



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

**Condensed Consolidated Interim Financial Statements**

**For the Three Months Ended March 31, 2021, and 2020**

(Expressed in Canadian Dollars)

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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, the financial statements must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared and are the responsibility of the Company's management ("Management"). The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

**Condensed Consolidated Interim Statements of Financial Position (Unaudited)**

(Expressed in Canadian dollars)

As at		<b>March 31, 2021</b>	December 31, 2020
		<b>\$</b>	<b>\$</b>
<b>Assets</b>		<b>(Unaudited)</b>	
<b>Current assets</b>			
Cash and cash equivalents	4	3,057,458	235,650
Marketable securities	5	244,553	423,929
Taxes and other receivables		133,292	66,075
Prepaid expenses		5,802	2,555
<b>Total Assets</b>		<b>3,441,105</b>	<b>728,209</b>
<b>Liabilities and Shareholders' Equity (Deficit)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	190,348	110,291
Flow-through provision	7	298,031	298,031
<b>Total Liabilities</b>		<b>488,379</b>	<b>408,322</b>
<b>Shareholders' Equity</b>			
Share capital	8	12,664,958	9,957,368
Warrants	8	1,034,798	635,247
Contributed surplus	8	3,462,366	2,849,201
Accumulated deficit		(14,209,396)	(13,121,929)
<b>Total Shareholders' Equity</b>		<b>2,952,726</b>	<b>319,887</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>3,441,105</b>	<b>728,209</b>

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

**Commitments (note 10)**

**Subsequent events (note 13)**

**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 condensed consolidated interim financial statements.*

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

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)**

(Expressed in Canadian dollars)

<b>For the three months ended</b>		<b>March 31,</b>	
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
		<b>\$</b>	<b>\$</b>
<b>Expenses</b>			
Management fees	<b>9</b>	<b>131,600</b>	21,634
Professional and consulting fees		<b>53,310</b>	3,517
Exploration expenditures	<b>6</b>	<b>18,579</b>	20,416
General and administrative		<b>12,216</b>	15,015
Regulatory fees and transfer agent		<b>11,729</b>	200
Investor relations and travel		<b>6,716</b>	1,453
		<b>234,150</b>	62,235
Share-based compensation	<b>8,9</b>	<b>673,991</b>	—
<b>Loss before undernoted items:</b>		<b>(908,141)</b>	<b>(62,235)</b>
Unrealized loss on marketable securities	<b>5</b>	<b>(179,376)</b>	—
Other income		<b>50</b>	36
<b>Loss and comprehensive loss</b>		<b>(1,087,467)</b>	<b>(62,199)</b>
<b>Loss per share - basic and diluted</b>		<b>\$(0.00)</b>	<b>\$(0.00)</b>
<b>Weighted average number of common shares outstanding</b>			
– basic and diluted		<b>101,712,311</b>	80,370,824

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

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

**Condensed Consolidated Interim Statements of Cash Flows (Unaudited)**

(Expressed in Canadian Dollars)

For the three months ended	March 31,	
	2021	2020
	\$	\$
<b>Operating activities</b>		
Loss for the period	(1,087,467)	(62,199)
Items not affecting cash:		
Share-based compensation	673,991	—
Unrealized loss on marketable securities	179,376	—
Net change in non-cash working capital items:		
Taxes and other receivables	(67,217)	(3,407)
Prepaid expenses	(3,247)	5,765
Accounts payable and accrued liabilities	80,057	(223,007)
<b>Net cash used in operating activities</b>	<b>(224,507)</b>	<b>(282,848)</b>
<b>Financing activities</b>		
Proceeds from private placement	3,000,000	—
Share issue costs	(31,185)	—
Proceeds from the exercise of warrants	58,750	—
Proceeds from the exercise of options	18,750	—
<b>Net cash provided by financing activities</b>	<b>3,046,315</b>	<b>—</b>
<b>Change in cash and cash equivalents</b>	<b>2,821,808</b>	<b>(282,848)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>235,650</b>	<b>315,558</b>
<b>Cash and cash equivalents, end of period</b>	<b>3,057,458</b>	<b>32,710</b>
<b>Supplemental cash-flow disclosure:</b>		
Cash paid for interest	—	89

