



**Management's Discussion and Analysis**

**For the year ended December 31, 2022**

(Expressed in Canadian Dollars)

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## 1.0 INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Honey Badger Silver Inc. ("Honey Badger" or the "Company") has been prepared based on information available to the Company as at April 28, 2023, and should be read in conjunction with Honey Badger's audited annual financial statements for the years ended December 31, 2022 and 2021 (the "Annual Financial Statements") and the related notes thereto. The Annual Financial Statements and MD&A are expressed in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of Annual Financial Statements. A copy of the Annual Financial Statements and other information are available on the Company's website at [www.honeybadgersilver.com](http://www.honeybadgersilver.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## 2.0 CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding the anticipated content, commencement, anticipated exploration program results, the ability to complete future financings, the ability to complete the required permitting, the ability to complete the exploration program and drilling, and the anticipated business plans and timing of future activities of the Company, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, and similar expressions, or are those, which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the state of the financial markets for the Company's equity securities, the state of the commodity markets generally, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the inability of the Company to obtain any necessary permits, consents or authorizations required, including Toronto Stock Exchange Venture ("TSXV") acceptance, for its planned activities, the analytical results from surface trenching and sampling programs, including diamond drilling programs, the results of IP surveying, the inability of the Company to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, the potential impact of COVID-19 (coronavirus) on the Company's exploration program and on the Company's general business, operations and financial condition, and other risks and uncertainties. Readers are urged to access [www.sedar.com](http://www.sedar.com) to review additional information about the Company, including the technical reports filed with respect to the Company's mineral properties interests. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such adjacent properties and that mineral deposits, and the results of any mining thereof, on adjacent or similar properties, are not indicative of mineral deposits on the Company's properties or any potential exploitation thereof.

### **3.0 BACKGROUND**

#### **3.1 DIRECTORS, OFFICERS AND MANAGEMENT**

Chad Williams – Non-Executive Chairman, Director

George Davis - Chief Executive Officer (CEO)

Brian Briggs – Independent Director

W. Douglas Eaton - Independent Director

John H. Hill - Independent Director

Donna McLean – Chief Financial Officer (CFO)

Namrata Malhotra – Corporate Secretary

#### **3.2 CORPORATE OFFICE**

Ste. 2704 – 401 Bay St.

Toronto, ON M5H 2Y4

#### **3.3 EXCHANGE LISTINGS**

Honey Badger is a publicly listed company, and its common shares are traded on the TSXV under the trading symbol “TUF” and on the OTCQB Market Exchange under the trading symbol “HBEIF”.

#### **3.4 CORPORATE INFORMATION**

Honey Badger was incorporated pursuant to the Business Corporations Act (Ontario) in 1992 and is engaged in the identification and acquisition of silver properties/assets in mining-friendly jurisdictions. Led by a highly experienced leadership and technical team, the Company’s primary focus is on the acquisition, development, and integration of accretive transactions of silver ounces to build the Company’s portfolio of assets.

Honey Badger’s mineral properties are currently in the exploration stage. Honey Badger’s continued operations are dependent upon the ability of the Company to finance: the exploration of its mineral properties, the possible expansion of its portfolio of assets and ongoing corporate costs. The Company has not yet determined whether any of its mineral properties contain mineralization that is economically recoverable. In consideration of future acquisitions, the company will conduct detailed due diligence as appropriate to determine the viability of any undertaking.

### **4.0 MISSION, STRATEGY AND KEY DRIVERS**

#### *Mission*

Honey Badger’s mission is to assemble a three-tiered portfolio of diversified silver assets at various stages of advancement:

- District scale, high-grade silver properties;
- Projects with existing silver resources/reserves;
- Cash-flowing silver royalties and streams.

This portfolio approach to aggregating silver assets represents a new concept in modern silver investing and sets Honey Badger apart from the typical Canadian mineral exploration company.

## *Strategy*

The Company's strategy includes:

- Acquiring mineral properties and interests that strengthen Honey Badger's portfolio of silver assets;
- Creating value-accretive vehicles for by-product metals typically associated with silver, such as zinc and lead;
- Advancing the geological knowledge of its mineral properties through prudent work programs;
- Broadening the Company's participation in joint ventures to foster accretive acquisitions; and
- Sourcing and evaluating opportunities and interests in existing and prospective silver mining assets situated in mining-friendly jurisdictions in the Americas.

## *Key Performance Drivers*

- Highly prospective property holdings in the Yukon and Ontario's Thunder Bay Silver District, in proximity to past-producing, high-grade silver mines; and
- Industry-recognized Management and Board with a track record of shareholder value creation, having extensive network and technical expertise with the ability to source and evaluate high-quality asset acquisition opportunities.

## *Why Silver? Honey Badger's Positive Outlook on the White Metal*

Honey Badger's Board and Management believe in the monetary and inflation-hedging attributes of silver: as a hard asset in a world of paper profits, digital trading, and currency creation; a tangible hedge against global inflationary and portfolio management risk; and expansive applications in renewable energy, including use in photovoltaic cells (the main constituents of solar panels), cell phone and 5G (5<sup>th</sup> generation mobile network) technology.

Besides being a physical asset, which cannot be hacked, erased, or inflated away, silver is one of the most widely used commodities in the world today. Silver plays an integral role in technology, particularly in innovations critical to fostering a more environmentally friendly future.

Silver has served as a critical store of value and medium of exchange for millennia due to its fixed supply, broad adoption, and safe haven qualities. While fiat currencies, such as the U.S. dollar, are widely used and offer price stability, they do not have a fixed supply and can be printed at the will of governments. An increasing money supply means that over the long term, fiat currencies may lose purchasing power relative to inflation.

Many major asset classes are highly correlated, meaning that they tend to move in the same direction at the same time. This is because many assets, like stocks or real estate, tend to rise and fall with economic performance and investor sentiment. Silver's performance, on the other hand, works to offset and diversify a portfolio's proclivity to unilateral movements.

