	45,000	95,000	454,284
Opening balance	5,689,184	40,000	36,000	5,765,184
	6,003,468	85,000	131,000	6,219,468
Deferred exploration expenditures				
Access rights	16,375	-	-	16,375
Assays	114,738	-	-	114,738
Camp costs	3,961	-	-	3,961
Drilling	1,258,962	-	-	1,258,962
Environmental consulting	13,800	-	-	13,800
Field costs	37,606	-	-	37,606
Geological consulting	126,972	-	-	126,972
Geology	20,750	-	-	20,750
Line cutting and geophysics	7,456	-	69,387	76,843
Meals and lodging	28,238	-	-	28,238
Reporting and analysis	28,116	8,159	8,159	44,434
Roads	33,216	-	-	33,216
Transport	125,769	-	-	125,769
Foreign exchange	65,255	-	-	65,255
	1,881,214	8,159	77,546	1,966,919
Opening balance	264,405	584,576	17,744	866,725
	2,145,619	592,735	95,290	2,833,644
Balance, August 31, 2022	\$ 8,149,087	\$ 677,735	\$ 226,290	\$ 9,053,112

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

Silver Dollar Resources Inc.

(An exploration stage company)

Consolidated Schedule of Exploration and Evaluation Assets

(Expressed in Canadian Dollars)

Year ended August 31, 2021

	La Joya	Longlegged Lake	Pakwash Lake	Totals
Acquisition costs				
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
Deferred exploration expenditures				
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
Balance, August 31, 2021	\$ 5,953,589	\$ 624,576	\$ 53,744	\$ 6,631,909

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