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



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

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

(Expressed in Canadian dollars)

	Note	Share Capital		Reserves		Shareholder Equity (deficit)	
		Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total
<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>
Loss for the period		—	—	—	—	(62,199)	(62,199)
<b>Balance at March 31, 2020</b>		<b>80,370,824</b>	<b>9,540,406</b>	<b>746,172</b>	<b>2,341,877</b>	<b>(12,804,362)</b>	<b>(175,907)</b>
Shares issued for private placement	8	12,500,000	500,000	—	—	—	500,000
Share issue costs		—	(23,149)	—	—	—	(23,149)
Warrants issued	8	—	(232,704)	232,704	—	—	—
Exercise of warrants	8	1,982,400	172,815	(61,305)	—	—	111,510
Expiry of warrants	8	—	—	(282,324)	282,324	—	—
Share-based compensation	8	—	—	—	225,000	—	225,000
Loss for the period		—	—	—	—	(317,567)	(317,567)
<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>
Shares issued for private placement	8	42,857,143	3,000,000	—	—	—	3,000,000
Share issue costs		—	(31,185)	—	—	—	(31,185)
Warrants issued	8	—	(406,532)	406,532	—	—	—
Exercise of warrants	8	375,000	25,731	(6,981)	—	—	18,750
Exercise of options	8	1,050,000	119,576	—	(60,826)	—	58,750
Share-based compensation	8	—	—	—	673,991	—	673,991
Loss for the period		—	—	—	—	(1,087,467)	(1,087,467)
<b>Balance at March 31, 2021</b>		<b>139,135,367</b>	<b>12,664,958</b>	<b>1,034,798</b>	<b>3,462,366</b>	<b>(14,209,396)</b>	<b>2,952,726</b>

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



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

### **Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

For the three months ended March 31, 2021 and 2020

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#### **1. Nature of operations and going concern**

Honey Badger Silver Inc. (formerly Honey Badger Exploration Inc.) (“Honey Badger” or the “Company”) was incorporated in 1992, pursuant to the Business Corporations Act (Ontario). The Company’s corporate is located at 401 Bay Street, Suite 2704, P.O. Box 4, Toronto, Ontario M5H 2Y4. The Company is the parent company of two wholly owned subsidiaries: 606596 Alberta Ltd and Thunder Bay Silver and Cobalt Corp. The Company is traded on the TSX Venture Exchange (“TSXV”) under the symbol “TUF”. The Company is currently engaged in the identification, evaluation, acquisition and exploration of silver properties in Thunder Bay, Ontario and The Yukon.

The accompanying condensed consolidated interim financial statements have been prepared on a going concern basis of presentation, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations. For the three months ended and as at March 31, 2021, the Company had a loss of \$1,087,467 (March 31, 2020 – \$62,199) and an accumulated deficit of \$14,209,396 (December 31, 2020 – \$13,121,929).

These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying interim financial statements.

In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company’s ability to continue operations and fund its mining interest expenditures is dependent on Management’s ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. These conditions cast significant doubt about the Company’s ability to continue as a going concern.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, and political uncertainty.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recovery of amounts comprising the exploration and evaluation assets is dependent upon the establishment and confirmation of recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of any such reserves, the potential future profitability of any such reserves or alternatively, the disposition, on an advantageous basis, of the Company’s interests in the exploration and evaluation assets.





**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**  
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Covid 19

Since March 2020 there has been a continuing global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**2. Significant Accounting Policies**

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of the date of filing this report. The same accounting policies and methods of computation followed in these condensed consolidated interim financial statements are set out in note 2 of the most recently filed annual (audited) financial statements as at and for the year ended December 31, 2020, except where noted below. Any subsequent changes to IFRS that are given effect in the Company's annual (audited) financial statements for the year ending December 31, 2021 could result in restatement of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements are presented in Canadian dollars, the Company's functional currency, and have been prepared on a historical cost basis. All amounts have been rounded to the nearest dollar, unless otherwise noted.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 28, 2021.

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.