## **5.0 ANNUAL HIGHLIGHTS\_ACTIVITIES**

### **5.1 TECHNICAL**

During 2021 and 2022, the Company has significantly expanded its portfolio of mineral properties in Ontario and the Yukon through a number of acquisition transactions and by map-staking. The Company currently holds mineral properties/interests in the Yukon, Ontario and Quebec (see section 6.1 – Exploration Properties) and continues to actively evaluate silver-based assets for potential acquisition.

- On March 29, 2022, the Company acquired a 100% interest in the Clear Lake deposit in the Whitehorse Mining District of the Yukon, for a total consideration of \$250,000 in cash, subject to a 1% net smelter return royalty (“NSR”) on all metals other than silver;
- On April 10, 2022, and throughout October and November 2022, the Company elected to allow 605 claim cells covering 12,708 hectares of ground, on its Mink Silver Mountain property in the Thunder Bay Silver District, to lapse. These holdings were deemed to be of lower perspective given their distance to historical silver mines in the district and the paucity of silver showings or prospects within them.
- On May 16, 2022, the Company announced that it had received a 10-year Class 3 Quartz Mining Land Use Approval (“Land Use Approval”) from the Yukon Government for its high-grade Plata Silver Property (“Plata”) located in east-central Yukon. The Land Use Approval allows Honey Badger to perform ground exploration activities that allow for up to 300 diamond drill holes and 300 reverse circulation holes, each for a total length of 30,000 metres, significant trenching and bulk sampling, as well as road construction, as required, to define areas of mineralization on the property.
- In June 2022 the Company entered into a non-binding agreement to acquire a silver project in Chile – see Section 5.2.
- During the summer of 2022, the Company completed a work program at Groundhog designed to extend the findings of previous explorers. See Section 6.1 – Yukon.
- Management continued to advance the negotiations with Aftermath on the acquisition of the Cachinal project.

## 5.2 CORPORATE

- The Company continued to draw down on the funds raised by the two financings completed in fiscal 2021 in order to meet its financial obligations;
- The Company added to its portfolio with the acquisition of a 100% interest in the Clear Lake deposit in the Yukon; see Section 5.1;
- On June 10, 2022, the Company announced that it had entered into a non-binding term sheet to acquire from Aftermath Silver Ltd. (“Aftermath”), its 100% interest in the Cachinal de la Sierra Silver-Gold Project (the “Cachinal Project” or “Cachinal”), located in the Cachinal de la Sierra area in Chile’s Antofagasta region (Region II). On February 14, 2023, the Company executed a Definitive Purchase and Sale Agreement for Cachinal. [See press releases dated June 10 and August 18, 2022, and February 14, 2023;
- On December 15, 2022, the Company held its Annual General and Special Meeting of Shareholders. All motions and resolutions were passed including a proposal to consolidate the common shares of the Company on a 5.7 (old) for 1 (new) common share. The purpose of the consolidation was to adjust the number of outstanding common shares to levels that are better aligned with companies of Honey Badger Silver’s valuation and scope, with the potential to provide additional trading liquidity to investors;
- On February 8, 2023, the Company announced a change of Management:
  - i) [Brian Briggs](#) was named as Interim CEO. Brian is a professional engineer (UT, CO & WY) with over 35 years of industry experience in both underground and surface mine operations holding a BS in Mining Engineering and MS in Agricultural Engineering from the University of Wyoming.

The Company thanks Ed Thorose for his tenure as President and wishes him well in his future endeavours.

- ii) [Dorian \(Dusty\) Nichol](#) was named as COO. Dusty has a B.Sc. degree in Earth Science from M.I.T. and an M.A. degree in geology from Indiana University. Dusty has over 47 years of worldwide experience in minerals exploration and mining.
  - iii) [Yvan Gregoire](#) was named as VP of Business Development. Yvan graduated in Physics Engineering from Laval University in 1985 and was awarded the Chartered Financial Analyst designation (CFA) in 1995. Yvan is an asset management professional with over 30 years experience, first at a leading Canadian Bank and then, from 2008, as President of a boutique money management firm serving high-net-worth individuals, with offices in both Toronto and Montreal.
- Subsequent to year-end, the Company announced the appointment of George Davis as CEO, effective as at April 1, 2023. Mr. Davis has over 20 years of financial and leadership experience having worked with publicly listed international companies in a variety of sectors including mining, energy, and infrastructure. Mr. Davis is a Chartered Professional Accountant (Ontario), Chartered Financial Analyst, and holds a Bachelor of Commerce degree from the University of Toronto. Mr. Briggs will continue serving as a director.

## 6.0 RESULTS OF OPERATIONS

### 6.1 TECHNICAL WORK PERFORMED DURING 2021 AND 2022

The Company has been pursuing a two-pronged approach to providing its shareholders with added exposure to silver, on an accretive per-share basis, chiefly by:

- Advancing its existing project(s) with highly focused work programs designed to build upon previous campaigns with the aim of refining exploration models and finding additional silver resources; and
- Acquiring new assets in silver-rich districts in Canada and abroad. Well over 100 such targets – appropriate in scale and scope for the Company at the current time - are being reviewed in detail.

## YUKON

In July 2021, the Company engaged Archer, Cathro & Associates (1981) Limited (“Archer Cathro”) to oversee a Phase 1 work program on its 100%-owned, 5,690-hectare Plata Silver Property (“Plata”) located in east-central Yukon.

Plata is a past high-grade producer with significant infrastructure. Plata lies within the Tintina Gold Belt and displays numerous similarities to the world-class Keno Hill Mining Camp, Canada’s second-largest primary producer of silver, located 165 km west of the Plata. Historically, Keno Hill produced more than 200 million ounces of silver at an average grade of 44 ounces per ton (oz/t) of silver from approximately thirty-five vein deposits between 1913 and 1989<sup>1</sup>. Recently, Keno Hill was acquired by major silver producer Hecla (HL), which plans production restart in 2023.

