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HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)

**Consolidated Financial Statements**

**For the Years Ended December 31, 2020 and 2019**

(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Honey Badger Silver Inc. (formerly Honey Badger Exploration Inc.)

### *Opinion*

We have audited the accompanying consolidated financial statements of Honey Badger Silver Inc. (formerly Honey Badger Exploration Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficit) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits 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 Company 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a loss of \$379,766 during the year ended December 31, 2020 and, as of that date, the Company's accumulated deficit was \$13,121,929. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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 Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 IFRS, 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 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 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 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 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 Company 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 Company 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 Stephen Hawkshaw.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 30, 2021



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**

**Consolidated Statements of Financial Position**

(Expressed in Canadian dollars)

As at December 31,	<b>2020</b>	2019
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4 <b>235,650</b>	315,558
Marketable securities	5 <b>423,929</b>	—
Taxes and other receivables	<b>66,075</b>	108,125
Prepaid expenses	<b>2,555</b>	5,915
<b>Total Assets</b>	<b>728,209</b>	429,598
<b>Liabilities and Shareholders' Equity (Deficit)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	6 <b>110,291</b>	278,275
Flow-through provision	7 <b>298,031</b>	265,031
<b>Total Liabilities</b>	<b>408,322</b>	543,306
<b>Shareholders' Equity (Deficit)</b>		
Share capital	8 <b>9,957,368</b>	9,540,406
Warrants	8 <b>635,247</b>	746,172
Contributed surplus	8 <b>2,849,201</b>	2,341,877
Accumulated deficit	<b>(13,121,929)</b>	(12,742,163)
<b>Total Shareholders' Equity (Deficit)</b>	<b>319,887</b>	(113,708)
<b>Total Liabilities and Shareholders' Equity (Deficit)</b>	<b>728,209</b>	429,598

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 13)

**Subsequent events** (Note 16)

**Approved on behalf of the Board of Directors:**

(Signed) "Chad Williams"  
Director

(Signed) "Chad Gilfillan"  
Director

*The accompanying notes are an integral part of these consolidated financial statements.*



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**

**Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

		For the years ended December 31,	
	Notes	2020	2019
		\$	\$
<b>Expenses</b>			
Management fees	9	270,286	55,277
Professional and consulting fees		271,042	34,863
Exploration expenditures	9, 11	52,269	1,110,662
General and administrative		39,932	37,349
Regulatory fees and transfer agent		32,448	38,003
Investor relations and travel		6,888	—
Share-based compensation	8c, 9	225,000	—
Part XII.6 tax and penalties	7	33,000	2,057
		<b>(930,865)</b>	<b>(1,278,211)</b>
Gain on sale of marketable securities	5	35,500	—
Unrealized gain on marketable securities	5	193,599	—
Gain on settlement of accounts payable		2,000	—
Deferred flow-through share premium		—	117,083
Other income	10	320,000	137,207
<b>Loss and comprehensive loss</b>		<b>(379,766)</b>	<b>(1,023,921)</b>
<b>Loss per share - basic and diluted</b>		<b>\$(0.00)</b>	<b>\$(0.01)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>85,050,771</b>	<b>76,770,824</b>

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HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)

**Consolidated Statements of Cash Flows**

(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2020	2019
	\$	\$
<b>Operating activities</b>		
Loss for the year	(379,766)	(1,023,921)
Items not affecting cash:		
Shares and warrants issued for properties	—	240,000
Deferred premium on flow-through shares	—	(117,083)
Share-based compensation	225,000	—
Unrealized gain on marketable securities	(193,599)	—
Marketable securities received for sale of data	(320,000)	—
Part XII.6 tax and penalties	33,000	—
Gain on sale of marketable securities	(35,500)	—
Net change in non-cash working capital items:		
Taxes and other receivables	42,050	(85,740)
Prepaid expenses	3,360	(4,408)
Accounts payable and accrued liabilities	(167,984)	173,748
<b>Net cash used in operating activities</b>	<b>(793,439)</b>	<b>(817,404)</b>
<b>Financing activities</b>		
Proceeds from private placement	500,000	—
Share issue costs	(23,149)	—
Proceeds from the exercise of warrants	111,510	—
<b>Net cash provided by financing activities</b>	<b>588,361</b>	<b>—</b>
<b>Investing activities</b>		
Proceeds from sale of marketable securities	125,170	—
<b>Net cash provided by investing activities</b>	<b>125,170</b>	<b>—</b>
<b>Change in cash and cash equivalents</b>	<b>(79,908)</b>	<b>(817,404)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>315,558</b>	<b>1,132,962</b>
<b>Cash and cash equivalents, end of year</b>	<b>235,650</b>	<b>315,558</b>
<b>Supplemental cash-flow disclosure:</b>		
Cash paid for interest	—	—
Cash paid for income taxes	—	2,057

*The accompanying notes are an integral part of these consolidated financial statements.*



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**

**Statements of Changes in Shareholders' Equity (Deficit)**

(Expressed in Canadian dollars)

	Share Capital		Reserves	Shareholder Equity (deficit)		
	Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total
		\$		\$	\$	\$
<b>Balance at December 31, 2018</b>	<b>74,370,824</b>	<b>9,300,406</b>	<b>746,172</b>	<b>2,341,877</b>	<b>(11,718,242)</b>	<b>670,213</b>
Fair value of shares issued for property acquisition	6,000,000	240,000	—	—	—	240,000
Loss for the year	—	—	—	—	(1,023,921)	(1,023,921)
<b>Balance at December 31, 2019</b>	<b>80,370,824</b>	<b>9,540,406</b>	<b>746,172</b>	<b>2,341,877</b>	<b>(12,742,163)</b>	<b>(113,708)</b>
Shares issued for private placement	12,500,000	500,000	—	—	—	500,000
Share issue costs	—	(23,149)	—	—	—	(23,149)
Warrants issued	—	(232,704)	232,704	—	—	—
Exercise of warrants	1,982,400	172,815	(61,305)	—	—	111,510
Expiry of warrants	—	—	(282,324)	282,324	—	—
Share-based compensation	—	—	—	225,000	—	225,000
Loss for the year	—	—	—	—	(379,766)	(379,766)
<b>Balance at December 31, 2020</b>	<b>94,853,224</b>	<b>9,957,368</b>	<b>635,247</b>	<b>2,849,201</b>	<b>(13,121,929)</b>	<b>319,887</b>

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