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Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company, and its wholly owned subsidiaries 606596 Alberta Ltd. and The Thunder Bay Silver & Cobalt Corp., both of which are not active and have no assets in the current or prior period. All intercompany balances and transactions have been eliminated.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Judgments, estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the financial statements.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

- Going concern – the preparation of the condensed consolidated interim financial statements requires Management to make judgments regarding the going concern of the Company as previously discussed in note 1 of the condensed consolidated interim financial statements.
- Income taxes and the recovery of deferred taxes – the measurement of income taxes payable and deferred income tax assets and liabilities requires Management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed consolidated interim financial statements.
- Deferred Flow-Through Premium Estimates – recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.
- Share-based compensation – estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in note 8 of the condensed consolidated interim financial statements.
- Warrants – The Company may issue units in their financings, comprised of common shares and common share purchase warrants. The fair value of the warrants issued on the closing, is estimated, and reflected in the reserve for warrants account until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to contributed surplus.





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New Accounting Standards Not Yet Effective

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

**3. Cash and cash equivalents**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
As at		
Cash deposits	<b>\$3,047,458</b>	\$225,650
Term deposits	<b>10,000</b>	10,000
	<b>\$3,057,458</b>	\$235,650

**4. Marketable securities**

On June 8, 2020, the Company received common shares of Blue Thunder Mining Inc. in consideration for the sale of exploration data valued at \$320,000.

The following sets out the changes to marketable securities during the three months ended March 31, 2021:

<b>Balance, December 31, 2019</b>	<b>\$ —</b>
Marketable securities acquired for sale of exploration data	320,000
Unrealized gain on marketable securities	193,599
Gain on sale of marketable securities	35,500
Proceeds of disposition	(125,170)
<b>Balance, December 31, 2020</b>	<b>\$423,929</b>
Unrealized loss on marketable securities	(179,376)
<b>Balance, March 31, 2021</b>	<b>\$244,553</b>



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At the end of each reporting period, Management revalues the fair value of the marketable securities held at period end, using the closing price of the Company's shares, as reported on the TSX-V. For the three months ended March 31, 2021, the Company recorded an unrealized loss of \$179,376 using this pricing mechanism.

**5. Exploration and Evaluation Expenditures ("E&E")**

**Thunder Bay, Ontario Properties**

The following table summarizes the cumulative E&E expenditures the Company has incurred on its Thunder Bay, Ontario properties to March 31, 2021:

<b>Balance, December 31, 2019</b>	<b>\$2,867,416</b>
Exploration expenditures	52,269
<b>Balance, December 31, 2020</b>	<b>\$2,919,685</b>
Exploration expenditures	18,579
<b>Balance, March 31, 2021</b>	<b>\$2,938,264</b>

***Thunder Bay Silver & Cobalt Corp.***

On June 7, 2018, the Company acquired Thunder Bay Silver & Cobalt Corp., a private company. Under the terms of the acquisition, the Company issued 7,000,000 common shares, valued at \$1,050,000 and made a cash payment of \$53,000. Thunder Bay Silver Cobalt Corp held no other assets other than the mineral claims. The property is subject to a 2.5% net smelter royalty ("NSR") which may be repurchased for \$1,500,000.

On January 8, 2021, the Company acquired 82 map registered cell claims, contiguous and to the west of its property holdings, within the historic Thunder Bay Silver District. Following this acquisition, The Company's operational land portfolio now consists of 959 cell claims and 7 mining patents, covering 12 past-producing high-grade silver mines with historic production of 1.7 million ounces of silver, and encompasses approximately 20,000 hectares of ground.

During the three months ended March 31, 2021, the Company incurred \$18,579 for claims management fees, consulting fees and sundry expenses (March 31, 2020 - \$20,416).

***Beaver Silver Property***

On July 19, 2018, the Company entered into an option agreement to acquire up to a 100% interest in the Beaver Silver Property from Cairngorm Mines Ltd. Under the terms of the option agreement, the Company may exercise the option over a three-year period, by making cash payments totaling \$75,000 (paid), by issuing common shares with a market value of \$410,000 over the option period and incurring exploration expenditures of \$750,000 over the option period. At that point, the optionor will be granted a 2% NSR which may be repurchased by the Company for \$1,000,000.

As of March 31, 2021, the Company has issued 357,143 common shares valued at \$42,857 on August 10, 2018, and 6,000,000 common shares, valued at \$240,000 on August 7, 2019.