The Plata property hosts 32 hard rock showings that have seen minimal past exploration as well as eight strong multi-element soil anomalies suggesting additional zones along trend that have seen little to no follow-up work, which offer excellent potential for new discoveries.

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<sup>1</sup> Cathro, R.C., 2006, Great Mining Camps of Canada 1. The History and Geology of the Keno Hill Silver Camp, Yukon Territory; Geoscience Canada, Vol.33, No.3, pp103-134.

The primary objective of the planned Phase 1 work program was to complete detailed mapping and rock and channel sampling at a number of priority target zones at Plata in order to better understand structural controls of silver mineralization. The secondary objective of the Phase 1 program was to better define the full extent of mineralization at Plata. W. Douglas Eaton, director of Honey Badger was a minority shareholder of Archer Cathro at December 31, 2021 but retired from that firm on February 29, 2022.

In three news releases published on December 13, 2021, January 18, 2022, and February 9, 2022, the Company published the results from the Plata Phase 1 work program as assays were received from the laboratory. These results confirmed the presence of Keno Hill-style high-grade silver including:

- 16,887 g/t silver and 67.99% lead from a rock sample (float) at the P1 Zone, 4,300 g/t silver, 22.00% zinc and 46.40% lead over 1.0 metre from a channel sample at the P2 Zone and 2,720 g/t silver, 72.63% lead from a rock sample (outcrop) at the P26 Zone associated with Type I veins;
- 4,500 g/t silver, 7.26 g/t gold and 24.13% lead over 0.85 metres from the Aho Zone, which extends over 800 metres along strike, associated with Type II veins;
- 5,190 g/t silver, 4.24 g/t gold, 24.4% lead and 3.62% zinc- obtained from composite grab samples from approximately 90 historical ore bags stored on the property.

On March 10, 2022, the Company engaged Archer Cathro to complete a comprehensive 3D geological modeling study to develop and refine targets at Plata. The 3D geological modeling study would incorporate historical drilling and channel sampling data, as well as soil geochemistry data and information derived from several iterations of geological and structural mapping conducted on the property. The objective of the program was to obtain an improved understanding of structural and lithological controls on mineralization. Having reviewed the results of the modeling study, it was concluded that further follow-up groundwork would be prudent before targets are prioritized for drilling.

On October 6, 2022, the Company announced the completion of a summer work program at its wholly-owned Groundhog property in the Yukon. The Company engaged Archer Cathro to oversee the work program. The 2022 work program at Groundhog comprised soil sampling and detailed structural and lithological mapping of previously identified showings to understand their extents, character, and structural/stratigraphic relationships relative to each other. The program was completed by a crew of four people from a tent camp.

In all, 49 rock samples, including 11 chip samples were collected from seven showings on the property. In addition, 488 soil geochemical samples were collected on 4 soil grids in the western and south-western parts of the property in areas lacking coverage.

Assay results from the rock and channel sampling program are pending and will be released once they have been received and analyzed by the Company.

The Company is pleased to report it has received a maximum \$22,800 grant allowed under the Yukon Mineral Exploration Program (YMEP) towards funding the Groundhog 2022 program.

## **THUNDER BAY**

From May to July 2022, the Company completed grass roots prospecting activities on several silver showings on its Thunder Bay properties in the Thunder Bay Silver District. Review and analysis of results are ongoing.

## 6.2 EXPLORATION PROPERTIES

Honey Badger has mineral property interests in the Yukon, Thunder Bay, Ontario, and Quebec, Canada.

| Project/Property | Province/Territory | Number of Claims | Area (Hectares) |
|------------------|--------------------|------------------|-----------------|
| Plata            | Yukon              | 281              | 5,690 Ha        |
| Groundhog        | Yukon              | 217              | 4,200 Ha        |
| Hy Project       | Yukon              | 348              | 7,160 Ha        |
| Clear Lake       | Yukon              | 121              | 2,479 Ha        |
| Thunder Bay      | Ontario            | 456              | 9,441 Ha        |
| Nunavut          | Nunavut            | 3                | 4,850 Ha        |

### YUKON SILVER PROPERTIES, the Yukon

- a) On June 4, 2021, the Company acquired 100% of Strategic Metals' right, title and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada. The properties, comprised of Plata, Groundhog, and Hy, are located near major historical silver camps or workings. In consideration for the properties, Honey Badger issued 34,804,718 common shares to Strategic Metals valued at \$4,524,613.

(i) Plata

Plata lies within the Tintina Gold Belt and displays many similarities to the Keno Hill Silver Camp located about 165 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<sup>(2)</sup>.

(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<sup>(3)</sup>.

(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 stripping and trenching returned 684.0 g/t silver, 9.20% zinc and 11.01% lead over 1.83 metres from a chip sample at Showing A and 370.3 g/t silver, 8.22% lead and 14.01% zinc over 3.20 metres from a chip sample collected from the Hillside Showing<sup>(4)</sup>.