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**Yukon Silver Properties**

On February 11, 2021, the Company signed a binding Letter of Intent (“LOI”) with Strategic Metals Ltd. (“Strategic Metals”) to acquire its right, title and interest in three advanced, silver-focused properties located in southeast and south-central Yukon, Canada (the “Acquisition”). A definitive agreement was signed on March 12, 2021. The properties, comprised of Plata, Groundhog, and Hy, are located near major historical silver camps or workings. Pursuant to the agreement, in consideration for 100% interest in the properties, Honey Badger Silver will issue to Strategic Metals 34,762,104 common shares in the capital of Honey Badger Silver.

**(i) Plata**

Plata lies within the Tintina Gold Belt and displays many similarities to the Keno Hill Silver Camp located about 180 km to the west. The Keno Hill Silver Camp is Canada’s second largest primary producer of silver with production from approximately thirty-five vein deposits between 1913 and 1989. A reported 2,041 tonnes of hand sorted material were shipped from high grade veins on the Plata property to a smelter, yielding about 9,020 kg (290,000 ounces) of silver; this equates to a recovered silver grade of approximately 4,420 grams per tonne (g/t) silver (Turner, 2009).

**(ii) Groundhog**

Silver mineralization was first discovered in the road-accessible Groundhog area in 1956. Since that time over one hundred showings have been discovered in the district by various operators. One of these showings was bulk sampled in 1988 and 1995. This work resulted in the removal of 52.5 tonnes grading approximately 3,800 g/t silver. A rock sample from the property returned 11,663.5 g/t silver (Kammerer and Turner, 2010).

**(iii) Hy**

The road accessible Hy property covers many silver occurrences that were first discovered on the property in 1964. Three mineralized zones were the primary focus of past exploration with the areas between them essentially unexplored. Bulldozer trenching uncovered a chip sample that yielded 370.3 g/t silver over 3.2 metres (Mitchell, 2015).

**LG Diamond Property, Quebec**

During the year ended December 31, 2015, the Company entered into an agreement to acquire the LG Diamond Project located in the James Bay Region of Quebec. As consideration, the Company issued 10,000,000 common shares at a fair value of \$0.01 each and granted a 2% NSR to the vendor. One half, or 1%, of the NSR can be bought back for \$1,000,000 and the remaining 1% for \$2,000,000.

**6. Amounts payable and accrued liabilities**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
As at		
Accounts payable	<b>\$152,848</b>	\$46,227
Accrued liabilities	<b>37,500</b>	64,064
	<b>\$190,348</b>	\$110,291

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**7. Flow-through provision**

The Company has determined, through historical audits by the Canada Revenue Agency ("CRA") and by independent public company auditors, that it may continue to have a shortfall on previously renounced flow-through financings and has recorded a provision for shareholder identification.

The following table sets out the changes, if any, to the provision for the obligation to flow-through subscribers as at March 31, 2021:

<b>Balance, December 31, 2019</b>	<b>\$265,031</b>
Part XII.6 tax and penalties	33,000
<b>Balance, December 31, 2020 and March 31, 2021</b>	<b>\$298,031</b>

**8. Shareholders' equity**

**a) Authorized share capital**

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value.

**b) Common shares issued**

The following table represents the changes to share capital during the year ended December 31, 2020 and the three months ended March 31, 2021:

	<b>Number of common shares</b>	<b>Amount</b>
<b>Balance, December 31, 2019</b>	<b>80,370,824</b>	<b>\$9,540,406</b>
Private placements (b)(i)	12,500,000	500,000
Less: share issue costs	—	(23,149)
Warrants issued (b)(i)	—	(232,704)
Exercise of warrants	1,982,400	172,815
<b>Balance, December 31, 2020</b>	<b>94,853,224</b>	<b>\$9,957,368</b>
Private placements (b)(ii)	42,857,143	3,000,000
Less: share issue costs	—	(31,185)
Warrants issued (b)(ii)	—	(406,532)
Exercise of warrants	375,000	25,371
Exercise of stock options	1,050,000	119,576
<b>Balance, March 31, 2021</b>	<b>139,135,367</b>	<b>\$12,664,958</b>

- i. On August 21, 2020, the Company completed a non-brokered private placement offering (the "2020 Offering") with the issuance of 12,500,000 units ("Units") for total gross proceeds of \$500,000, or \$0.04 per Unit. Each Unit is comprised of one common share ("Share") of the Company and one Share purchase warrant (the "2020 Warrants"). Each 2020 Warrant is exercisable to acquire one Share at a price of \$0.05 per share, for a period of 24 months. The Shares issued in the 2020 Offering are subject to a statutory four months and one day hold period. A relative fair value of \$232,704 using the Black-Scholes pricing model was assigned to the Warrants. See note 8(c)(i).