<sup>2</sup> Assessment Report Describing Diamond Drilling, Excavator Trenching, Geophysical Surveys, Geochemical Sampling, Prospecting and Water Surveys, at the Plata Project, prepared by Archer, Cathro & Associates (1981) Limited for ROCKHAVEN RESOURCES LTD. M. Turner, B.Sc., May 2009

<sup>3</sup> Assessment Report Describing Geological Mapping, Prospecting, Hand Trenching and Geochemical Sampling, at the Groundhog Property, prepared by Archer, Cathro & Associates (1981) Limited for ROCKHAVEN RESOURCES LTD., M. Kammerer, M. Turner, B.Sc., May 2010

<sup>4</sup> Assessment Report Describing Geochemical Sampling, Prospecting, Geological Mapping and Ground Surveys, at the Hy Property, prepared by Archer, Cathro & Associates (1981) Limited for STRATEGIC METALS LTD. A. Mitchell, B.Sc., GIT, November 2015



### Clear Lake

On March 29, 2022, the Company acquired a 100% interest in the Clear Lake deposit in the Whitehorse Mining District of the Yukon, for a total consideration of \$250,000 in cash, subject to a 1% net smelter return royalty (“NSR”) on all metals other than silver. The Clear Lake deposit hosts a historical NI 43-101 Inferred Resource prepared by SRK for Copper Ridge Exploration<sup>(5)(6)</sup>, of 7.76 million tonnes grading 22 grams per tonne silver, 7.6% zinc and 1.08% lead, containing 5.5 million ounces of silver, 1.4 billion pounds of zinc and 185 million pounds of lead.

### **THUNDER BAY PROPERTIES, Ontario**

a) Thunder Bay Silver & Cobalt Corp.

Honey Badger controls approximately 9,441 hectares of ground in the Thunder Bay Silver District, which historically has produced 4.7 million ounces of silver from over a dozen past-producing high-grade silver mines<sup>(7)</sup>. Six claims are subject to a 2.5% net smelter royalty (“NSR”) which may be reduced to a 1.0% NSR in exchange for a \$1,500,000 cash payment. 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 a) making cash payments totaling \$75,000, b) incurring exploration expenditures of \$750,000 over the option period and by c) issuing common shares with a market value of \$410,000 over the option period. Once the three conditions are met, the Optionor shall be granted a 2% NSR which may be repurchased by the Company for \$1,000,000. The Company is currently in default under the terms of the agreement. However, negotiations continue to enter into a new option agreement.

### **NUNAVUT**

In September 2021 the Company map staked 3 claims covering 4,850 hectares. Management is currently assessing the potential value of staking additional claims for this project.

### **CACHINAL, CHILE**

Post year-end, the Company signed a Definitive Purchase and Sale Agreement for the acquisition of this project and expects to complete the transaction, pending a positive evaluation, by the end of Q2/2023. (See press release dated February 15, 2023).

## **6.3 EXPLORATION AND EVALUATION EXPENDITURES**

Pursuant to the Company’s accounting policy for exploration and evaluation expenditures, Honey Badger expenses all costs relating to the acquisition and exploration of mineral claims. Such costs include but are not limited to acquisition, claims management, geological consulting, geophysical studies, exploratory drilling and sampling costs.

During the year ended December 31, 2022, the technical team focused on a) completing the acquisition of Clear Lake, b) reviewing the data and other information available for the Cachinal Project, c) reviewing Honey Badger’s properties and claims to ensure that the assets remain in good standing and evaluating

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<sup>5</sup> Clear Lake Lead-Zinc-Silver Deposit, Yukon, Prepared by SRK Consulting for Copper Ridge Exploration Inc., February 2010, Authors Gilles Arseneau, Ph.D., P. Geo., Donald G. MacIntyre, Ph.D., P. Eng., Reviewed by Gordon Doerksen, P. Eng

<sup>6</sup> The foregoing resource estimate is historical in nature. The historical estimate was not prepared by the Company. The Company considers the 2010 historical estimate to be relevant and reliable given the high quality of the historical estimate completed and the fact that the estimate was prepared in accordance with NI 43-101. The Company has not independently verified the resource estimate, and therefore, it cannot be relied upon as a current mineral resource for the Company.

<sup>7</sup> J. M. Franklin, S. A. Kissin, M. C. Smyk, and S. D. Scott. Silver deposits associated with the Proterozoic rocks of the Thunder Bay District, Ontario. Canadian Journal of Earth Sciences. 23(10): 1576-1591

staking additional claims, d) completing and then assessing the Groundhog technical program carried out in the summer of 2022, and e) the continued identification and evaluation of additional potential acquisitions. The Company incurred a total of \$634,015 of exploration and evaluation expenditures for field program fees and expenses, consulting fees and claims management costs. In 2021, the Company issued a total of 35,908,224 shares to acquire claims in the Yukon and Thunder Bay areas. See above and note 7 in the Annual Financial Statements.

The following table summarizes the evaluation and exploration costs incurred by the Company for the years ended December 31, 2022 and 2021:

|                          | December 31,<br>2022 | December 31,<br>2021 |
|--------------------------|----------------------|----------------------|
| <b>CANADA</b>            |                      |                      |
| <b>Yukon</b>             |                      |                      |
| Acquisition, maintenance | 270,968              | 4,524,613            |
| E&E                      | 178,360              | 210,546              |
|                          | <b>449,328</b>       | 4,735,159            |
| <b>Thunder Bay</b>       |                      |                      |
| Acquisition, maintenance | 54,037               | 146,981              |
| E&E                      | –                    | 20,000               |
|                          | <b>54,037</b>        | 166,981              |
| <b>Nunavut</b>           |                      |                      |
| Acquisition, maintenance | 13,590               | –                    |
| E&E                      | 2,304                | –                    |
|                          | <b>15,894</b>        | –                    |
| <b>CHILE</b>             |                      |                      |
| Acquisition, maintenance | –                    | –                    |
| E&E                      | 111,118              | –                    |
|                          | <b>111,118</b>       | –                    |
| <b>OTHER</b>             |                      |                      |
| Acquisition, maintenance | 3,639                | –                    |
| E&E                      | –                    | –                    |
|                          | <b>3,639</b>         | –                    |
|                          | <b>\$634,015</b>     | \$4,902,140          |