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- ii. On March 18, 2021, the Company closed a non-brokered private placement that resulted in the issuance of 42,857,143 units ("Units") for aggregate gross proceeds of \$3,000,000 (the 2021 Offering"). Each Unit was priced at \$0.07 and consists of one common share in the capital of the Company ("Common Share") and one-half of one Common Share purchase warrant (the "2021 Warrants"). Each whole 2021 Warrant entitled the holder to acquire one Share at price of \$0.10 per shares, for a period of three years. The Shares issued in the 2021 Offering are subject to a statutory four months and one day hold period. A relative fair value of \$406,532 using the Black-Scholes pricing model was assigned to the 2021 Warrants. See note 8(c)(ii).

**c) Reserve for Warrants**

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance to reserve for warrants, until expiration or exercise.

The following is the activity to reserve for warrants as at and during the period ended March 31, 2021:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Fair value on the date of issuance</b>
<b>Balance, December 31, 2019</b>	<b>18,375,077</b>	<b>\$0.11</b>	<b>\$746,172</b>
Issued (c)(i)	12,500,000	0.05	232,704
Exercised	(1,982,400)	0.06	(61,305)
Expired	(9,897,081)	0.09	(282,324)
<b>Balance, December 31, 2020</b>	<b>18,995,596</b>	<b>\$0.08</b>	<b>\$635,247</b>
Issued (c)(ii)	21,428,571	0.10	406,532
Exercised (c)(iii)	(375,000)	0.05	(6,981)
<b>Balance, March 31, 2021</b>	<b>40,049,167</b>	<b>\$0.09</b>	<b>\$1,034,798</b>

- i. On August 2020, the Company issued 12,500,00 [2020] Warrants, in connection with the 2020 Offering. The 2020 Warrants have an exercise price of \$0.05 and expire on August 21, 2022. A fair value of \$232,704 was assigned to the 2020 Warrants, using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 231%, and an expected life of 2 years.
- ii. On March 18, 2021, the Company issued 21,428,571 [2021] Warrants in connection with the 2021 Offering. The 2021 Warrants have an exercise price of \$0.10 and expire on March 19, 2024. A fair value of \$406,532 was assigned to the Warrants, using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 231%, and an expected life of 3 years.
- iii. During the three months ended March 31, 2021, 375,000 warrants were exercised for gross proceeds of \$18,750.





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The following table reflects the warrants issued and outstanding as at March 31, 2021:

Date of issue	Expiry date	Exercise price	Number of warrants	Remaining life (years)
May 17, 2018	May 17, 2021	\$0.16	4,275,000	0.13
May 17, 2018	May 17, 2021	\$0.10	984,846	0.13
June 5, 2018	June 5, 2021	\$0.16	1,062,500	0.18
June 5, 2018	June 5, 2021	\$0.10	173,250	0.18
August 21, 2020	August 21, 2022	\$0.05	12,125,000	1.39
March 18, 2021	March 18, 2024	\$0.10	21,428,571	2.97
		<b>\$0.09</b>	<b>40,049,167</b>	

**d) Stock Options**

The Company has a stock option plan (the "Plan") pursuant to which the Company's Board of Directors may grant incentive stock options to directors, officers, employees and consultants. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The Board, in accordance with applicable TSXV or other regulatory requirements, if any, will determine any vesting period assigned therein. There is no minimum vesting period unless the optionee is engaged in investor relation activities. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares. The fair value of the share-based compensation is recognized as contributed surplus upon vesting.