## 7.0 FINANCIAL PERFORMANCE

### 7.1 SELECT PERIOD FINANCIAL INFORMATION

| For the years ended December 31,   | 2022       | 2021       |
|--|------------|------------|
| <b>Statements of Loss and Comprehensive Loss</b>   | <b>\$</b>  | <b>\$</b>  |
| Exploration expenditures – program   | 291,782    | 230,546    |
| Exploration expenditures – acquisition and claim costs   | 342,233    | 4,671,594  |
| General and administrative (“G&A”) and business development  | 1,043,759  | 1,233,768  |
| Share-based compensation   | 211,128    | 861,889    |
| Other (income) loss items  | (252,101)  | 248,781    |
| Net loss and comprehensive loss  | 1,636,801  | 7,246,578  |
| Basic loss per share   | \$0.05     | \$0.27     |
| Weighted average shares outstanding <sup>(1)</sup>   | 31,173,446 | 26,675,178 |
| <sup>(1)</sup> Reflects a share consolidation of 1 new share for every 5.7 old shares that became effective on January 20, 2023. |            |            |

| As at December 31,                      | 2022         | 2021         |
|---|--------------|--------------|
| <b>Statements of Financial Position</b> | <b>\$</b>    | <b>\$</b>    |
| Cash and cash equivalents               | 544,478      | 2,143,956    |
| Total assets                            | 638,977      | 2,441,037    |
| Total liabilities                       | 307,086      | 683,473      |
| Shareholders' equity                    | 331,891      | 1,757,564    |
| Accumulated deficit                     | (22,005,308) | (20,368,507) |

### 7.2 QUARTERLY RESULTS

|   | 2022        |              |           |           |
|---|-------------|--------------|-----------|-----------|
|   | December 31 | September 30 | June 30   | March 31  |
| <b>Statement of Loss</b>                        | <b>\$</b>   | <b>\$</b>    | <b>\$</b> | <b>\$</b> |
| Exploration expenditures                        | 38,812      | 154,542      | 106,805   | 333,856   |
| G&A   | 231,306     | 209,143      | 352,133   | 251,177   |
| Share-based compensation                        | 52,782      | 52,782       | 52,782    | 52,782    |
| Other (income) loss items                       | (308,795)   | 26,322       | 34,322    | (3,950)   |
| Net loss and comprehensive loss                 | 34,105      | (422,789)    | (546,042) | (633,865) |
| Basic and diluted loss per share <sup>(1)</sup> | \$(0.04)    | \$(0.00)     | \$(0.00)  | \$(0.01)  |
| <b>Statement of Financial Position</b>          | <b>\$</b>   | <b>\$</b>    | <b>\$</b> | <b>\$</b> |
| Cash & cash equivalents                         | 544,478     | 890,437      | 1,128,161 | 1,447,860 |
| Total assets                                    | 638,977     | 980,382      | 1,262,409 | 1,641,894 |
| Total liabilities                               | (307,086)   | (691,338)    | (579,166) | (465,413) |
| Shareholders' equity                            | 331,891     | 289,044      | 683,243   | 1,176,481 |

|   | 2021        |              |             |             |
|---|-------------|--------------|-------------|-------------|
|   | December 31 | September 30 | June 30     | March 31    |
| <b>Statement of Loss</b>                        | \$          | \$           | \$          | \$          |
| Exploration expenditures                        | 147,720     | 172,350      | 4,563,491   | 18,579      |
| G&A   | 458,416     | 236,801      | 322,980     | 215,571     |
| Share-based compensation                        | 166,182     | 21,716       | —           | 673,991     |
| Other (income) expense items                    | 20,822      | (48,252)     | 96,885      | 179,326     |
| Net loss (earnings)                             | (793,140)   | (382,615)    | (4,983,356) | (1,087,467) |
| Basic and diluted loss per share <sup>(1)</sup> | \$(0.00)    | \$(0.00)     | \$(0.06)    | \$(0.02)    |
| <b>Statement of Financial Position</b>          | \$          | \$           | \$          | \$          |
| Cash & cash equivalents                         | 2,143,956   | 2,625,178    | 2,748,622   | 3,057,458   |
| Total assets                                    | 2,441,037   | 2,926,517    | 3,056,703   | 3,441,105   |
| Total liabilities                               | 683,473     | 597,496      | 581,338     | 488,379     |
| Shareholders' equity                            | 1,757,564   | 2,329,021    | 2,475,365   | 2,952,726   |

<sup>(1)</sup> Net loss per share on a diluted basis is the same as basic net loss per share as all factors which were considered in the calculation are anti-dilutive.

### Year ended December 31, 2022, compared to December 31, 2021 (the "Reporting Period")

In the Reporting Period, excluding share-based compensation, the Company realized an operating loss of \$1,677,774 (2021 - \$6,135,908). The current period E&E expenses were comprised of the following exploration and evaluation costs - the purchase of Clear Lake for \$250,000, claims maintenance of \$92,233, exploration program costs of \$180,664, and evaluation costs of Cachinal of \$111,118. In the same period in 2021, the Company issued 34,804,718 common shares to Strategic Metals valued at \$4,524,613 for 100% of the right, title, and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada. The properties, comprised of Plata, Groundhog, and Hy, are located near major historical silver camps or workings. Additionally, on July 26, 2021, the Company issued 1,103,506 Common Shares valued at \$77,245 for the acquisition of certain properties situated in the Thunder Bay Silver District, from Romios Gold Resources Inc. Exploration program costs in 2021 were slightly higher than those expended in 2022, at \$230,546.

Management fees were lower period over period. The higher fees in 2021 were mainly due to a severance paid to a former CEO and CFO. Professional and consulting fees in the Reporting Period were 55% lower as legal fees were higher in 2021 primarily due to legal advice sought for a) the negotiation and settlement of severance payments, the structuring of acquisitions, and the regulations pertinent to conducting flow-through and non-flow-through financings. There were no financings completed in 2022 and this resulted in lower regulatory and transfer agent fees. Investor relations and business development costs were slightly higher in 2022 (\$ 339,185 vs. \$313,683) as several independent consultants have been retained to provide leads for potential asset acquisitions and Management attended several virtual and in-person conferences to heighten the market awareness of the Company. In addition, a financial services firm was engaged to work with Management to monitor, track and report on the market activity of the Company's stock. G&A remained constant. Happily, the audit fee accrued for 2022 is almost 50% lower than that incurred in previous years. The industry-wide shortage of qualified audit staff seems to have improved somewhat. This savings was offset by a higher D&O insurance premium. One of the additional consequences of Covid 19 was a significantly increased D&O insurance premium. In defending the increase, Honey's provider advised us that Canadian companies are pooled with American companies of similar nature and unfortunately the claims submitted by the US companies increased significantly during Covid.

There were no new stock options granted in 2022 so the share-based compensation recorded resulted only from the amortization of options vesting during the period (\$211,128). Conversely, the Board granted several tranches of stock options in 2021, and the aggregate fair value of \$861,889 was recorded as share-based compensation. Additionally, \$81,535 was recorded as a holding loss on marketable securities in 2022 with the revaluation of a portfolio investment. In the same period in 2021, a much higher holding loss of \$309,781 was recognized. These values are established by the market price of the shares at the reporting period end. See note 4 – *Marketable Securities* in the Annual Financial Statements. Finally, the Company recorded a gain on flow-through premium of \$27,450 (versus \$56,640 in 2021) which resulted from the Company spending sufficient Canadian Eligible Expenditures (“CEE”) to derecognize the balance of premium recognized on completion of the flow-through financing in 2021.

### Three months ended December 31, 2022 compared to December 31, 2021

In general, corporate costs in Q4/22 were significantly lower than those incurred in Q4/2021. This is partly for the reasons stated above and partly due to the timing of events and the recording of their related charges. With the easing of Covid restrictions in 2022, Management was able to a) evaluate more projects and b) attend more conferences and events with the goal to broadening the Company’s shareholder base. Entrance fees, travel costs and the engagement of professionals to focus on increasing market awareness of and liquidity of the Company stock contributed largely to the increase in investor relations and travel expenses in the current period.

Although most of the Company’s corporate costs are somewhat fixed in nature, Management continues to conserve cash wherever possible.

### 7.3 CASH FLOW ANALYSIS

Cash flow used in/provided by for the year ended December 31, 2022, and 2021 was as follows:

| Year ended December 31,                          | 2022                 | 2021          |
|--|----------------------|---------------|
| Net cash (used in) provided by:                  |                      |               |
| Operating activities                             | <b>\$(1,599,478)</b> | \$(1,396,292) |
| Financing activities                             | –                    | 3,304,598     |
| (Decrease) increase in cash and cash equivalents | <b>(1,599,478)</b>   | 1,908,306     |
| Cash and cash equivalents, beginning of period   | <b>2,143,956</b>     | 235,650       |
| <b>Cash and cash equivalents, end of period</b>  | <b>\$544,478</b>     | \$2,143,956   |

Net cash used in operating activities during the year ended December 31, 2022, was \$1,599,477 which spending was primarily funded from the net proceeds of private placements completed in 2021. In the same period in 2021, net proceeds of \$3,304,598 were added to treasury from a \$3,000,000 non-brokered HD financing, completed in March 2021, \$252,270 for the FT financing completed in September, and the exercise of 688,250 warrants and 1,700,000 stock options.

In order to complete the prospective acquisition of the Cachinal project and should other attractive assets become available, the Company will be looking to raise additional capital through different strategies including the issuance of shares, debt financing, or joint venture participation.

## 8.0 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

### 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 year ended December 31, 2022 and 2021, the Company entered the following transactions with related parties:

- a) A corporation controlled by an officer charged the Company \$300,000 (2021 - \$280,000) for management fees.
- b) Since February 2021, the Company has retained Grove Corporate Services Ltd. ("Grove") to provide accounting, governance and administrative services, including that provided by the Company's Chief Financial Officer ("CFO") and Corporate Secretary (the "Services"). From February 2021 to March 2022, Grove charged the Company \$7,000 per month plus HST for the Services. Effective April 1, 2022, this rate increased to \$9,450 per month plus HST. During the reporting period, Grove charged a total of \$106,050 (2021 - \$77,000) for the Services. Grove provided other services to the Company for compensation of \$6,798.
- c) On June 4, 2021, the Company acquired 100% of right, title, and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada, from Strategic Metals Ltd. ("Strategic Metals"). A director of the Company is also Chief Executive Officer, President, and a director of Strategic Metals.
- d) A company of which a director/officer is a part owner provided an investor relations tool for a \$500 monthly fee for a total of \$6,000.
- e) The Company engaged a financial services firm ("Finservco") to provide market maker services. An officer of the Company is a founder and principal shareholder of Finservco and during the reporting period, Finservco charged the Company \$34,500 for the services rendered.

### Key Management Compensation Transactions

Compensation for key management personnel of the Company during the year ended December 31, 2022 was as follows:

| <b>Years ended December 31,</b>         | <b>2022</b>      | <b>2021</b> |
|---|------------------|-------------|
| Management fees <sup>(1)</sup>          | <b>\$529,200</b> | \$683,672   |
| Share-based compensation <sup>(2)</sup> | <b>\$175,552</b> | \$686,825   |
|   | <b>\$704,752</b> | \$1,370,497 |

<sup>(1)</sup> Management fees are comprised of salaries and consulting fees. For 2022, a total of \$55,500 paid to the President was allocated to E&E expenditures on the statement of loss. During 2021, Management fees included a severance payment of \$113,424 paid to a former CEO and a total of \$42,647 paid to the President was allocated to E&E expenditures.