The following is the stock option activity of the Company as at and during the period ended March 31, 2021:

	Number of stock options	Weighted average exercise price
<b>Balance, December 31, 2019</b>	<b>5,855,000</b>	<b>\$0.08</b>
Granted (d)(i)	3,750,000	0.06
Forfeited/cancelled (d)(ii)	(3,030,000)	0.05
<b>Balance, December 31, 2020</b>	<b>6,575,000</b>	<b>\$0.06</b>
Granted (d)(iii,iv)	6,725,000	0.12
Exercised (d)(v)	(1,050,000)	0.06
<b>Balance, March 31, 2021</b>	<b>12,250,000</b>	<b>\$0.10</b>

- i. On August 28, 2020, the Company granted 3,750,000 stock options to certain directors, employees, officers and consultants, at an exercise price of \$0.06 per common share. These five-year options vested immediately upon grant. The fair value assigned for the stock options was \$225,000 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 199%, and an expected life of 5 years.
- ii. During the year ended December 31, 2020, a total of 3,030,000 stock options previously granted to directors, officers and consultants expired, unexercised, or were cancelled as the grantees were no longer working for the Company.



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- iii. From February 11 to February 14, 2021, the Company granted an aggregate of 550,000 five-year options to directors, officers, employees and consultants; 250,000 of the stock options are exercisable at a price of \$0.08 per share and the remaining 300,000 stock options are exercisable at \$0.12. The fair value assigned for the stock options was \$37,158 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 199%, and an expected life of 5 years.
- iv. On March 23, 2021, the Company granted a total of 6,175,000 stock options to directors, officers, employees and consultants of the Company. The options are exercisable at a price of \$0.125 per share, for a period of five years from the date of grant. The fair value assigned for the stock options was \$636,833 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 199%, and an expected life of 5 years.
- v. During the three months ended March 31, 2021, 1,050,000 options were exercised for gross proceeds of \$58,750.

The following table reflects the options outstanding as of March 31, 2021:

Outstanding options	Options exercisable	Exercise price	Expiry date	Weighted average life (years)
1,975,000	1,975,000	\$0.100	August 20, 2023	2.39
3,550,000	3,550,000	\$0.060	August 28, 2025	4.41
300,000	300,000	\$0.080	February 11, 2026	4.87
250,000	250,000	\$0.120	February 14, 2026	4.88
6,175,000	6,175,000	\$0.125	March 23, 2026	4.98
<b>12,250,000</b>	<b>12,250,000</b>			

## **9. Related party disclosures and key management compensation**

### **i. Related party transactions**

Related parties as defined by IAS 24 - *Related Party Disclosures* include members of the Board of Directors, Key Management Personnel, and any companies controlled by these individuals. Key Management Personnel include those persons having authority and responsibility for planning, directing, and controlling activities of the Company being directors and executive management, comprising of the Chief Executive Officer and the Chief Financial Officer.

During the three months ended March 31, 2021, and 2020, the Company entered into the following transactions with related parties:



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	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Three months ended		
Compensation paid to a company controlled by a key management person <sup>(1)</sup>	<b>\$55,000</b>	<b>\$ —</b>
	<b>\$55,000</b>	<b>\$ —</b>

(1) During the three months ended March 31, 2021, a total of \$55,00 (2020 - \$nil) was charged to the Company by a personal management company ("Crimson") controlled by the Chairman for management services. At March 31, 2021, a total of \$55,000 (2020 - \$nil) is included in accounts payable and accrued liabilities for Crimson's unpaid management fees. This transaction was conducted in the normal course of operations.

**ii. Key Management Compensation**

During the three months ended March 31, 2021, the compensation of Key Management Personnel, including Directors of the Company, was as follows:

	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Three months ended		
Compensation <sup>(1)</sup>	<b>\$131,600</b>	<b>\$21,634</b>
Share-based payments	<b>514,107</b>	<b>—</b>
	<b>\$645,707</b>	<b>\$21,634</b>

(1) Included in management fees, professional fees, and exploration expenditures

(2) Represents the expense of stock options granted during the period to Key Management Personnel

Directors do not receive cash compensation but may be eligible for stock option grants as the Plan allows.

As at March 31, 2021, a balance of \$57,785 (December 31, 2020 – \$22,373) owing to related parties is included in accounts payable and accrued liabilities on the Condensed Consolidated Interim Statement of Financial Position. These amounts are unsecured, non-interest-bearing, with no fixed terms of repayment.