<sup>(2)</sup> Represents the FV expense of the stock options that vested during the period, to Key

Management. No new options were granted during the period.

At December 31, 2022, a total of \$98,819 (December 31, 2021 -\$174,737) is included in accounts payable for unpaid management and consulting fees, reimbursable expenses and E&E. These transactions were conducted in the normal course of operations.

## 9.0 LIQUIDITY AND CAPITAL MANAGEMENT

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. As of December 31, 2022, Management believes the Company has sufficient funding for the basic corporate costs, however depending on exploration results and any successful acquisitions of additional assets, the Company may seek additional funding through equity or debt financings.

The Company considers its capital to be comprised of share capital, warrants, contributed surplus and accumulated deficit, which at December 31, 2022, was \$331,891 (December 31, 2021 - \$1,757,564).

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 year ended December 31, 2022, and 2021.

## 10.0 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

**Financial Instruments** – see note 13 in the Annual Financial Statements.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk, and price risk).

Risk management is carried out by the Company's management team with oversight of these risks by the Company's Board of Directors.

### (i) 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 first tier Canadian banks and financial institutions. The Company's receivables related to sales taxes have negligible counterparty default risk. The Company's receivables related to companies related by common management are subject to counterparty default risk.

### (ii) 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.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2022, the Company had a cash balance of \$544,478 (December 31, 2021 – \$2,143,956) to settle current accounts payable and accrued liabilities of \$305,086 (December 31, 2021 – \$357,990). The Company has also recorded a flow-through share premium liability of \$nil (December 31, 2021 – \$27,450). As exploration expenses are incurred, this liability is reduced proportionately to the amount expended.

Nearly all of the Company's financial liabilities have contractual maturities of less than 30 days.

### (iii) Market risk

The Company's market risk arises from changes in interest rates, foreign exchange 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.
- The Company is exposed to price risk with respect to equity prices and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities. As the Company is not a commodity producer, Management believes the Company's exposure to price risk is minimal.
- Foreign 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.

## 11.0 OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## 12.0 PROPOSED TRANSACTION

The Company has no other proposed transactions pending other than Cachinal, however, Management has been actively reviewing potential property acquisitions, investment and joint venture transactions and other opportunities with a view to expand the asset base of the Company.

See section 6.1 – *Technical Work Performed during 2021 and 2022*

## 13.0 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.



Management of the Company applies assumptions and makes judgements in determining the going concern, deferred flow-through premium estimates, deferred taxes, share-based compensation, and warrant fair value estimates.

For additional details, the accounting policies, and critical judgments, estimates and assumptions applied in the preparation of the Company's consolidated financial statements are reflected in note 2 of the Annual Financial Statements.

#### **14.0 NEW ACCOUNTING STANDARDS**

##### **Basis of Consolidation**

The Company incorporated three new subsidiaries for the purpose of housing new or prospective assets of the Company. The Company's consolidated financial statements now include the accounts of the Company, and its wholly owned subsidiaries, 606596 Alberta Ltd., The Thunder Bay Silver & Cobalt Corp., Silver Storm Royalties Inc. (formerly 2815210 Ontario Inc.), Honey Badger Zinc Ltd., and Honey Badger (Nunavut) Ltd.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

##### **Adoption of New Accounting Standards**

Certain pronouncements have been issued by the IASB or the IFRIC that are effective for accounting periods on or after January 1, 2022. The Company has reviewed these updated standards and determined that none of these updates are applicable or consequential to the Company and have been excluded from discussion within this MD&A and the Annual Financial Statements.

#### **15.0 INCOME TAX STATUS**

See note 13 in the Annual Financial Statements.

#### **16.0 SHARE CAPITAL: common shares, warrants and stock options**

Activity in the Company's equity accounts is more fully described in note 11 of the Annual Financial Statements.

There were 177,688,639 common shares outstanding as of December 31, 2022 and the issued share capital was \$17,056,261.

(i) There were no issuances of shares or warrants during 2022.

(ii) The following table reflects the warrants issued and outstanding as at December 31, 2022:

| Date of issue  | Expiry date    | Weighted Average Exercise price | Number of warrants | Remaining life (years) |
|----------------|----------------|---------------------------------|--------------------|------------------------|
| July 2, 2021   | July 2, 2023   | \$0.15                          | 114,926            | 0.51                   |
| March 18, 2021 | March 18, 2024 | \$0.10                          | 21,428,571         | 1.21                   |
|                |                | <b>\$0.10</b>                   | <b>21,543,497</b>  |                        |

(iii) 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 at the discretion of the Board of Directors. 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 Exchange or other regulatory requirements, if any, will determine the vesting period. 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.

There were no new stock options granted during the reporting period and the following table reflects the stock options outstanding as of December 31, 2022:

| Outstanding options (#) | Options exercisable (#) | Exercise price | Expiry date       | Weighted average life (years) |
|-------------------------|-------------------------|----------------|-------------------|-------------------------------|
| 675,000                 | 675,000                 | \$0.10         | August 20, 2023   | 0.64                          |
| 100,000                 | 100,000                 | \$0.07         | November 1, 2024  | 1.85                          |
| 2,900,000               | 2,900,000               | \$0.06         | August 28, 2025   | 2.67                          |
| 250,000                 | 250,000                 | \$0.08         | February 11, 2026 | 3.12                          |
| 300,000                 | 300,000                 | \$0.10         | February 19, 2026 | 3.14                          |
| 6,175,000               | 6,175,000               | \$0.125        | March 23, 2026    | 3.23                          |
| 1,500,000               | 1,000,000               | \$0.08         | August 3, 2026    | 3.60                          |
| 750,000                 | 500,000                 | \$0.065        | October 28, 2026  | 3.84                          |
| 4,809,800               | 3,206,533               | \$0.075        | December 30, 2026 | 4.00                          |
| <b>17,459,800</b>       | <b>15,106,533</b>       | <b>\$0.09</b>  |                   |                               |

## 17.0 COMMITMENTS

- (i) Flow-through expenditure commitments: from time to time, the Company completes flow-through share financings that involve a commitment to incur Canadian Exploration Expenditures (“CEE”) prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. For the flow-through financing completed in 2021, the Company has now incurred enough CEE to satisfy the commitment to those subscribers.
- (ii) The Company currently has renewable agreements for management services, with two senior officers (the “Executives”). The base salaries of the Executives range from \$12,500 to \$25,000 per month. The contracts contain standard termination clauses (without cause) and payout clauses for

change of control. The Executives are also eligible for certain success fees and stock option grants, at the discretion of the Board of Directors.

(iii) Since February 2021, Grove has provided the Services as described in section 8.0 - *Related Party Transactions and Key Management Compensation*. Effective April 1, 2022, the fees paid for the Services increased from \$7,000 to \$9,450 per month. This contract is renewable annually with an early termination penalty of two months' fees.

(iv) The Company has renewable advisory agreements with certain consultants that advise Management as to leads and analysis of potential merger and acquisition targets.

## 18.0 OUTSTANDING SHARE DATA

As of February 28, 2023, the number of common shares outstanding or issuable pursuant to option and warrant entitlements is as follows:

| As at  | Common Shares | Warrants   | Stock Options | Fully Diluted |
|--|---------------|------------|---------------|---------------|
| December 31, 2021  | 177,688,639   | 33,668,497 | 17,459,800    | 228,816,936   |
| December 31, 2022  | 177,689,639   | 21,543,497 | 17,459,800    | 216,692,936   |
| January 20, 2023 - Consolidation on a 5.7 for 1 basis was affected |               |            |               |               |
| April 26, 2023   | 37,664,664    | 3,779,561  | 3,063,123     | 44,507,348    |

## 19.0 CONTROLS

### 19.1 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Due to the small size of the Company's finance department, there are a limited number of personnel handling accounting and financial matters and as a result, there is a lack of segregation of duties. Management believes that it has designed sufficient compensating internal controls to mitigate these limitations, including dual signatories on all cheques. Additional internal controls include audit committee and senior management review and oversight.

## 20.0 OTHER RISKS

Risk factors that must be considered in achieving the Company's business objectives include the risk that exploration or joint venture activities may not result in the discovery of minerals or definition of any mineral resources or reserves, that significant expenses could be required to define mineral reserves, that environmental, land title and competitive issues may prevent the development of any mineral reserves, and that the Company or its prospective joint venture partners may fail to generate adequate funding to develop mineral reserves.

The Company accepts the risks which are inherent to mineral exploration programs, venturing into certain joint venture relationships, and the exposure to the cyclical nature of mineral prices. The Company relies on the geological and industry expertise of its Toronto-based management team and engages sub-contractors to complete certain aspects of its exploration and acquisition programs.

An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

- *Exploration Stage Company and Exploration Risks*

The Company is a junior resource company focused primarily on the acquisition and exploration of mineral properties located in Canada. The properties of the Company have no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration program of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves that are sufficient to commercially mine some of the Company's properties and to construct complete and install mining and processing facilities on those properties that are actually mined and developed.

- *No History of Profitability*

The Company is an exploration stage company with no history of profitability. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business plan.

- *Government Regulations*

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labor standards. In order for the Company to carry out its mining activities, its exploitation must be kept current. There is no guarantee that the Company's exploitation will be extended or that new exploitation will be granted. In addition, such exploitation could be changed and there can be no assurances that any application to renew any existing will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

- *Market Fluctuation and Commercial Quantities*

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral-producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability so any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

- *Mining Risks and Insurance*

The Company is subject to risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins, or flooding. The Company may become subject to liability for pollution, damage to life or property, and other hazards of mineral exploration against which it or the operator if its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for the acquisition of mineral prospects or exploration and development and would have a material adverse effect on the financial position of the Company.

- *Environmental Protection*

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal, and the promotion of occupational health and safety, which may adversely affect the Company or require it to expend significant funds.

- *Capital Investment*

The ability of the Company to continue the exploration and development of its property interests will be dependent upon its ability to raise significant additional financing. There is no assurance that adequate financing will be available to the Company or that the terms of such financing will be. Should the Company not be able to obtain such financing, its properties may be lost entirely.

- *Conflicts of Interest*

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in base and precious metal exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matters in which they may have a conflict of interest.

- *Current Global Financial Conditions*

Current global financial conditions have been characterized by increased volatility, declining liquidity and the exit of a number of traditional investors from public markets. Access to public financing has been made more challenging by a global contraction of commercial and consumer credit markets. The ensuing decline in consumption has led to a marked erosion of investor confidence and risk tolerance. A major consequence/contributor to these factors may be seen in the unparalleled number of established financial institutions facing involuntary corporate reorganization, insolvency, bankruptcy and/or governmental intervention. While the most sensational of the corporate casualties have occurred in the United States, the global nature of today's economic reality has left no interrelated public market unscathed. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company or at all. Any or all of these economic factors, as well as other factors not specifically identified herein, may cause a decline in asset values that could be deemed to be other than temporary, resulting in impairment losses. If such conditions continue, the Company's operations could be negatively impacted, and the trading price of its common shares may be adversely affected.

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business.

- *Novel Coronavirus ("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. Global stock markets have also experienced high volatility and significant movement. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. There is significant uncertainty surrounding COVID-19 and the extent and impact that it may have on our financial position and results, exploration activities, workers, partners, consultants, suppliers and on global financial markets is indeterminable at this time.

## **21.0 FURTHER INFORMATION**

Additional information relating to the Company can be found on the Company's website at [www.honeybadgersilver.com](http://www.honeybadgersilver.com).