**10. Commitments**

- i. Effective January 25, 2021, Ed Baer resigned as Chief Executive Officer of the Company. Management negotiated a settlement of four months' base salary fees, as severance.
- ii. Effective January 25, 2021, the Company engaged Chad Williams to serve as Chairman of the Company. His base fee salary is \$25,000 per month and he is eligible to participate in the Company's stock option plan. Certain success fees may also be payable, at the discretion of the Board of Directors



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and early termination of the contract and/or a change of control transaction may result in an additional compensation payout of up to 24 months base salary fees plus bonus fees.

- iii. Effective February 1, 2021, the Company engaged Grove Capital Services ("Grove") to provide corporate services (the "Services") to the Company including those provided by the Chief Financial Officer ("CFO") and Corporate Secretary. The fees paid for the Services is \$7,000 per month. This contract is renewable annually with an early termination penalty of two months' fees.

## **11. Capital Management**

As of March 31, 2021, the Company had working capital of \$2,952,726 (December 31, 2020 – \$319,887).

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due, and to maximize shareholder return. The Company's operations to date have been funded by issuing equity.

The Company monitors its capital structure and makes adjustments to it according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company's ability to continue to carry out its planned exploration activities is uncertain and dependent upon securing additional financing.

The Company considers its capital to be comprised of share capital, warrants reserve and contributed surplus, and accumulated deficit which, at March 31, 2021, totaled \$2,952,726 (December 31, 2020 - \$319,887).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. The Company's capital management objectives, policies and processes have remained significantly unchanged during the three months ended March 31, 2021 and 2020.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at March 31, 2021, the Company believes it is compliant with the working capital policy of the TSXV.

## **12. Financial instrument risk factors**

Financial instruments are exposed to certain financial risks, which may include credit risk, liquidity risk and market risks.

The following disclosures enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting period:





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**a) Credit risk**

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's receivables related to sales taxes have negligible counterparty default risk.

**b) Liquidity risk**

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at March 31, 2021, the Company had a cash balance of \$3,057,458 (December 31, 2020 – \$235,650) to settle current accounts payable and accrued liabilities of \$190,348 (December 31, 2020 – \$110,291). While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

**c) Market risks**

The Company's market risk arises from changes in interest rates and commodity prices that could have an impact on profit or loss. This includes:

- Interest rate risk is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.
- Commodity price risks, particularly with respect to diamonds, is the sensitivity of the fair value of or of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration of its mineral assets, or for the acquisition or disposition of mineral assets.
- Currency risk is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.

**13. Subsequent events**

- i. On April 27, 2021, the Company announced that it had signed a letter of intent (the "LOI") with Romios Gold Resources Inc. ("Romios Gold") to acquire an 80% interest and control of 1,870 hectares (4,620 acres) in 87 mining claims covering additional historic silver properties in the Thunder Bay Silver District.

In consideration for an 80% interest in the project, the Company has agreed to: a) issue shares of the Company to Romios Gold for a value of \$150,000 at a price equal to the volume weighted average price of its common shares, trading on the TSXV for the thirty trading days immediately preceding the date of the transaction's announcement, and b) free-carry all costs and expenses related to the maintenance and advancement of the project to pre-feasibility. Romios Gold shall grant a right of first refusal to the Company on its 20% remaining interest, post-transaction. If any party is diluted to a 10% or less interest in the joint venture, such party's interest shall be converted to a 2% net smelter return royalty (2% NSR).





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- ii. On May 4, 2021, the Company announced an agreement with Strategic Metals Ltd. for an extension of up to 30 days for the closing of the previously announced acquisition of 100% interest in the Yukon Silver properties which is now anticipated to close by May 31, 2021 (see news releases dated February 11 and March 15, 2021, for more details). The time extension is due to Covid-19-related, local administrative delays.
- iii. From May 14 to May 17, 2021:
  - 774,849 broker warrants, with an exercise price of \$0.10 expired, unexercised;
  - 210,000 broker warrants were exercised for proceeds of \$21,000; and
  - 4,275,000 regular warrants with an exercise price of \$0.16, expired, unexercised.